ENVIRONMENTAL AND SOCIO-ECONOMIC IMPACT OF THE TRADE LIBERALISATION ON SUSTAINABLE MANAGEMENT OF THE SENEGALESE FISHERY SECTOR

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Introduction

The Senegalese economy had once depended heavily on phosphates and groundnut. Since the drought years and the crisis recorded in the agricultural sector, fishing has become the first sector of the economy. An essential component of rural development, fishing is a multipurpose activity strongly integrated in the rest of the Senegalese economy and society. Fishing plays a strategic role in ensuring durable growth of the national economy, notably, by contributing to reduction of balance of payments deficit, unemployment and to the satisfaction of the populations' protein needs.

Fishing as a major component of the government's food security policy provides 75% of the animal proteins. It employs about 15% of the working population, that is, about 600,000 people thus contributing largely to filling the unemployment gap. Furthermore, the Government is paying special attention to this sector in its effort to restore trade balance. It accounts for about one-third of the value of foreign sales. Fishing then played an important role in the whole mechanism.

Despite its economic and social importance, the sector has to face serious disequilibria both in resource exploitation and market supply. These pressures became clear as the sector took a turn towards meeting external demand. In a structural adjustment context, this move was facilitated through exogenous stimulation into the play of markets forces.

The main objective of this paper is to pinpoint crisis factors and their economic and environmental impacts with regards to international trade liberalisation and a few scenarios that are likely to dampen their effects will be described.

I. Senegalese Fisheries under Adjustment

1.1. A sector dominated by the small-scale fishery

During the colonial era and after independence, the Senegalese piscatorial sector witnessed numerous interventions aimed at organising its production. Most of these interventions were characterised by a "modernist" bias, which tried to model small-scale fishing on industrial development pattern represented by European fisheries. These attempts failed. While it absorbed most of the financing made available to fishing, the industrial sub-sector has remained more or less pale with clearly lower performance than that of its counterpart (pirogue fishing accounts for 80% of catches). Hence, the spectacular growth of the sector, the production of which increased from 50,000 tons in 1965 to about 450,000 tons today should be mainly attributed to a dynamic small-scale fishing sector.

1.2. Structural adjustment, domestic market liberalisation and growth trough exports

In the early 1980s, Senegal was confronted with a serious crisis resulting from the persistent difficulties in various sectors. The balance of payments continuously deteriorated over the past decade due to declining export receipts and increased prices of imported goods, resulting in increased Government's debt. Given the size of the deficits, Senegal could no longer avoid adjusting to its external environment. It was the first sub-Saharan country to sign, in 1980, an extended Fund facility with the International Monetary Fund (IMF) and a structural adjustment programme (SAP) with the World Bank.

With structural adjustment policies, the Government gradually withdrew from the fishing sector. It has withdrawn from input and fishing equipment distribution since 1985 and was replaced by the private sector while maintaining reduced tax on motors, fishing gears and fuel. The Government, with the support of international donors, replaced official funding with private funding. Fish marketing and the profession of fish wholesaler have been liberalised.

The application of SAP in Senegal coincided with increased share of piscatorial products in exports. Since 1986, the sector has topped the list of external trade ahead of the combination of phosphates and groundnut and accounted for about one-third of external receipts. As a result, authorities and donors interest in the fisheries could no longer be denied. Hinged on efforts to restore equilibrium in the external accounts, which is required to balance liabilities, adjustment favoured "growth through exports" policies. Fishing then played an important role in the whole mechanism.

II. Lome Agreement and liberalisation of international trade

The domestic and external mechanisms that greatly supported the connection of the piscatorial sector to external markets include notably : granting of free exporting enterprise status, export subsidy, Lome Agreement, devaluation and fish agreements. Our analysis will be oriented mainly on the Lome Agreement the most remunerating one.

2.1. Lome Agreement and export orientation

While a number of its former colonies had or were about to conclude structural adjustment agreements with the IMF, in 1982 Europe concluded with them, the co-operation agreements known as the Lome Agreement. In a context in which many ACP economies generally experienced public finance deficits and struggled to balance their external accounts as a priority, the trade aspect of the agreements were naturally essential. The Agreement, therefore, instituted a customs duty-free regime applicable to most of the products originating from ACP countries on entry onto the European market. Piscatorial products are covered by this regime.

