

**MARINE WEALTH: PROMOTING CONSERVATION
AND ADVANCING AMERICAN EXPORTS**

HEARING

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL TRADE,
CUSTOMS, AND GLOBAL COMPETITIVENESS

OF THE

**COMMITTEE ON FINANCE
UNITED STATES SENATE**

ONE HUNDRED ELEVENTH CONGRESS

SECOND SESSION

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**MARINE WEALTH: PROMOTING
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WEDNESDAY, JULY 14, 2010

U.S. SENATE,
SUBCOMMITTEE ON INTERNATIONAL TRADE,
CUSTOMS, AND GLOBAL COMPETITIVENESS,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 3:17 p.m., in room SD-215, Dirksen Senate Office Building, Hon. Ron Wyden (chairman of the subcommittee) presiding.

Present: Senators Kerry, Cantwell, and Crapo.

Also present: Democratic Staff: Jayme White, Staff Director, Subcommittee on International Trade, Customs, and Global Competitiveness; and Rory Murphy, International Trade Analyst. Republican Staff: Staci Lancaster, Staff Director, Subcommittee on International Trade, Customs, and Global Competitiveness.

**OPENING STATEMENT OF HON. RON WYDEN, A U.S. SENATOR
FROM OREGON, CHAIRMAN, SUBCOMMITTEE ON INTERNATIONAL TRADE, CUSTOMS, AND GLOBAL COMPETITIVENESS, COMMITTEE ON FINANCE**

Senator WYDEN. We are very appreciative of our guests. And my apologies that we had to move this back a little bit, but I think this is a particularly important hearing, and I am very pleased that we could have so many distinguished guests.

There is something of an urban legend that has developed over the years about how economic growth and preservation of the environment will invariably be in conflict and about how trade agreements will encourage a race to the bottom, where the environment takes a back seat to commerce.

Today's hearing is going to demonstrate clearly that, in the case of fisheries, the opposite is the case. A healthy marine environment is the foundation of a vibrant seafood industry that sustains good-paying jobs in a growing economy.

Binding, enforceable trade agreements can be a powerful tool to promote marine conservation, because they can stop our trading partners from relying on poor environmental standards to achieve an unfair advantage in a tough competitive world marketplace.

Now, this is not just my view. Here is what Mr. Danson from Oceana says in his written testimony. "There is an inextricable link between ocean conservation and global competitiveness. Reducing

subsidies is a necessary action to reduce global overfishing, and the WTO negotiations are our best chance.”

Mr. Schorr backs this up, from the World Wildlife Fund, saying, “Nothing has done more to refocus the trade and environment debate in a positive direction than the World Trade Organization fishery subsidies negotiations.”

Right now, our country is proud to be a world leader in the fishing and seafood processing industries. We rank among the world’s top five exporters of seafood, and its largest importer.

Today’s hearing is about understanding the challenges the U.S. seafood industry faces on the global stage and making sure that our government does all it can to maintain that status as a leader.

The U.S. does not just talk about the importance of sustainable fishing practices and marine conservation. We are practicing what we preach. That means enforcing regulations and changing old, counterproductive, destructive habits.

Our seafood industry is stronger because of it, and, certainly, there are opportunities for improvement. At the same time, our market is open. In my book, this is the way every country ought to run its seafood industry.

Our foreign trading partners, on the other hand, often support practices that can cause long-term harm to marine habitat. Some of them, in fact, allow and encourage unfair and unsustainable fishing practices.

In addition, our trading partners put up trade barriers that prevent sustainably caught U.S. seafood from reaching foreign consumers. These are practices that skew the playing field in a competitive marketplace. They skew the playing field against American fishers and give foreign competitors a huge advantage in an industry that depends on global trade.

Forty percent of global fishery products are traded internationally, and seafood is more globally sourced than coffee, rice, and tea combined.

Through today’s hearing, we want to highlight for the Obama administration that this committee sees harmful foreign trade barriers and practices that encourage overfishing as top priorities that need to be addressed.

This is going to be a hearing that exposes how foreign trade barriers harm our country’s ability to create good-paying jobs. We intend to make it crystal clear that preserving the wealth of the world’s marine environment is of paramount importance.

The U.S. seafood industry represents a major portion of our economy, employing over 1.5 million workers in the commercial sector alone. The commercial seafood industry has a significant presence in over 23 States and is an industry and, in fact, a way of life, a way of life that binds communities and stitches together the regions of our country.

The seafood sector employs more people than the mining, oil, or, perhaps noteworthy for today, even the movie industry. The seafood our fishermen catch represents the only wild food we will eat on a commercial scale, from Pacific crab and salmon to New England lobster and scallops.

In the Pacific Northwest, the seafood industry is a central part of our identity and the heritage of the region that Senator Crapo

and I are proud to represent. It is also a foundation of our economy because, without fish, there are no jobs.

So for us, preserving the wealth of our oceans and rivers is an economic imperative as much as a moral one.

Our committee, under the leadership of Chairman Max Baucus, expects to work closely with the Obama administration to take advantage of international trade negotiations as a forum to level the playing field for our seafood industry and promote marine conservation.

We will encourage the administration to use the full force of our country to remove trade barriers facing American seafood and obtain enforceable commitments to prevent overfishing.

Let me be clear. I do not want to see a trade agreement come before this committee that does not contain provisions to break down trade barriers to U.S. seafood and prevent overfishing.

Before our government are opportunities to make significant progress on preserving the marine environment, while also promoting freer trade in seafood. We will hear from witnesses who will tell us how the government should identify and seize these opportunities, because doing so will create new jobs, while improving the health of our oceans and seafood crop there.

That is what I would call a successful 21st-century international trade policy.

I want to yield to my friend and long-time colleague, Senator Mike Crapo. We team up on many matters in a bipartisan way. This is another one.

Senator Crapo, please proceed as you would like.

**OPENING STATEMENT OF HON. MIKE CRAPO,
A U.S. SENATOR FROM IDAHO**

Senator CRAPO. Well, thank you very much, Mr. Chairman. And I was going to note, too, that you and I have a very good personal relationship and work closely together on many different issues in a bipartisan fashion, and this is just one more opportunity for us to do so.

I appreciate your being willing to hold this hearing to consider the relationship between promoting ocean conservation and improving U.S. fish and seafood producers' ability to compete in global markets.

I also want to thank each of our witnesses for being here today, and thank you for being with us to share your insight.

With increasing strains on the world's ocean fisheries, especially in light of the recent and tragic oil spill in the Gulf, the importance of this discussion is intensified. As we consider the impacts of illegal, unreported, and unregulated fishing, and foreign subsidies and export barriers on efforts to improve ocean health and global markets, I am interested in hearing our witnesses' perspectives today on the best roles for the U.S. Government, the fishing industry, and the environmental conservation community in contributing to this effort.

There are market-based certification approaches and eco-friendly seafood buying practices. The U.S. continues to pursue objectives in fisheries subsidies negotiations in the World Trade Organization

Doha Round, and efforts remain to reduce trade barriers in the global seafood market.

It is essential to consider the most productive ways for each of these sectors to make progress in improving ocean and market conditions.

Interestingly, Mr. Chairman, I am also interested in the role of aquaculture in meeting growing world demand for seafood and assisting with ocean conservation efforts. People who think of Idaho are oftentimes surprised to hear that Idaho is the national leader in trout production. In fact, 68 percent of the U.S. trout production is in Idaho.

And, as pressure on our oceans and wild fish populations increases, it is essential to look at the function of farm-raised fish in helping to meet the global demand and relieve some of the stress on our oceans.

The U.S. imports roughly 3 times more fish products than we export. While trade negotiators pursue the elimination of the most harmful fisheries subsidies through the WTO and Trans-Pacific Partnership negotiations, reducing tariffs on U.S. fish and seafood exports must remain a priority.

The pending free trade agreements with Panama, Colombia, and Korea would help increase market access for U.S. seafood exports. For example, the U.S. International Trade Commission found that the U.S.-Korea FTA could result in an increase in U.S. seafood exports to Korea of up to \$20 million.

Through the United States-Colombia FTA and the U.S.-Panama FTA, U.S. seafood and fish products would gain immediate duty-free access.

The need for timely progress on these free trade agreements is long overdue. It is a collective responsibility that we have to ensure the health of our world's oceans, to sustain a vigorous seafood and fish supply, to meet the needs of a growing population, and to improve market conditions for global competitiveness.

And I go back to the beginning of your statement, Mr. Chairman, where often there is a perceived conflict between the economy and jobs, and conservation and the environment, and this is one area where I believe we can clearly show that the belief that they are in contradiction with each other is simply not accurate.

Again, I welcome this discussion and appreciate the opportunity to be here with you today.

Senator WYDEN. Senator Crapo, thank you very much. And you are absolutely right, we have worked together on a lot of issues, and this is just a pleasure for me to be able to sit side-by-side and team up on this one. I think it is important for our region, and it is important for the country.

We have an excellent first panel. Mr. Ted Danson is here. He is a board member of Oceana. And suffice it to say, he is a hands-on board member. He has 20 years of experience in this area, working for clean, healthy oceans. Mr. Danson, we are very pleased that you could be with us.

Mr. David Schorr is here. He is a fellow with the World Wildlife Fund. He has been involved in the WTO negotiations on fishing subsidies for the last 9 years.

I am very pleased that we have a constituent from home here. Rod Moore is the executive director of the West Coast Seafood Processors, and from the best hometown on the planet, Portland, OR. And, Rod, we are glad you are here. He is part of a fishing tradition that supports thousands of good-paying jobs in our State and in the Northwest, and we can provide a lot more if we level the playing field for U.S. seafood in global markets.

