

## **Testimony of Tom Bastoni**

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**Subcommittee on International Trade, Customs, and Global Competitiveness**

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Good morning Mr. Chairman. My name is Tom Bastoni and I am the Vice President and General Manager of the Scallop Division for the American Seafoods Group located in New Bedford, Massachusetts. I appreciate the invitation to testify before the Subcommittee today on the important issue of trade practices and policies that impact the seafood community. In addition to broadly addressing how Illegal, Unregulated, and Unreported (IUU) fishing impacts U.S. seafood companies directly, I would also like to take this opportunity to address a few key export-related issues that impact our company specifically and that are poised to have national implications for our country's seafood supply chain if not remedied.

### **American Seafood Group and Personal Background**

American Seafoods Group (ASG) is one of the leading integrated seafood companies in the U.S. in terms of revenues, with sales of \$500 million. American Seafoods operates in two principal business segments, at-sea harvesting and land-based processing. Over 1,000 employees operate six factory vessels, two cold storage warehouses and two processing plants on the West and East Coasts.

Our at-sea harvesting segment includes the harvesting and processing of Alaskan pollock, cod, hake and yellowfin sole. American Seafoods is the largest harvester in the U.S. Bering Sea fishery with approximately 20% catcher-processor market share. The U.S. Bering Sea Pollock fishery, located off the coast of Alaska, is the largest commercial finfish fishery in the U.S and many believe it's among the world's most conservatively managed. Processing of these whitefish species occurs on our vessels while at sea.

The land-based processing segment includes the processing of groundfish, value-added seafood and scallops at our facilities located in Massachusetts, where we employ 300 people. As I will later describe some specific scallop situations, I note that American Seafood procures and processes about 20 percent or 12 million of the 60 million pound domestic sea scallop landings.

ASG markets our products to a diverse group of customers in the restaurant and retail business. While you typically would not see our product directly, you find them in scallop dishes at restaurants like Red Lobster or Bonefish Grill. To paraphrase an old commercial, you will not see American Seafood products, but you will see how American Seafood makes seafood dishes better. Our sales are about evenly divided between Asia, Europe, and the Americas, so the issues of international trade are essential to American Seafoods.

Personally, I am a native of the New Bedford area, attended Loyola College in Montreal, and have more than 30 years experience on the waterfront. I oversee the scallop company procurement, processing, production, and sales efforts.

While I am here today to give the Subcommittee our company's perspective, as a member of the nation's leading seafood trade association, the National Fisheries Institute, our positions reflect the majority of our competitors in the seafood community.

## **Global Seafood Trade**

Fish and seafood products are among the most globally traded of all commodities. At more than \$200 billion in trade, seafood is more globally sourced than coffee, rice, and tea combined. Many U.S. harvesters and processors export as much as two thirds of their products to the European Union and Asia; and more than eighty percent of the seafood Americans enjoy is imported. This globalized system benefits American consumers, as they have increased choices for seafood, and U.S. manufacturers, as they earn profits from selling their products abroad. The two systems, imports and exports, are linked, an issue I will take up later in this testimony.

## **Scallop Trade Dispute with European Union: Example of Need for Government-Industry Cooperation**

Massachusetts is the center of the U.S. scallop industry. Scallop harvesting, processing, and distribution employs 3,000 people, mostly in the New Bedford area. Annual revenues from the fishery exceed \$400 million. The scallop fishery is well managed through the Magnuson-Stevens Act and the New England Fishery Management Council. Through the integrated efforts of NOAA, academia, conservations groups, and the fishing community, scallops are considered a sustainable source of healthy proteins. Typical techniques to ensure scallops are available now and into the future include limiting the fishing effort through caps on the number of days at sea, limiting the labor force allowed to seven per vessel, employing rings that prevent smaller scallops from being harvested, shifting gear types, and rotating harvest beds (much like a farmer might leave a field fallow for a year). We are confident enough of the manner in which our fishery is run that we are seeking independent third party assessment and certification through the internationally recognized Marine Stewardship Council system.

Turning to trade, scallop exports to Europe and elsewhere are an important part of our company's growth strategy. Current exports of scallops to Europe, mostly to France, are about \$120 million. We expect that to grow substantially over the coming years. However, we need government support and action when these exports are threatened, as the following example demonstrates.

Late last year, the European Union (EU) announced that the U.S. must recognize the EU shellfish safety system as equivalent to the U.S.' system. Absent that U.S. declaration, the EU threatened to ban all exports of live bivalve mollusks and derived fishery products including scallops, clams and oysters.

At the urging of Senator Kerry and Representative Frank, various federal agencies became involved in this trade dispute. The Food and Drug Administration (FDA) led technical negotiations with their EU counterparts. The National Oceanic and Atmospheric Administration (NOAA) provided excellent advice about EU intentions. The United States Trade Representative (USTR) offered expertise on the EU's responsibilities under various trade agreements. And the Foreign Agriculture Service attaché at our Embassy in Paris communicated the U.S. government's concerns to the French government. On a parallel path, the National Fisheries Institute and the scallop exporting community worked with our customers in France and throughout the EU to ensure they communicated with various European governments about the negative impact this proposed ban would have on European consumers. Through these combined efforts, scallops were not banned for export. The challenge remains, though, for oyster exports to the EU have ceased as of July 1.