The Lome Agreement largely contributed to stronger competitivity of Senegalese piscatorial products on the European market. In the years following its adoption, Senegalese exports to Europe kept growing. Actually, between 1982 and 1991, exported volumes rose from 90,000 tons to about 120,000 tons (table 1) and the European market absorbed the greatest share of that increase. Canned tuna and frozen products benefited most from the preferential regime. Globally it is estimated that the European market absorbs up to 66% of exports of Senegalese piscatorial products.

While all the operators with a linkage to external market benefited from a favourable environment, the economic and financial situation of the various components of production chain is different. It is necessary notably to make a distinction from that standpoint between the capture component and the packaging and processing units. The increased number and capitalisation of demersal fishing units did not prevent their operating accounts from improving despite resource scarcity, especially that strong demand exerted upward pressure on commodity prices. On the contrary, the export-oriented packaging-processing component felt the full force of the blow dealt by the monetary illusion that followed devaluation. Though higher demand sent sale prices upward, if failed, in view of limited stocks, to compensate for rare raw materials and to cover higher costs. This situation probably turned out to be favourable to fresh or frozen exports, which require fewer investments hence fewer charges than processed products.

This, indeed, is the background against which a new external shock is looming up the consequences of which will potentially determine the future of exports i.e. the liberalisation of international trade led by the World Trade Organisation (WTO). WTO is founded on the principle of national treatment and most-favoured nation clause. Most-favoured nation clause bans, in principle, application of different treatments to countries at equal development stage. The Generalised System of Preferences (GSP) provides, indeed, that all developing countries must benefit from equal trade advantages. As it appears, the whole foundations of the Lome Agreement, especially the one authorising ACP countries to penetrate the European market with lifted customs duties, are threatened by WTO rules. WTO actually tries to reduce or eliminate both tariff and non- tariff barriers and even to turn non-tariff barriers into customs duties because they are more transparent and easier to reduce. During *Uruguay Round* the three main import markets reduced substantially their applicable tariffs under most-favoured Nation clause : USA applies 0.9%, Japan 4.1% and European Union 10.7%. But on the whole, Europe reduced its tariffs by a lower rate than the other developed countries. Thus, the advantages that ACP countries enjoyed on the European market in relation to other developing countries remained significant. The prospect of their being called into question constitutes, therefore, a threat to the exports of piscatorial products originating from ACP countries, which are so dependent on the European market.

As a result, Senegalese exports are threatened in two ways; first, by difficult access to raw materials in a context of resource overexploitation and secondly, by the questioning of the Lome regime, which gave them access to the European market.

2.2. Environmental impacts

The creation of a favourable environment for exports finally influenced the conditions of reproduction of export breeds. A number of breeds are apparently on the verge of biological rupture. Should exploitation be pursued at current rate, the developments observed regarding processing component is likely to be repeated at the capture level. Concurrently, while official incentives stimulate exports, an increasing number of specialised operators in the capture of domestic market breeds, notably, small pelagic fish, have turned to coastal demersal fishing. They have been all the more encouraged to do so as devaluation has increased capital charges without changing the level of domestic demand. The resulting gap often required that production be adapted or face bankruptcy. Therefore, the conditions for lower supply on domestic market had been met, triggering an increase in prices, which is dangerous for the country's food security.

2.3. Erosion of trade advantages and competitivity

The Senegalese piscatorial sector is now facing serious difficulties resulting especially from overexploitation of certain stocks and domestic market supply problems. At first glance, exports appear to be performing better than the rest of the sector. Actually, since devaluation, they have kept growing in value from CFA F 49 billion in 1993 to CFA F 185 billion in 1999 (table 2). However, while exported volumes expanded rapidly in the 1970s and 1980s, they seem to have reached in the past decade a ceiling, which is now apparently difficult to exceed. Recent trends even tend to arouse fears of a decline in exported volumes – at least of noble breeds – which is more attributable to resource constraints than to competitivity (demand and prices remain sustained). To these constraints must be added some others linked to the gradual questioning of trade advantages on the European market.

Hence, any questioning of the Lome Agreement is likely to entail very negative consequences on Senegalese exports of processed piscatorial products starting with canned tuna. For different reasons (cost of raw materials is lower in the Pacific Ocean, take-over by Thai industry of the most performing enterprises on the market, relocation in countries with tax advantages and cheap labour, devaluation following Asian financial crisis…), production cost differential between a Thai canned tuna and its Senegalese counterpart varies between CFAF 70 and CFAF 90 in favour of the former. This difference represents almost exactly the amount of customs duties applicable to Thai canned tuna.