We also want to recognize this afternoon that the seafood industry is as diverse as the regions of our country. Just as Mr. Moore comes to share the perspective of the West Coast fishermen, Mr. Tom Bastoni is here to discuss the concerns of New England. And I might note, having said hello to Mr. Bastoni, he will discuss those concerns with a distinctive New England vernacular. And we are glad that you are here. He is the vice president and general manager of the scallop division for the American Seafoods Group, and we are happy to have your input today.

So I think we will begin with the viewpoints of you four. Then we are going to bring in the administration folks and start with some questions.

So, Mr. Danson, welcome. We will make your prepared remarks a part of the formal hearing transcript in their entirety, and, if you could take maybe 5 minutes or thereabouts to kind of highlight some of your major concerns, that would be great. And I know you are going to get plenty of questions, too.

**STATEMENT OF TED DANSON, BOARD MEMBER,
OCEANA, LOS ANGELES, CA**

Mr. DANSON. Thank you. I would like to thank both of you very much for including me. My name is Ted Danson. I am a long-time ocean advocate and member of the Board of Directors of Oceana. We are an international ocean conservation organization based in Washington, DC.

I have been working, as you said, on ocean issues for more than 20 years. My interest started when I was with my two children, who were 4 and 8, and we were taking a walk in Santa Monica on the beach there and about to go swimming when we ran into a sign that said "no swimming, water is polluted." And my daughters asked me why, and I had no idea. How could something so vast, so large, have a problem?

So I started asking questions, and one thing led to another. With a friend of mine who was an environmental lawyer, Bob Sulnick, we co-founded the American Oceans Campaign to clean up beaches and the ocean. And for 15 years, we worked to protect the oceans from oil drilling and other threats.

But what I learned along the way is that overfishing, in addition to pollution, is a major problem facing our oceans. Most people think of pollution as the biggest problem, because that is what we are familiar with. But we often do not understand the harm that comes from overfishing, because it happens far away and below the surface, and we cannot see the destruction that is occurring.

In order to expand the capacity of the American Oceans Campaign, we decided to join with Oceana, which has become the world's largest organization focused solely on marine issues. And that is why I am particularly excited to be here today, because

there is an—you said this better than I did—inextricable link between ocean conservation and global competitiveness.

We need to think about fish as a global commodity. The United States is now the world's largest importer of seafood and ranks as one of the top five exporters. And at home, our commercial and recreational fisheries supply more than 2 million jobs.

But the world's fisheries are in trouble. According to the U.N. Food and Agricultural Organization, 80 percent of the world's fisheries are now overexploited, fully exploited, significantly depleted, or recovering from overexploitation. And yet, despite international consensus about the depleted state of the oceans, many governments continue to provide major subsidies to their fishing sectors.

Subsidies not only distort markets and support uneconomic activities, but are a major incentive promoting overfishing and other destructive fishing practices. These subsidies push fleets to fish longer, deeper, and farther away than would be economically viable. Many fleets continue to operate only with the support of government subsidies.

To put it in an economic context, these overfishing subsidies are estimated to be approximately \$20 billion a year. World fishing revenue is at about \$80 billion to \$100 billion annually. So that is approximately 25 percent of the entire fishing industry that is subsidized.

To no surprise, some of the biggest fishing nations, like the European Union and Japan, are among the world's top subsidizers. But the developing world is catching up. The 10 largest developing fishing nations, including countries such as China and Brazil, are estimated to provide subsidies nearly equal to those of their industrialized counterparts.

Subsidies have also been connected to illegal, unreported, and unregulated (IUU) fishing. IUU fishing is a serious global problem that takes away billions of dollars in revenue each year from legitimate fishermen.

For example, it has been more than 15 years since the United Nations General Assembly established an international moratorium banning the use of driftnets, 8 years since they were banned in the European Union. But Oceana documented hundreds of boats in the Mediterranean with illegal nets that have taken subsidies by European institutions to convert them to legal gear.

In sum, the effects of fishing subsidies are so great that eliminating them is likely the single greatest action that can be taken to protect the world's oceans.

Nearly 10 years ago, world trade ministers recognized the importance of healthy fisheries to trade and development, and initiated negotiations on fisheries subsidies as part of the World Trade Organization (WTO) Doha Round. These negotiations are the first time that environmental concerns have led to the launch of a specific trade negotiation.

The fisheries subsidies negotiations have made significant progress in the past few years, in considerable part, from the contributions of the United States. I have had the pleasure and good fortune to travel to Geneva twice to meet with ambassadors and delegations to the WTO, as well as Director-General Pascal Lamy.

I have heard a wide range of perspectives and views, all of which are very different, but still true. So I recognize the enormity of the task in front of you, but the stakes are high and so should be our expectations. The implications of the fisheries subsidies negotiations reach far beyond just trade. Reducing subsidies is a necessary action to reverse global overfishing, and the WTO negotiations are our best chance.

And unlike many other international organizations, the WTO rules are legally binding and enforceable. That is why it is so important that we seize upon this opportunity. The world needs a fisheries subsidies agreement soon. We need the renewed leadership and commitment by Congress and the United States for the completion of the Doha Round and a strong fisheries subsidy agreement.

To be effective, this agreement must include a broad prohibition of subsidies that contribute to overcapacity and overfishing. I could say ocean protection is a moral issue, that it is about food and security and the environment. But it is also fundamentally about business and economics. It is quite simple. No fish, no fishermen, no future.

The oceans are at a crossroads. One road leads to tremendously diminished marine life, the other leads to oceans again teeming with abundance. The United States can help choose the right one.

Once again, thank you so much for your interest and your leadership and support on these issues.

[The prepared statement of Mr. Danson appears in the appendix.]

Senator WYDEN. Mr. Danson, thank you. We will have some questions in a moment. But I just want, before we move on, to commend you for a superb statement.

I think what you and your colleagues are showing at Oceana is that addressing environmental concerns and growing the economy, those two concerns are not mutually exclusive. It is going to be possible to do both, and you lay that out very well, eloquently, in your statement.

We will have some questions in a moment, but, again, our thanks to you for your leadership and for being here.

Mr. Schorr, welcome.

**STATEMENT OF DAVID SCHORR, FELLOW,
WORLD WILDLIFE FUND, WASHINGTON, DC**

Mr. SCHORR. Thank you, Mr. Chairman, Senator. Good afternoon. My name is David Schorr, and I speak to you today on behalf of the World Wildlife Fund, known internationally by its panda logo and supported by more than 5 million members around the world. WWF pursues science-based, solutions-oriented conservation in over 100 countries.

Mr. Chairman, WWF has long understood that sustainable trade is fundamental to the success of our environmental mission. That is certainly true when it comes to WWF's work to achieve sustainable fisheries.

To reverse the current crisis of overfishing, governments need to improve the way fisheries are managed and regulated. But improved regulations must go hand-in-hand with attention to under-

lying economic and commercial realities—realities, Mr. Chairman, that today are greatly affected by trade.

Nearly 40 percent of fisheries products now enter international commerce. But unfortunately, the economics of fisheries trade are dangerously out of balance. We face price signals and production costs heavily skewed by subsidies. We face a world market infected by trade in illegally caught fish. And we face a lack of commercial transparency that isolates consumers from basic information about the fish we purchase and eat.

To be blunt, Mr. Chairman, the context for trade today is a real part of the fisheries problem. But WWF feels that forward-looking trade policies can also be a real part of the solution, in several ways.

I begin with fisheries subsidies, where so much has been accomplished, but so much remains to be done. As you know, Mr. Chairman, and as Mr. Danson has said, the negotiations towards innovative WTO disciplines on fisheries subsidies have been underway in the Doha Round since 2001.

With leadership from successive administrations and bipartisan support in Congress, the U.S. has played a critical role in launching these negotiations and in moving them towards a ground-breaking result.

If the U.S. can close a strong WTO deal on fisheries subsidies, it will make a big difference for the international economics of fishing. And this is why heads of state, in 2002, at the World Summit on Sustainable Development, placed successful conclusion of the WTO fisheries subsidies negotiations among a handful of top priorities for establishing sustainable fisheries.

But the talks are also helping transform the WTO and the international trade policy dialogue itself.

When the WTO was born in 1994, the trade and environment debate was mainly dominated by mutual fears of environmentalists and trade policymakers. But nothing has done more to refocus the trade environment debate in a positive direction than dialogue on fisheries subsidies.

Through a long process, negotiators in Geneva have reached a point that in 1994 would have been difficult to imagine. The fisheries talks are now explicitly aimed at achieving sustainable patterns of natural resource-based production, and negotiators have agreed, in principal, that, where resource management has a direct bearing on the terms of production and trade, it is proper and even necessary for basic international environmental norms to be included in the WTO rules themselves.

In short, Mr. Chairman, the fisheries subsidies negotiations are helping change the substance and tone of trade diplomacy. But years of work will mean little if we do not ensure that the talks actually succeed. All along, they have proceeded at their own pace, with some of the hottest negotiations taking place precisely at low moments in the overall Doha Round.

Even in the last few months, the talks have been especially active. In May, for example, the United States tabled its most detailed and forward-looking proposal to date.

Mr. Chairman, a strong outcome at the WTO is within reach. We can achieve a broad prohibition on the most harmful fisheries sub-

sidies. We can make sure that those subsidies which remain are properly subject to environmental conditions and limits. And we can open the books on foreign subsidy practices by having strong reporting obligations that are enforceable under WTO law.

But this will only be possible with continued U.S. leadership both down in the trenches and at the highest political levels. Mr. Chairman, WWF encourages the subcommittee to help ensure that a win on fisheries subsidies remains visibly on the short list of U.S. demands for the Doha Round.