The point of this example is to stress that industry alone cannot solve trade export problems. It often requires a partnership between U.S. government agencies, working with industry, to ensure seafood products can continue to be exported to current markets or break into new markets. U.S. government agencies should not be considered glorified economic development agencies. But if we are to double exports in over the next five years, as President Obama has called for, then NOAA, FDA, USTR, and our Embassies must commit resources and work as a team to break down current and future barriers. The seafood community stands ready to partner with government on these efforts.

This situation also highlights the problems with so-called "equivalency requirements" in international food safety regulations. All nations, including the U.S., should refrain from such requirements that are unnecessary to assure imported food is safe and wholesome.

### **Illegal, Unregulated and Unreported Fishing**

American Seafood Group primarily produces domestically produced pollock, pacific cod, pacific whiting, yellowfin sole and sea scallops. Because of the rigor of the U.S. fishery management council system, a transparent and participatory system that includes conservation groups, academics, industry, and government, the U.S. does not have a significant IUU problem. And because the Northeast Atlantic scallop fishery is the world's largest, we do not face significant competition from IUU scallops. American Seafood's Pacific operations, however, do face challenges from other white fish sold into the European market that is caught by IUU means. We urge NOAA, USTR, and the State Department to continue to develop a unified U.S. government approach to combating the IUU challenge, whether it is through bilateral discussions or multilateral efforts like the UN Port States Agreement.

I should note, and understand others' testimony will elaborate on this, that NOAA successfully streamlined the EU's recent requirements on IUU certification. The result of their work was a significantly less burdensome system for U.S. seafood exporters. We urge NOAA to work on the problem of trade secrets inadvertently being made available to the EU through required sourcing documentation. For instance, lobsters processed in Cape Cod and sold to Europe must contain

information about the original Canadian source of the lobster. This transparency, while helpful in tracking the lobster's "travels," also enables a European customer to bypass a Massachusetts company and work directly with the original Canadian source. This obviously impacts the Massachusetts' company's chance to export.

## **Exports and Imports Are Linked**

President Obama is committed to reenergizing America's leadership abroad. That leadership takes many forms, including trade issues. Whether it is a commitment at the 2009 G-20 meeting to ensure freer trade helps the global economy rebound or a renewed commitment to the Trans-Pacific Partnership (TPP), the President seeks to ensure increased trade benefits American consumers and manufacturers.

Successful businesses develop relationships with suppliers and customers based on mutual respect. I cannot treat a captain unfairly in the price I pay for his/her products. If I did, my reputation would suffer all along the waterfront and my scallop sources would dry up. Similarly, I must work to ensure my customers trust that American Seafood will deliver products at the time needed, in the amount called for, and at the price agreed to.

The Administration needs to also ensure all its agencies have a analogous view regarding trade. We cannot expect to achieve the President's goal of doubling exports ---- exports that will help lead us out of recession ---- if we do not show the same kind of respect for those that seek to export products to the United States. That kind of mutual respect will help open new markets for us. On the flip side, if we are seen as unnecessarily preventing imports of safe products into the U.S., including establishing the unnecessary equivalency standard mentioned previously, our trading partners (much like suppliers and customers) will not perceive us as trustworthy.

As an example, American Seafood relies primarily on domestic fish for processing. However, an important and growing part of our business is processing some imported fish. Our customers expect us to provide the mix of seafood that consumers want. So, while we rely heavily on exports, we are concerned when parts of the Administration erect barriers to those imports we need now or in the future. We urge the Administration to think carefully about any actions one department may take that negatively impacts our global trade opportunities.

## **Recommendations and Conclusion**

Senator Kerry recently relayed the story of Bonnie and Clyde being asked why they robbed banks. Their simple answer was "Because that's where the money is." In a similar fashion, President Obama and Senator Kerry have urged U.S. companies to create more export opportunities, "because that is where the markets are."

The U.S. government can help seafood exporters by:

1. Working through various bilateral and multilateral efforts to reduce target markets' remaining seafood tariffs
2. Working across the government and collaboratively with industry to identify and eliminate regulatory barriers in target markets
3. Ensuring that our global trading partners see us as just that --- partners in creating wealth on both sides of a trading relationship.

I would like to again thank the Subcommittee for allowing me the opportunity to address the importance of free and open trade to the U.S. seafood community. Seafood is an essential source of protein for many of the world. It is also a source of stabilizing foreign currency for many countries. It is in our country's best interest to address any unnecessary or costly barriers to our ability to access and trade safe and wholesome seafood. I would be pleased to answer any questions.