III. Conclusion and recommendations

3.1. Product valorisation

As a result of pressures exerted on resources, efforts should focus on increasing product value-added without volume expansion at least that of exports.

Official interventions which are likely to better valorise production of piscatorial resources should be in the form of infrastructures construction, support to some fisheries and banning measures.

- With regard to infrastructures, the programme on the construction of fishing wharves is likely to reduce post-capture losses. It should be complemented with a programme on the organisation and security of small-scale fish processing sites. Such a measure would make it possible to improve the working conditions of fish processing women, activity profitability, sanitation and product quality. It will at the same time contribute to the food security policy. The installation of stocking infrastructures in the main small-scale processing centres aims at the same objectives. The improvement of existing roads or construction of new ones at the national and sub-regional levels would also help to better valorise sea production.

- As for support to some fisheries, the revival of sardine semi-industrial fishing would provide more raw materials to industrial processing (canned fish, freezing…) without competing with small-scale fishing (products of smaller size). It would extend the range of products exported to Africa. The organisation of a system of collecting rejections of industrial fishing with the use of pirogues assembled in secondary coastal surveillance centres would contribute to increasing available quantities for the domestic markets and small-scale processing.

- The packaging and processing components being in a clear overcapacity situation, a freeze on new plants would be recommendable. Failing which, the arrival of newcomers attracted by a depleting rent might entail the bankruptcy of all the owners.

3.2. Resource Preservation

For the authorities to exercise their regulating power, there is need to ensure a better application of existing rules and to enact new measures.

Existing regulations must be enforced especially those relating to stitch and marketed breeds sizes. Therefore, the use of small stitch beach seines is still widespread and especially in spawning areas (Bargny), in violation of existing law.

Concerning the new regulations, exports of endangered species as whole products might be banned or surtaxed. A freeze on global fishing (small-scale and industrial) effort on coastal demersals also seems to be desirable. Regarding industrial ships, the principle of a freeze on licence issuing must be respected and dues must not be based on gauge tonnage but rather on the value of landed breeds. As far as small-scale fishing units are concerned, they might also be required to be licensed.

The adequate measures that can preserve resources have all the more chances to be efficient if they were decided and applied with the involvement of professionals of the sector and of all interested parties (fishermen, boat owners, fish processing women, researchers, NGO, etc.).

3.3. Market-based Mechanism and Economic Measures

Market-based mechanisms and economic measures are also likely to increase the value of production. These include notably tax and customs incentives, measures facilitating the use of technologies adapted to industrial and small-scale processing and systems designed to support market exploration.

- The extension of free export enterprise status would help to reinforce, in liberalisation context, the sector's external competitivity. However, such a non-discriminatory measure applicable to all the parties of an overcapitalised component might strengthen, unless specific banning measures are enacted, attempts at exporting whole products. It seems, therefore, to be more appropriate to grant tax and customs advantages in proportion with product industrial value-added. Such a measure offers the advantage of reconciling external competitiveness and sustainable management of resources. On the other hand, the persistence of tax barriers hinders the circulation of sea products within regional customs unions despite lower customs duties. It is therefore necessary to negotiate, at the sub-regional level, a customs and tax harmonisation policy that would profit all the States.

- Next, financial incentives notably in terms of credit, might facilitate acquisition of technologies adapted to industrial and small-scale processing. As far as small-scale processing is concerned, its yields and quality and healthiness might be improved through diffusion of CHORKOR and PARPAING ovens, handling tools and stocking infrastructures.… Concerning industrial processing, the preparation of fillets, fish steak or shrimps peeling require relatively simple and cheap technologies. Incentive mechanisms might facilitate their diffusion.

- The penetration of new markets both African, Asian or American would be eventually favoured through study of their specific features. Technical obstacles and those relating to the consumers' tastes might be surmounted.

References

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TABLE 1

Exports Trends (Volume and Value) 1980 - 1990 (tons and CFA F)

Year	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Volume	84036	90204	91742	93344	94102	95449	93975	110808,6	111125,5	118326	124672,6
Value	32506359	37498726	47930780	52332207	61873032	74044942	89563789	98390104	94969956	91325566	110498253

Source : DOPM

TABLE 2

Senegalese Exports of Piscatorial Products (tons)

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Volume	124672.6	118850.6	86110.65	83822.79	93674	103463	107080	112157	109448	124338

Source : DOPM