Mr. Chairman, a second critical factor affecting global fish markets is trade based on illegal fishing. According to various estimates, illegal fishing may account for nearly 20 percent of global catches. In some major commercial fisheries, it may be as high as 30 percent. That is a lot of illegal trade, and it again calls for good trade policies to be part of the solution.

As a starting place, Mr. Chairman, since 2006, U.S. law mandates certain trade measures against illegal fish products. But the 2006 language has left some gaps and ambiguities that will require further regulation and additional legislation.

From a trade perspective, it will be important for U.S. measures against illegal fishing to be predictable and fair. We need a process that takes the politics out of decisions on trade measures and that rests on good quality information about illegal fishing practices.

Three central ideas can contribute to this: first, developing a "living list" of vessels, companies, and individuals who are involved in illegal fishing; second, creating an interagency fisheries enforcement program to develop and respond to information about illegal fishing; and, third, to establish an international cooperation and assistance program to build capacity abroad to fight the illegal fish trade.

Fortunately, there is a bill currently before the Senate, bill S. 2870, that addresses some of these issues. WWF would like to thank several members of this subcommittee, Senators Cantwell, Kerry, and Snowe, for cosponsoring S. 2870.

S. 2870 will not only help make U.S. laws more effective, but will also reduce the likelihood that trade measures may lead to international disputes.

Mr. Chairman, beyond our borders, the international community is also moving rapidly towards frequent use of trade measures against illegal fishing. U.S. trade will benefit if such measures are as harmonized and effective as possible. Mr. Chairman, this is one area that could be a very productive focus for regional trade discussions, such as the Trans-Pacific Partnership.

Finally, Mr. Chairman, we should do much more to facilitate responsible fisheries trade. We need well-coordinated rules for tracking vessels and products as they move across the globe. We need to close loopholes in country of origin labeling laws. And we need fisheries trade facilitation built into our trade negotiations. This, again, could be an excellent focus for domestic legislation, as well as the TPP.

Mr. Chairman, in closing, I would like to thank you and the subcommittee for holding these hearings. Issues at the intersection of trade and environment require truly interdisciplinary policy-making, and your attention to these matters demonstrates your un-

derstanding and commitment to promoting international commerce that supports the ecosystems on which genuinely durable wealth depends.

Thank you, sir.

[The prepared statement of Mr. Schorr appears in the appendix.]

Senator WYDEN. Mr. Schorr, I thank you; a very good statement. We will have some questions in a moment.

Mr. Rod Moore, from Portland, OR, welcome.

**STATEMENT OF ROD MOORE, EXECUTIVE DIRECTOR,
WEST COAST SEAFOOD PROCESSORS, PORTLAND, OR**

Mr. MOORE. Thank you, Mr. Chairman. And before I start, I want to point out that, last night at dinner, I ate at a restaurant with its headquarters in Portland, but I had Idaho trout for dinner.

Senator WYDEN. You will do well around here.

Mr. MOORE. I try my best, Mr. Chairman. Thank you. For the record, my name is Rod Moore, and I serve as Executive Director of the West Coast Seafood Processors Association. Our members harvest, process, distribute, and sell a variety of seafood products in regional, national, and international markets.

I am also a member of the Pacific Fishery Management Council, but none of the testimony I am giving today is on behalf of the council nor does it necessarily reflect council policies or priorities.

Although seafood products have their own unique market niches, most are essentially fungible. They can be substituted. Even when we sell fish in a regional market, the ready availability of substitute products, frozen or fresh, affects the profitability of seafood processors and, in turn, affects the amount of money that we can spend on raw product, i.e., the price paid to the individual fisherman for his labor and capital investment.

So, while we compete on a number of levels—product characteristics, certification by international sustainability organizations, brand name—the most important consideration continues to be price: how much consumers are willing to pay for our products versus somebody else's products.

The U.S. seafood industry is largely unsubsidized. There are no price supports. There are no reference price levels. Seafood inspection necessary for international health certification is conducted by the National Marine Fisheries Service on a fee basis. We pay for it.

The fisheries finance program, which helps provide money for vessels to be reconstructed—the loans made under that program are at above market rates and there is a fee attached, so it is not like anybody is getting a free ride.

We are pretty much on our own in selling our products both at home and overseas, and, remarkably, we are pretty successful in doing that, which I think is a testimony to the hard work of U.S. fishermen and seafood processors in making available high quality products for the world market. And I think we have done an excellent job conserving and managing our resources, as well.

Conservation comes at a cost. Sometimes one that is higher than is necessary or appropriate, but we have shouldered that burden and continued to produce seafood for the domestic and international markets.

Now, that is the good news. The bad news is that, because the seafood market is international and because seafood products are interchangeable, factors that affect the price of our products, but keep those of our competitors lower can have significantly chilling effects on our ability to compete.

Now, focusing on the West Coast for a second, which is where all our members are from, one of the most frustrating issues we have had to deal with over the last 20 years is a highly discriminatory tariff on shrimp imposed by the European Union. Cold water shrimp, which most of you know as cocktail shrimp or salad shrimp—it is that tiny pink shrimp—comes in two varieties. There is *Pandalus jordani*, which we harvest on the West Coast, and there is *Pandalus borealis*, which they harvest on the East Coast.

Pandalus borealis gets into the European market at a 6-percent duty, which is dropping to zero this year. *Pandalus jordani* gets into the European market at a 20-percent duty. The two are interchangeable in the market. And the reason for this primarily is that, although the duty on cold water shrimp was imposed by Europe several years ago to protect their own industry—which is understandable; over the years, the amount of shrimp harvested by the European fleets has declined—most of the shrimp is now coming from Canada, and the Canadian government has worked closely with their industry to get that tariff reduced.

Unfortunately, we have not had as much cooperation and success with our government. So we are still going at 20 percent.

In the last 2 years, the Oregon shrimp industry has achieved certification officially by the Marine Stewardship Council. We made changes to gear to reduce by-catch, carry Federal observers, stay out of areas of critical habitat. All of these things are done to promote conservation. But we still have to compete on price, and, until we can resolve that price issue, we have a real problem.

Just the past 10 years, average annual landings in Oregon were 22.4 million pounds, with an average annual value to the vessels of over \$8 million and an average annual community impact of over \$20 million. If we had the opportunity to fully and fairly compete in the European market, that value could increase substantially.

And finally, a couple of words about the other issues that the committee has asked about. Subsidies: I agree with my colleagues to the right that, no, we should not be promoting subsidies that allow further harvest of species that are considered at risk. We would not do that in the United States, we do not do that in the United States, and it should not be happening overseas.

I do want to disagree on one point, and I think this may be a matter of looking at the glass half full rather than half empty.

The issue of the percentage of fisheries which are fully utilized and so forth—52 percent of the fisheries in the world are fully utilized. And, if you add the underutilized and partially utilized fisheries, that comes out to 72 percent.

To my mind, a fully utilized fishery is something that you want. In fact, the National Standards Guidelines, National Standard No. 1 of the Magnuson-Stevens Act, requires conservation and management measures to optimize yield for the benefit of the U.S. fishing industry.

So I kind of see that as a good thing, although I guess my colleagues look at it the other way. In fact, the Americanization that occurred on herring fisheries on the East Coast, pollock in Alaska, whiting on the West Coast, was done to fully utilize fisheries.

And finally, regarding IUU fisheries, although they generally do not affect our fishermen on the West Coast, I do want to—there is something that obviously we should not tolerate, and the U.S. has been fully active in several international organizations in trying to stop those.

And I would like to add a word of praise here for the National Marine Fisheries Service. The European Union was about to implement some regulations to prevent the importation of IUU species, which is a good thing. Unfortunately, the way they were doing it would have required traceability of fish back to the individual vessel, which is almost impossible to do in the United States. And NMFS stepped in and said, “Look, fish in the U.S. are caught under sound conservation laws. If we certify them as such, you should be willing to accept that,” and they did.

Mr. Chairman, that concludes my statement. My written statement is in the record. I look forward to answering questions, and I appreciate, again, your having this hearing.

[The prepared statement of Mr. Moore appears in the appendix.]

Senator WYDEN. It has been very helpful. We will have questions in a moment.

Mr. Bastoni?

STATEMENT OF TOM BASTONI, VICE PRESIDENT, SCALLOP DIVISION, AMERICAN PRIDE SEAFOODS, NEW BEDFORD, MA

Mr. BASTONI. Good afternoon, Mr. Chairman and Mr. Crapo. My name is Tom Bastoni, and I am the general manager for the scallop division for American Seafoods Group, located in New Bedford, MA.

As you might be able to tell, I am not a lobbyist or a spokesman. I am a guy who has spent the last 30 years working on the waterfront. I know how to procure, process, and sell scallops, and I have a good appreciation for how government can help or hurt our business.

I appreciate the opportunity to share with you ideas about how trade policies impact us. American Seafoods is one of the Nation’s leading seafood companies, with sales of \$500 million and over 1,000 employees. We operate vessels off Alaska and process scallops and other fish in plants in Massachusetts.

We sell our products to retail stores, restaurants, and food service. Our sales are evenly divided between Asia, Europe, and the Americas. So the issues of trade are essential to us.

Increasingly, Massachusetts seafood companies rely on exports for growth. One in every 10 Massachusetts seafood dollars is attributable to exports. From 2005 to 2009, seafood exports from the Commonwealth increased almost 25 percent to above \$475 million. Lobsters and my product, scallops, account for more than half of these exports.

The EU is our largest market, but it is at some risk. The EU recently announced that the U.S. must recognize their shellfish safety system is an equivalent to the U.S. system. Absent the U.S. declaration, the EU threatened to ban exports of all mollusks.

With the urging of Senators Kerry and Brown and Representatives Frank and Tierney, several U.S. agencies negotiated with the EU Commission. While the industry communicated with the European customers about the negative impact this ban would have had on customers, fortunately, through these combined efforts, scallops are not banned.

However, the challenge remains, as oyster exports to the EU ceased as of July 1. Governments do not export, companies do, but governments create the environment for us to export. And we urge each agency to think about what they can do to help create more market opportunities. The agencies must commit resources to break down barriers if we are to have double the exports, as President Obama has urged.

On the issue of IUU, the U.S. fisheries management is rigorous, transparent, and participatory, and it includes the views of conservation groups, academics, industry, and government.

Because of this rigor, there are few allegations of significant IUU problems in U.S. waters. American Seafood's Pacific operations, however, do face competitive challenges from foreign IUU whitefish sold into the European market. We urge the continued development of the unified U.S. Government approach to combating the IUU challenge.

Seafood trades hit more than \$200 billion annually, more so than nearly all other food products. While U.S. companies export nearly two-thirds of their products to the European Union and Asia, more than 80 percent of the seafood Americans enjoy is imported.

Massachusetts has three of the Nation's largest processors. These companies started out packing solely domestic product, but have increasingly turned to imported fish to keep their operation running and meet customers' demands.

It is estimated that more than 70 percent of the fish processed in Massachusetts's major operation now comes from overseas. Two-way trade is important to us and our competitors. Exports and imports are linked. We cannot expect to achieve the goal of doubling exports if we do not show the same kind of respect to those who seek to export products to the United States.

Senator Kerry talked about Bonnie and Clyde being asked why they robbed banks. The simple answer was because that is where the money is. U.S. seafood companies want to export, because that is where the market and opportunities are.

The U.S. Government can help seafood exporters by, number one, working to reduce markets' remaining seafood tariffs; number two, working across the government and collaboratively with industry to identify and eliminate regulatory barriers in target markets; and, number three, ensuring that our global trading partners see us as just that, partners in trading a good deal on both sides of the relationship.

Thank you, Mr. Chairman, for the chance to discuss these ideas with you, and 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.

Thank you.

[The prepared statement of Mr. Bastoni appears in the appendix.]

Senator WYDEN. Thank you very much, Mr. Bastoni. And I will have some questions for you in a moment, as well.

Let me just take a couple of minutes and start with you, Mr. Danson. As you know, you come to Washington, you have been doing this great work for Oceana, and there is lots on the agenda in Washington, DC. We are dealing with a host of issues, not much time to deal with all of them.

What is your sense about, why the urgency in this area? Why is it so important for the World Trade Organization to act on these subsidies and do it quickly, in your view?

Mr. DANSON. Well, whatever the agreement is about what the numbers are, our fisheries, the world's fisheries are in trouble. Since 1988, world catch has gone down continuously.

So we have an opportunity to have a large impact on the amount of fish taken out of our ocean. We have a chance to do something about illegal and unregulated fisheries, and it will be done in such a way that it has teeth, because a lot of what comes out of the United Nations or all the good rules and laws that are in place do not necessarily have teeth.

Something that gets passed in this trade agreement would have consequences to the countries involved. So it would be a very effective way to deal with this.

Since the trade round began, 8 to 10 years ago, the statistics of what is happening in our oceans have gotten worse. So for this to drag on any longer has an impact on our fisheries that may be irreversible.

Senator WYDEN. So your sense, in summary, would be no time to wait; fisheries in peril. And the important thing for those of us in Congress and in the Obama administration is to make sure we get a strong agreement that can be enforced.

Mr. DANSON. Yes. And that our trading partners around the world are listening to us, literally today, and reading the signals that we put out, that you put out by having this hearing, and that they hear we are very serious about making sure we first complete the round, but that fishing subsidies are a strong and big part of this trade agreement.

They will take that as a signal. That is very important. When I was there, a lot of people, rightfully or wrongfully, said "We keep waiting to see the United States make a strong commitment." And I am sure they say that a lot of times, but they are saying that they are waiting for the United States to commit to this. So this is a very powerful signal you are sending today.

Senator WYDEN. Let us get into the jobs issue and, particularly, exports. This is something that we have zeroed in on, and I think you know, Mr. Moore, that, when I look at the Oregon economy, I am looking at every possible area from agriculture to manufacturing to technology, to find ways to make things, grow things, add value to them, and ship them somewhere.

So it is very obvious that exports are a key part of this equation. And I would like, from a West Coast perspective and from an East Coast perspective, you to give us some sense of what the most urgent barriers are from this point on. I gather West Coast shrimp are still facing whopper tariffs in terms of getting them into Europe.

Mr. Bastoni, you have had the New England delegation really prosecuting the cause on tariffs, and I think we have made a little bit of headway; obviously, there is a long way to go, and you have also brought up the fact that there are some non-tariff barriers to getting your products in overseas.

So use the remainder of my time, Mr. Moore and Mr. Bastoni, on this question of creating more good-paying jobs through exports.

Mr. Moore, the biggest barriers that we need to break down.

Mr. MOORE. Thank you, Mr. Chairman. And believe me, we all in the coast industry appreciate the efforts that you have made in trying to keep jobs on the Oregon coast. That's important to all of us.

In regard to the barriers, I think really the pink shrimp issue that I brought up, from an international perspective, is one of the top priorities. It has just been lagging for so long.

I tried to do some quick calculations, based on some information that I got from my members, and, if we had had more markets and we didn't have that 20-percent penalty in terms of a tariff—and if you looked at last year's catches—we would have raised the ex-vessel value of those catches from \$9.8 million to \$38.4 million.

We would raise the community impact value from close to 10—I am sorry—from \$25 million to \$96 million. So that is about \$50–60 million that you are talking about for communities.

Senator WYDEN. And tripling the growth in both sectors, right?

Mr. MOORE. Absolutely. And these are conservative numbers, too. They gave me much more optimistic numbers, and I am trying to be a little conservative here.

In terms of jobs, it does not sound like much, but it is at least 432 jobs that would be created just by getting rid of this one tariff, and that is both on fishing boats and in processing plants.

Senator WYDEN. We do want those 432 jobs, given the unemployment figures that just came out.

Mr. MOORE. We would have loved them in Oregon, Mr. Chairman, absolutely.

Senator WYDEN. Mr. Bastoni, jobs and exports.

Mr. BASTONI. Mr. Chairman, as far as the exports, to start with, we need all government agencies from the exporters, importers, to work together in unison to achieve the goals of increasing the foreign trade.

We have some major opportunities, our company does at the moment, with some large EU companies that want to not only take us through the EU in procuring all their American seafood, if you will, North American seafood, but also want us to travel along with them to 30 other countries in procuring seafood for them.

Again, the only way we will be able to get this done is to work in unison all together from government agencies, again, to our customers, to our processors. We believe that with this opportunity, just in Massachusetts alone, putting a number on it—it is tough to put a number on it, but I would have to say that it would create between 300 and 400 jobs, also.

So it is quite an undertaking. It is something we are looking forward to doing, but we just need to all get together on the same page on some of these issues that have come up in the past that have not been settled.

We settled the one on the bivalve, as I think you are aware of, with the help of everybody here. And we appreciate that, and now we just have to keep moving forward.

Senator WYDEN. Thank you. And you make another important point, and I want to highlight it. It is a point Chairman Baucus makes frequently, and I very much share his view. And that is the question of getting these trade agencies to work in unison, because you get the sense that there is not exactly the best possible coordination between the various agencies. That is an area we are going to follow up on, and you can be certain that the chairman of the full committee feels very strongly about it. He mentions it often here.

Senator Crapo?

Senator CRAPO. Thank you, Mr. Chairman.

I also will start with you, Mr. Danson, and, again, welcome to the committee. You indicated in your testimony, if I recall correctly, that out of the approximately \$80-billion to \$100-billion industry, that the subsidy level worldwide is about \$20 billion annually for fishing in the oceans. Is that correct?

Mr. DANSON. For subsidies that increase catch, yes. The total is around \$30 billion, but some of those are not bad subsidies that increase overfishing.

Senator CRAPO. I appreciate that clarification. And my understanding, also, is that the United States has very little subsidization, particularly in the area that increases catch. Is that correct and, if so, do you—

Mr. DANSON. That is my understanding, as well. But there is always room for improvement.

Senator CRAPO. Understood.

Mr. DANSON. Yes. We are the envy.

Senator CRAPO. But of that \$20 billion, the U.S. is a very, very small portion of it.

Mr. DANSON. Yes, correct.

Senator CRAPO. In your testimony, you also indicated that you had recommendations regarding the promotion of the sustainable trade of fish products by reducing subsidies and combatting illegal, unreported, and unregulated (IUU) fishing in order to keep the fish from entering the marketplace, and you identified roles for the government to play in that context.

Do you think there is a role for industry, as well, and what role can organizations like Oceana play in that context?

Mr. DANSON. I think we are doing it. I think that this opportunity at the World Trade Organization, this round, getting fishing subsidies passed, is the biggest opportunity we have right now.

Senator CRAPO. And the objective, if I understand it—I just want to make this clear—in the WTO negotiations, would be the complete elimination of subsidies. Is that correct?

Mr. DANSON. Correct. Subsidies that increase catch.

Senator CRAPO. Understood.

Next, Mr. Schorr, I know that many industries employ verification processes to assure sustainable practices are being used. I know in the timber industry that we have in Idaho and Oregon, that they have a similar type of verification process in the sustainable forestry initiative. And I understand there is a similar certifi-

cation for sustainably caught fish through the Marine Stewardship Council.

Is this type of an approach an effective part of the solution to try to help in educating consumers as to the fish that they are eating?

Mr. SCHORR. Absolutely, Senator, and thank you for that question. The Marine Stewardship Council has become one of the most successful certification and labeling organizations out there. WWF was very glad to help found that.

And you asked Mr. Danson a moment ago how industry and non-governmental organizations can get together, and I think the Marine Stewardship Council is really an example of how, when NGOs and industry really work together, you get something going.

That organization was founded by Unilever and the World Wildlife Fund, looking together at how you could put environmental value and market value into one place.

I also think that, when you talk about traceability and the need to inform ourselves, that is another place where public-private partnerships, industry and government really need to work together.

We have canned tuna that comes into our market now, and the canned tuna industry can tell you not only which vessel a can came out of, but they often tell you which hold of a vessel the tuna in that can came out of.

And the reason they do that is very simple. There are some fairly strict and good health regulations, and, to abide with those regulations, you have to know those kinds of things; and if, heaven forbid, there should be a problem and you have to yank some cans off your shelf, you would like to yank off as few cans as possible.

Senator CRAPO. Understood.

Mr. SCHORR. Well, I think that what we need to recognize is that we have the information technology now to track fish products down to a pretty basic level. What we need to do is, we need to get public money and private money, public rules and private practices lined up, so that what we are doing with that is not only worrying about histamine levels in tuna, but whether the fish was caught sustainably and legally. And I think that U.S. trade would benefit greatly from that, as well, because we are already world leaders both in our management practices and in our compliance with law.

Senator CRAPO. Thank you.

In the short time I have left, I think I will skip over to you, Mr. Bastoni, because my understanding is that your company is currently using a third-party assessment and a certification through the Marine Stewardship Council. Is that correct?

Mr. BASTONI. We applied for it. We are going through the certification process now. Our company out west, with our pollock and whitefish boats, is MSC-certified.

We are just getting the East Coast fisheries certified as we sit here, which should be implemented by December of 2010. So all products we handle will be MSC-certified through the company very shortly, and probably 80 percent of them are now.

Senator CRAPO. And from your current experience and your expectations, do you expect that having this certification is something your customers will want to see and that will help you in your marketing?

Mr. BASTONI. More so in the EU than domestically. There isn't as much of a demand domestically for the certification as there is in the EU. So I think it will bring a stronger export business.

Senator CRAPO. If I may, Mr. Chairman, just one last question.

Why would that be the case? Is that because the domestic consumers are not focused on it or not educated on it as well?

Mr. BASTONI. They are not focused on it quite as much as what the EU is. So, domestically, there are some different certifications that they use. The major players, if you will, in the national accounts, certainly certify their own—come in with their own private audits and certify everything is done, and believe in the Hazard Analysis and Critical Control Points (HACCP) program that we have, which is a great program that the government implemented maybe 20 years ago, whatever it has been.

Senator CRAPO. Thank you, Mr. Chairman.

Senator WYDEN. Thank you, Senator Crapo. On a hectic, crowded schedule here in the U.S. Senate, colleagues are streaming in because of the importance of your views. And we are joined by Senator Cantwell, who is a very passionate advocate of all things Seattle, Mr. Bastoni, so you will be pleased to have her, and we welcome her. You didn't get a chance, Senator Cantwell, to make an opening statement. So feel free to take the time for any opening comments and questions.

Senator CANTWELL. Thank you, Mr. Chairman.

And I appreciate you having this hearing and the witnesses being here, and it is good to join my Northwest colleagues and my colleague from Massachusetts to discuss these issues.

Obviously, this is an important aspect to our economy. I noticed the other day, going through the Pike Place Market, that you could not find any geoduck, because it has struck such a price in the Asian markets that it is now all exported.

But I think when it comes to non-shellfish seafood, we are in a different situation. I do not know. Maybe there are things to unfold with shellfish. But it seems to me that, at least in our State, the economic impact is something like \$3.7 billion and over 70,000 people employed.

But what strikes me is how much this is really a market of international trade. I think we import something like \$900 million of seafood products and export \$1.1 billion.

So this price is really being determined—I mean, this really is an international market. And the reason I bring that up is because, are we not really focused on the subsidies and tariffs and trade barriers and illegal and unreported and unregulated markets, and do we not really have to correct this if we are going to have a positive impact on the U.S. economy, given that some of these foreign markets are subsidized or we have trade barriers preventing us access?

So, Mr. Moore, if you had comments on that?

Mr. MOORE. Thank you, Senator. I think you are correct. Obviously, we have on the West Coast a lot of fish that is sold overseas, and, as long as we can compete fairly in the market, we are happy to try to compete.

You know yourself the quality of our West Coast seafood, and we are second to none in trying to get it over there. But you cannot

compete in a foreign market if you have a trade barrier, if you have other fish in that market that is subsidized, if there is illegal fishing happening that brings fish in at a lower price.

All of these things are very important. None of us in the industry wants the government to be a sales agent for us. I have member companies who have sales staff that can sell oil to Saudi Arabia. But we want the chance to be able to compete, and that is where the U.S. Government can help to bring down the trade barriers, to level that playing field, and then let us go in there and compete along with our compatriots around the world.

Senator CANTWELL. Mr. Schorr or Mr. Moore, is the WTO part of this, as well, in finding solutions to making sure that illegal subsidies are reduced?

Mr. MOORE. In my mind, absolutely. I will let Mr. Schorr answer.

Mr. SCHORR. Thank you, Senator. Absolutely, we think the WTO is one of the places we have to look for this and, in fact, one of the outrageous things is that subsidies do continue to flow to pirate fishers—and it is a crazy thing, but there you have it.

Senator CANTWELL. And why have we not seen cases yet filed with the WTO?

Mr. SCHORR. That is a good question with a somewhat technical answer, but one of the things that is fundamentally innovative about the negotiations that are taking place at the WTO—up until now, under WTO rules, in order to win a case, you kind of have to provide that your ability to sell a fish into a foreign market has been monkeyed around with by a subsidy.

But if your fundamental problem is that you could not fish the fish before you could sell it—that you could not compete for the production rather than for the market—it is a lot harder to win a WTO case.

And one of the things that would be really innovative about the new WTO rules is they would look at production distortions, as well as just trade distortions. I think that is technically significant and, also, Senator, I think that is politically significant for this committee, because what it means is you are really expanding your constituency for free trade beyond the exporters and down to the producers, and I think that is something we all ought to think about.

Senator CANTWELL. Well, we are very familiar in the Northwest with WTO cases as they relate to how products are produced and how they are subsidized. So I hope that the industry will bring forth some of these issues, because I think having them addressed is what really will help us.

Mr. Danson, am I correct that environmental groups are natural allies on these issues of reducing subsidies and tariffs?

Mr. DANSON. Yes, absolutely, because by doing so, you protect the fisheries. You make sure that they remain healthy and, at the same time, you make it more economically viable for our fishermen and you ensure that the natural resource is around for generations instead of perhaps collapsing, which some scientists believe is possible if we keep going the way we are going.

So, to reduce subsidies on this scale at the WTO, with the teeth of the organization to make it actually effective, is something that environmental organizations are working very hard for.

It is a win-win; environmental organizations and businesses are all on the same side.

Senator CANTWELL. Thank you. Thank you, Mr. Chairman.

Senator WYDEN. I thank my colleague.

Senator Kerry is the chairman of the Senate Foreign Relations Committee and someone on the Commerce Committee who has prosecuted cases of these kinds, and has been striking a reasonable balance for years.

You are up. Thank you.

Senator KERRY. Thank you. Thanks, Mr. Chairman. Thanks a lot for holding this very important hearing. I think it is the first time that I have been on the Finance Committee that we have had a hearing that has this interconnection.

It is interesting, Senator Cantwell, you and I also are on the Commerce Committee. I had the pleasure for a number of years of chairing the Fisheries Subcommittee, which Senator Cantwell now chairs. And I think I have rewritten the Magnuson fisheries laws now three times from scratch, and we still face the same problem, and it is very, very frustrating.

Quite simply put, there is too much money chasing too few fish. And on a global basis, there is an absence of science, including ours, for some of the decisions that are made, and there is a distinct lack of enforcement.

And particular countries, and this is true after all these years of hue and cry about this issue, there just is not enforcement. I was in South Africa not so long ago on foreign relations business. I remember seeing a bunch of Japanese fishing boats up in dry dock down in Capetown, an example of sort of the distance that people will travel and the extent to which they fish.

But the problem is, a lot of those boats are fishing still with drift nets, which have been banned, and we still have ghost fishing in the oceans that occurs because drift nets would break away, but they continue to fish and go up and down with the weight of the fish in them.

And I think, out of the world's 18 largest fisheries, almost every single one of them is in extremis today. So this is a very complicated, difficult issue. If we think Doha has been tough because of agriculture subsidies, this is an agricultural subsidy.

Fishermen are farmers. They farm the ocean, and they have had hardly any of the kind of sustenance that we have provided to our land-based farmers in parts of this country when there is a drought or when there is a hurricane or any other upset to their crops. But our fishermen sustain consistent upsets to their crops, without a lot of support and help.

And I think a lot of us who represent fishery States are kind of fed up with it and want to get our fair share of some of the help that our fishing people need.

So I thank you, Mr. Chairman, for having this hearing. It is timely, it is important. Massachusetts is the third-largest seafood-oriented economy in the country. We employ over 3,300 people in that sector, and sales generated from commercial fishing in Massachusetts accounted for about \$4.4 billion last year. So it is not insignificant to us.

We also have had a vibrant culture, as Tom Bastoni knows better than anybody, built on the hard values of work and family and community. Many people have heard of our fishing communities, New Bedford, Gloucester, where they are principally concentrated, but they are scattered around our coastline.

So, Mr. Bastoni, I appreciate you coming down here. As the general manager of a scallop division of the American Seafoods Group, you and I have worked on these issues. We particularly had to overcome a challenge to our scallop exports in Europe, and I hope you have—I was not here, and I apologize. I was chairing a Foreign Relations Committee hearing on Afghanistan. But I take it you probably highlighted the case.

Mr. BASTONI. I did, Senator, and I want to thank you again and thank your office and everybody who worked with us. It is quite a success story to be able to put everything together, get everybody to pull in the same direction in the EU, in France, with our ambassador in France; we had meetings in Brussels. We were all in Brussels, Belgium for a show and got it done, and, again, I thank you for the help.

Senator KERRY. Well, I am delighted, and I thank you for your leadership. And I also want to thank—I also want to thank the folks at the USTR and the USDA, who joined in that effort, because they provided some excellent advocacy in Europe with respect to it.

I would just say, in closing, in terms of an opening statement, that we have three of the country's largest seafood processors, American Pride Seafoods in New Bedford, Fishery Products International in Danvers, and Gorton's in Gloucester. And while they all started out mostly packing domestic product, they increasingly have to turn to imported product to keep the operations running and in order to meet the customer demand.

And it is estimated that more than 70 percent of the fish processed in those plants now comes from overseas, where, also, I have to add, unfortunately, they are overfishing.

So we have this link between exports and imports and we are really going to have to partner in an effective way. Ted and I are old friends and we have been around this for a while, and I appreciate his continued advocacy.

I might just ask him, and I do not know if you testified about this at all, but, when you get rid of the subsidies, you are, obviously, having a major impact on the social fabric and political fabric of these communities.

And I wonder if, in the course of your experience in this, you have come up with some magic formula for how you think we can sell to people that they can embrace this without major social disruption and/or political impact that somehow breaks through here. Is it a matter of putting alternative money on the table? Is it just something we all have to bite the bullet and endure? What is the answer to that?

Mr. DANSON. I am not an expert in that area at all, I am sorry. I think that—if countries have enough money to spend money on subsidizing, then they should, by all means, make sure that the people who are no longer able to fish transition in some way that allows them to keep making a living.

All we care about is that subsidies that increase catch, that keep threatening to overfish the world's fisheries are taken away. Switch the subsidies to not increasing capacity to taking care of villages and towns and people, great; it should be done that way.

Senator KERRY. Mr. Schorr, do you feel that there is a sufficient level now of cooperation between the various entities of government that have jurisdiction here, that need to coordinate in here? We are Commerce Committee, we are Finance Committee, Trade, but we are also Foreign Relations Committee and International Policy and Relations, and so forth.

Is that coordination taking place sufficiently? Is there a focus on it?

Mr. SCHORR. Thank you, Senator. That is a great question, and it lets me thank you now that you are present, as I did while you and Senator Cantwell were not present, for your activities on fisheries, including pointing out your co-sponsorship, along with Senator Snowe, who is also a member of the subcommittee, of the International Fisheries Stewardship and Enforcement Act, which is looking at updating the 2006 rules on how we keep illegal fish out of our own market.

And one of the reasons I pointed that out is that I think that precisely the kind of integration that you are talking about is critical. It is critically important that there are people on this committee like yourself who are thinking about these things, and it is critically important that we get interagency discussion going.

I think, in the case of subsidies, we have seen very good interagency work and, in fact, I mentioned in my remarks that the U.S. has just now tabled a paper showing real leadership at the WTO. And one of the things that was remarkable about that paper was the interagency process that went into formulating it. It was a serious paper.

I am not as confident that I can say that with respect to other aspects of our fisheries—diplomacy, I think there may be room for improvement there.

And one thing on trade specifically is a tool that is out there to help you do that. It is an executive order that was signed by President Clinton, Executive Order 13141, if my memory serves, which is about getting interagency review of the environmental aspects of trade policy.

And what that thing is really for, if it is used correctly, is to get agencies and stakeholders into a room together, and that is what we need to do.

Senator KERRY. I do not know where my time is. But what is more important, enforcement of the trade laws or enforcement of the fisheries law?

Mr. SCHORR. I think I will just answer fisheries laws, since that is my job. But, look, I think that the point is that when we get to illegal fishing and even when we get to supporting certification of proper fishing, there is no real difference between those two things.

We have to get out there and realize that it is a matter of competitiveness to enforce our fisheries laws. They are trade laws.

Senator KERRY. Well, I would just say to all of you, and I think my colleagues share this belief very deeply, every restaurant that opens that wants to be a fish food purveyor represents a challenge.

And the population of this planet—I was reading an article just the other day, I was struck by it, in the context mostly of terrorism, mostly in terms of under-educated, uneducated, completely unemployed growing populations of religious extremists that grow in certain parts of the world.

Eighty percent of the world's growth in the next 4 years, when the population will go from 6 billion to 9 billion-plus, is going to occur in 24 countries. And, if all these countries keep going out and doing what they are doing today, there is not going to be much ocean ecosystem left, in the absence of enforcement.

And the enforcement people are chicken-hearted, frankly, and they will not do the enforcement, because of the politics of it. And so we are caught in a vicious cycle of a downward spiral with respect to that system, and we all better be wary of it, because we are going to be the folks who preside over the demise of that system at its current rate. And I do not know how to put it more bluntly. That is the path we are on, and I hope we can get our act together.

Mr. Chairman, thanks.

Senator WYDEN. Thank you, Senator Kerry. And I would just say what really undergirds Senator Kerry's very constructive comments is that putting fish subsidies and trade barriers to seafood on the same plane as other agriculture is something that ought to be a priority for the future.

There are WTO rules for egg subsidies that, in fact, change behavior across the globe. We do not have them for fisheries, and we are going to insist on that kind of approach.

So thank you, Senator Kerry. Thank you, Senator Cantwell.

What I think we will do is bring up now our—

Senator CANTWELL. Mr. Chairman, could I just—I had one more question, if I could.

Senator WYDEN. Sure.

Senator CANTWELL. Just to follow up on this, because Mr. Moore's testimony does indicate that on a particular topic—the Pacific coldwater shrimp—we are not doing enough, or the government. Where do you think the system is broken as it relates to the tariff imposed by the European Union?

Mr. MOORE. You know, Senator, I do—the shrimp fleet on the West Coast, as you now, is fairly small. We are a fairly small industry, and I think when you get into international negotiations of trade barriers and so forth, the small guys fall out and there just has not been the coordination that Mr. Bastoni talked about in terms of the scallop fishery with the U.S. Trade Rep, with the various agencies.

We have had some help from the National Marine Fisheries Service trade office. But for the most part, every time we try to bring this issue forward, it is, "We realize you have a problem. We will think about it." But when it comes down to negotiations on tariffs and stuff, we are small fry, no pun intended.

Senator CANTWELL. So do you think that there is a way to address that?

Mr. MOORE. I think there is. I think that if there were a commitment by the Federal agencies involved in trade and tariff negotiations, similar to what was talked about earlier, an interagency

committee working together to look—and not just for the shrimp industry, but for every small business, for every small industry.

If they had a place to go and say, “Look, we have a problem”—it is the small businesses that are the backbone of our economy. If they had a place to go and say, “Can you help us out with this?” and we had somebody, whether it is in USTR or whether it is in Commerce, wherever it may be, who could carry that forward and try to help people out and give them the wherewithal to move forward, that is the sort of thing I would like to see happen, yes.

Senator CANTWELL. Well, we will work on that.

Mr. MOORE. Thank you, Senator.

Senator CANTWELL. Mr. Danson, Mr. Moore knows this well because of the Pacific Fisheries Management Council, but we in the Northwest really do focus on management plans, on basic science, and on caps. That is the focus of what we have been able to achieve in the Northwest.

What do you think the next steps are in bringing the world’s fisheries under more sustainable management?

Mr. DANSON. Let me just say that, not being an expert, let us go with what is on the table right now. What we are trying to do here is to make sure that we cut subsidies on a worldwide level. That would be a huge step.

Clearly, you would need to then go in and make sure that there are management systems in place, but getting boats off the water, stop subsidizing, is the most important thing we could do right now. It is the biggest chance to implement something that has teeth that would make a big, big difference.

Senator CANTWELL. Thank you, Mr. Chairman.

Senator WYDEN. Let us do this. Let us bring up the administration witnesses and keep our current guests a little bit longer. I know Mr. Danson has a tight time schedule. But that way, we can get a bit of a conversation going.

We have Mr. Eric Schwaab, Assistant Administrator for Fisheries at NOAA; and Dr. Mark Linscott, Assistant U.S. Trade Representative for Environment and Natural Resources, Office of the U.S. Trade Representative.

We will make your prepared remarks a part of the hearing record in their entirety. Let us begin with you, Mr. Schwaab, and then you, Mr. Linscott, and we will have time for a few questions before I know Mr. Danson has to head out the door.

Mr. Schwaab? Welcome.

STATEMENT OF ERIC SCHWAAB, ASSISTANT ADMINISTRATOR FOR FISHERIES, NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION, CATONSVILLE, MD

Mr. SCHWAAB. Thank you, Mr. Chairman. I appreciate the opportunity to testify here today. My name is Eric Schwaab. I am the Assistant Administrator for Fisheries at NOAA.

As has already been said, this hearing recognizes the inescapable connections between healthy ocean ecosystems and sustainable economic growth. In the United States, we work with our fishing industry to achieve high performance standards, both to maintain the health of our environment and to protect our people and coastal communities.

To ensure a level playing field for U.S. fishermen relative to foreign competition, we must continue to work to achieve higher levels of environmental performance from other nations.

There are numerous venues in which NOAA engages in fishery management and trade issues. We are actively involved in various regional fishery management organizations, which oversee management of highly migratory and trans-boundary fish stocks, as well as other international organizations, such as the Convention on International Trade in Endangered Species (CITES) and the Food and Agriculture Organization of the United Nations. We also are engaged bilaterally with individual nations.

Finally, we work closely with the USTR and the State Department as marine issues intersect with international trade agreements. Trade is an important avenue to help achieve global, sustainable fisheries and to ensure continued opportunity for the U.S. fishing industry.

Through these international venues, we seek improved performance in a number of key areas, including ensuring science-based management decisions; reducing by-catch of marine mammals, turtles, and other protected species; promoting use of fishing gear that is less harmful to habitat; and combating illegal, unreported, or unregulated fishing, which is often referred to as IUU.

I would like to focus in more detail for a moment on IUU fishing. IUU fishing by foreign or flagless vessels generates between \$10 billion and \$23 billion in gross revenue each year. This illegal fishing impedes the success of fishery management, degrades the world's marine ecosystems, undermines the U.S. fishing industry, and negatively affects the American seafood consumer. Through a variety of international treaties, as well as domestic law, we can identify and penalize IUU vessels and the nations that provide flags to those vessels.

Last year, under new authority, we identified six nations whose fishing vessels had been engaged in IUU fishing. The goal of this process is, first, to work cooperatively with these identified nations so that they will take appropriate corrective action. However, if they fail to act, we can prohibit imports of fisheries products from these nations.

Enforcement is an important component of our effort. Since over 80 percent of seafood purchased by U.S. consumers is imported, ensuring that illegally caught fish do not enter the U.S. market helps maintain, again, a level playing field for the U.S. fishermen.

Many of the fisheries products with the highest value and, thus, most likely to be harvested and traded illegally, such as blue fin tuna and Patagonian toothfish, are controlled by way of multilateral catch documentation programs that track fish from origin to market. In recent years, NOAA's Office of Law Enforcement has been able to identify and terminate a number of multi-million-dollar operations engaged in trafficking IUU fish.

Finally, you asked us to discuss new opportunities to level the playing field for U.S. fisherman and achieve greater international cooperation. Allow me to highlight four.

First, cooperative assistance. One important avenue for international improvement is through international assistance. NOAA training and assistance programs help improve the science and

management capabilities of other nations, allowing them to meet standards similar to those required of the U.S. fishing industry.

Secondly, aquaculture. The United States has a large seafood trade deficit, importing about \$10 billion more than it exports. Additional domestic aquaculture opportunity will reduce the Nation's dependence on imports.

Related is the National Export Initiative. NOAA will be working with the Department of Commerce's International Trade Administration on the President's National Export Initiative, which aims to help double U.S. exports within 5 years and support several million American jobs. We will work together to explore how the fishing industry may benefit from this effort. Both sustainably managed domestic fisheries and increased aquaculture will improve domestic job opportunities.

Finally, the International Fisheries Stewardship and Enforcement Act. A bill currently before Congress, S. 2870, which is supported by several members of this subcommittee, as has already been noted, would greatly enhance NOAA's ability to combat IUU fishing and prevent illegal fish products from entering the United States.

In summary, Mr. Chairman, the United States sets forth a model approach to domestic fisheries management and actively engages in the international realm to achieve sustainable global fish stocks. At the same time, we must continue and enhance efforts to remove distortions in global seafood markets to ensure fair market access for U.S. fishermen and healthy, sustainable fisheries worldwide.

Thank you.

[The prepared statement of Mr. Schwaab appears in the appendix.]

Senator WYDEN. Thank you very much.

Let us now hear from Mr. Linscott.

STATEMENT OF MARK LINSOTT, ASSISTANT U.S. TRADE REPRESENTATIVE FOR ENVIRONMENT AND NATURAL RESOURCES, OFFICE OF THE U.S. TRADE REPRESENTATIVE, WASHINGTON, DC

Mr. LINSOTT. Thank you, Chairman Wyden, for convening this hearing today. I am Mark Linscott. I am the Assistant U.S. Trade Representative for Environment and Natural Resources.

I appreciate the opportunity to provide testimony on the efforts of the USTR in protecting and conserving the world's marine resources. Our trade policies can advance key environmental objectives globally, and we have increasingly sought opportunities to harness our trade relationships to achieve some of these aims.

From our efforts to address illegal logging to our focus on marine conservation issues, we are pressing ahead with robust trade and environment agenda.

As you heard from the previous panel, the state of the world's fisheries is grim. Contributing to this crisis are highly subsidized global fishing fleets which can rove in what were once impossible-to-reach places.

Such subsidies lead to overexploitation of fish populations and undermine fisheries management schemes. They adversely affect coastal communities.

Today, I will focus my remarks on U.S. efforts in the fisheries subsidies negotiations in the World Trade Organization's Doha development round and, also, highlight how we can use the recently launched Trans-Pacific Partnership negotiations, or TPP, to advance our interests in protecting global marine resources.

The United States has long identified fisheries subsidies as a key area in which trade liberalization can improve the state of the world's oceans, fisheries, and fishing communities. Since 2001, when the negotiations started up, USTR has pursued an ambitious result, including a prohibition of the most harmful subsidies, and enforcement through WTO dispute settlement.

The Doha mandate reflects an acknowledgement that subsidies that contribute to overfishing and overcapacity distort trade and provide an unfair advantage in the global marketplace.

We have come a long way since the early days when some foreign delegations even questioned whether there was a specific negotiating mandate. In 2005, WTO trade ministers at the Hong Kong Ministerial agreed that the negotiations should strengthen discipline on subsidies in the fisheries sector, including through prohibitions of certain forms of fisheries subsidies that contribute to overcapacity and overfishing.

With our most recent proposal submitted in May, we renewed our support for a strong prohibition on subsidies, particularly for over-fished and over-exploited fish stocks, and we sought to clarify the scope of exceptions to the prohibition on subsidies.

We also clarified certain definitions, such as the circumstances for identifying stocks that are in such a poor state that there should be no latitude for further subsidization.

Our proposal aims to prevent the creation of unintended loopholes and stresses that no member shall cause or perpetuate harm through the use of any subsidy to the relevant fish stocks.

My written statement for the record contains more details on the proposal, which received significant positive feedback when we presented it in Geneva in May. Throughout these negotiations, we have coordinated closely with experts in other agencies, the National Marine Fisheries Service, the Department of Commerce's International Trade Administration, and the Department of State. We have also worked closely with our official advisors on the Trade and Environment Policy Advisory Committee, TEPAC. In fact, Oceana is a member of TEPAC.

We have the prospect to further our effort to address the state of the world's fisheries through the Trans-Pacific Partnership, which is a potential platform for economic integration across the Asia-Pacific region. The United States is negotiating with an initial group of seven countries—Singapore, Chile, New Zealand, Brunei, Australia, Peru, and Vietnam—to craft a high-standard 21st-century agreement, one that reflects U.S. priorities and values.

Six of the eight TPP partners have major fishing interests. Therefore, a robust package of marine conservation measures would be a strong complement to our efforts on fisheries subsidies in the Doha Round. There was significant interest in the second negotiating round in San Francisco in June in considering 21st-century issues, issues such as oceans and marine governance, wild-life trade, and illegal logging.

We will continue to discuss these ideas with Congress, key stakeholder groups, and other U.S. Government agencies as the TPP negotiations move forward.

On oceans and marine governance, a few of the ideas percolating and still in the early stages of development include addressing harmful subsidies, combating illegal fishing and improving fisheries management, ensuring safety of seafood imports and exports, and improving compliance with domestic and international programs and agreements.

In concluding, again, I would like to thank you for the opportunity to outline USTR's efforts to advance trade negotiations in a way that can help to conserve one of the world's most critical natural resources. These negotiations can help to level the playing field for our Nation's fishermen, processors, and exporters, and will, additionally, reduce distortions in global seafood markets.

We recognize that USTR has the responsibility and capacity to make a difference on this issue.

Thank you.

[The prepared statement of Mr. Linscott appears in the appendix.]

Senator WYDEN. Thank you, Mr. Linscott. Here is the bottom line, to me. If you listen to the talk from Geneva at the World Trade Organization, you get the sense that either the Doha Round is dead or simply awaits the resolution of a couple of remaining issues, and then you are going to have an agreement.

Mr. Linscott, here is a question for you. Can you pledge to this subcommittee that the United States will not agree to conclude the Doha Round without strong measures on fishing subsidies?

Mr. LINSKOTT. Thank you, Chairman Wyden, for that question. I am the assistant trade rep for environment and natural resources. So I am very enthusiastic for that suggestion you make that we will not conclude a Doha package without a strong agreement on fisheries.

Certainly, there is a lot of enthusiasm and sensitivity to the needs of this negotiation in this administration, and that is with Ambassador Kirk and our deputies and Ambassador Punke in Geneva.

So I can say with some high degree of confidence that I do not envision a Doha package that would not include a strong agreement on fisheries subsidies.

Senator WYDEN. I am glad to hear that, because I think that the ball is in the office you are from. The ball is in their court, and I think it is extremely important.

One of the reasons why I wanted to send the message today, and have Mr. Danson and others who have been involved in this cause, is we are going to push and push and push until this is included in this Doha Round because, when you look at these debates and you follow the discussion about what issues are pending, fishing does not come up very often.

It is not your fault there are a lot of other issues, as well, but it has to get in this agreement. So that is the first thing.

Second, when you get it in, what will you commit this afternoon to do to make sure it is enforced? Because what we have heard

from colleagues is, in the past, you make a little bit of headway in an area and you do not get the enforcement that is necessary.

What can the office commit this afternoon to do in terms of increased enforcement?

Mr. LINSKOTT. Thank you, Chairman Wyden, for that question, as well. I just want to note, in terms of the importance of this negotiation, that the roles of stakeholders and, most importantly, Oceana and WWF in terms of raising the profile of this negotiation has been essential with respect to a natural resource that is a migratory one and, in many respects, outside of national boundaries.

With respect to the prospect of having a concluded agreement, a strong concluded agreement, I expect that that agreement would be subject to the same priority that the administration places on enforcement of our trade agreements, as is true of any other agreement.

There is real commitment by this administration to ensure that we are enforcing our trade agreements.

Senator Cantwell has left, but she made reference to a very recent, very good outcome which reflects our enforcement efforts in terms of a recent WTO case.

Senator WYDEN. I am going to let Mr. Danson conclude with a comment. I just want you to know, though, that I very much expect beefed-up enforcement, because again and again, we are told we have had breakthroughs in the trade area.

Secretary Geithner, who is, of course, from Treasury, sat where you all are a couple of weeks ago. We talked about a really outlandish Chinese protectionist trade policy, which, in effect, locks our high technology goods out of China. This is something they are pursuing, called indigenous innovation.

Secretary Geithner said that they were looking at a bold way to prevent this, and I made the point that this was promised to the Congress 10 years ago, this was promised to the Congress and the administration.

So we very much need beefed-up enforcement in this area.

Mr. Danson, you have to head for the door, but I thought I would let you go with just one question. And that is, are you satisfied with what USTR has said today with respect to subsidies, that they are expecting to insist that a reduction in these fisheries subsidies be part of the Doha Round? Are you satisfied with what you have heard this afternoon?

Mr. DANSON. Yes. And I think it sends a very strong message. One of the things that struck me today that I learned for the first time was how important what you are doing today is to our trading partners in Geneva, that they are listening and taking this as a signal to how America is going to react.

So for you just to reiterate that and for you to say what you said is incredibly important and will make a huge difference, I think, to moving this forward.

So thank you, thank you, thank you.

Senator WYDEN. You are on a tight schedule. And travel safely, and we look forward to following up with you and the good work that Oceana is doing.

Mr. DANSON. Thank you so much.

Senator WYDEN. Let me keep our other witnesses, though, just for a couple of additional minutes.

One other question for you, Mr. Linscott. President Clinton issued an executive order requiring the environmental review process to take place during trade negotiations.

What has your office been able to do with the Clinton executive order? What have you all accomplished with that?

Mr. LINSOTT. Well, in fact, USTR does lead an interagency process to conduct environmental reviews of all of our trade negotiations, whether it is a multilateral trade negotiating round or a free trade agreement.

In fact, we have recently started the process for the environmental review of the Trans-Pacific Partnership negotiations. We have published a Federal Register notice to get comments on the scoping of this review in terms of what relevant issues should be considered in terms of potential environmental impact, and we are working very closely with quite a strong interagency team—EPA, the Department of Interior, NOAA, Department of State, Council on Environmental Quality, et cetera.

I would point to—perhaps I shouldn't, but I will—a comment in Mr. Schorr's testimony—and Mr. Schorr and I agree on so many things, certainly, with respect to the fisheries subsidies negotiations—but a reference to environmental reviews as being, at times, rote or checking a box, and that has not been the case.

It is truly a robust interagency process, a real effort among all of the agencies to bring to the table issues potentially of concern and to study quite methodically the potential impacts of a future trade agreement with respect to those potential environmental concerns.

That does not mean that we cannot renew our efforts and reinvigorate our efforts, and we certainly plan to do that with respect to TPP. But I am confident that we do have a strong program of environmental reviews, and that will continue.

Senator WYDEN. Very good. One other question for you, Mr. Schwaab, with respect to this whole question of illegal and unreported fishing.

I am glad that we have had colleagues and witnesses talk repeatedly about this this afternoon, because I think this is an area of natural resources policy that has not gotten sufficient attention.

One area that we had a real breakthrough in in the last Congress—I was the Senate sponsor of the legislation to amend the Lacey Act to crack down very aggressively against illegal logging. And we were able to put together a coalition of timber industry folks, environmental people, and pass a very strong measure that I think is going to make a huge difference both in terms of the environment and protecting family-wage jobs.

So I look forward to working with you on it. And could you sketch out for me the next actions that are ahead for the Obama administration in combating illegal and unreported fishing practices in this area?

Mr. SCHWAAB. Thank you, Mr. Chairman. Let me just note, we continue to work on a number of fronts and in a number of different ways, some of which I have noted in my oral testimony, and

a little more detail is provided in my written testimony. But let me just highlight a couple of additional points.

Obviously, one of the key opportunities where we are focused right now is in interaction with the various regional fishery management organizations with which we engage and using those organizations as a venue from which to establish effective catch-and-trade tracking mechanisms.

And the most effective, by the way, of these are the systems that are established electronically. And then our enforcement officers can use those tracking mechanisms as a way to investigate, identify, and terminate illegal movement of some of these IUU products.

I would just note, for example, in 2009—and this actually crosses over into another area of interest of ours, which is capacity-building with some of our foreign partners and interested countries. But in 2009, agents from our Northeast division traveled to Tanzania to assist in the investigation of a foreign fishing vessel suspected of exploiting IUU tuna from South Africa to the United States.

Our agents served as technical advisors to the Tanzanian authorities, who ultimately prepared a case against the vessel operator. And these same agents also assisted Mozambican authorities to investigate a fishing vessel operating in Mozambican waters without a permit. Ultimately, officials seized and successfully prosecuted a case related to shark, shark fin, and shark tail with an estimated value of \$5 million.

There are a number of other examples, Mr. Chairman, that I would share with you to note what I think is a significant activity. But obviously, there remains much to be done in this arena.

Senator WYDEN. Thank you. We have been at it for almost 2 hours. I think it has been an exceptionally helpful hearing.

Mr. Linscott, I am appreciative that you are intending to get a commitment on fish subsidies at the World Trade Organization. And let me just give you something to take back to Geneva. No fish subsidies agreement, you will have my opposition. Congress, in my view, is not going to accept it, and all you have to do is look at this committee and get a sense of how powerful this issue is.

Senator Snowe, Senator Crapo, Senator Kerry, Senator Cantwell, Senator Menendez, Senator Schumer, Senator Nelson, we essentially ring the oceans if you look at where we are placed. So we feel very, very strongly, and I think, when you look at this debate and the discussion that we have been having over the last 2 hours, right at the center of the challenging debate with respect to the economy and the environment is to show that economic growth, which we so desperately need in our country, particularly in our State, where so many folks are hurting, is not only not incompatible with environmental protection, but the two go hand in hand.

Oregon has had a lot of elected officials, Democrats and Republicans alike, who have maintained this. It arguably started with our former great Governor Tom McCall, who was a Republican, constantly driving home this message years and years ago that you can have economic growth and protect your treasures.

That is what we are going to insist on, and the best way to drive home that case, the best way to drive it home right now, is to make

sure that, in this Doha agreement, you finally bury these fish subsidies that are so damaging to both our economy and the environment.

So, you all have been very patient. We have a lot of work to do, and we look forward to doing it.

With that, the Subcommittee on Trade is adjourned.

[Whereupon, at 5:01 p.m., the hearing was concluded.]

A P P E N D I X

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

Testimony of Tom Bastoni

Vice President and General Manager of Scallop Division, American Seafoods Group, LLC

Subcommittee on International Trade, Customs, and Global Competitiveness

July 14, 2010

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 an 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.

Senator Mike Crapo
Senate Finance Subcommittee on International Trade,
Customs, and Global Competitiveness
“Marine Wealth: Promoting Conservation and Advancing American Exports”
July 14, 2010

Mr. Chairman, thank you for holding this hearing to consider the relationship between promoting ocean conservation and improving U.S. fish and seafood producers' ability to compete in global markets. Thank you, to all the witnesses for taking the time to be here with us today to share your insight. With increasing strain on the world's oceans and fisheries, especially in light of the recent tragic oil spill in the Gulf, the importance of this discussion is intensified.

As we consider the impacts of illegal, unreported, and unregulated (IUU) fishing, foreign subsidies, and export barriers on efforts to improve ocean health and global markets, I am interested in hearing your perspectives on the best roles for the U.S. government, the fishing industry, and the environmental/conservation community in contributing to this effort. There are market based certification approaches and eco-friendly seafood buying practices, the U.S. continues to pursue objectives in fisheries subsidies negotiations in the World Trade Organization's (WTO) Doha Round, and efforts remain to reduce trade barriers in the global seafood market. It is essential to consider the most productive ways for each of the sectors to make progress in improving ocean and market conditions.

I am also interested in exploring the role of aquaculture in meeting the growing world demand for seafood while also assisting with ocean conservation efforts. Oftentimes, people are surprised to hear that Idaho is the national leader in trout production. In fact, 68 percent of U.S. trout production is in Idaho. As pressure on our oceans and wild fish populations increase, it is essential to look at the function of farm raised fish in helping to meet the global demand and relieve some of the stress on our oceans.

The U.S. imports roughly three times more fish products than we export. While trade negotiators pursue the elimination of the most harmful fisheries subsidies through the WTO and Trans-Pacific Partnership negotiations, reducing tariffs on U.S. fish and seafood exports must remain a priority. The pending free trade agreements (FTAs) with Panama, Colombia, and Korea would help increase market access for U.S. seafood exports. For example, the U.S. International Trade Commission found that the U.S. – Korea FTA could result in an increase in U.S. seafood exports to Korea of up to \$20 million. Through the U.S. – Colombia FTA and the U.S. – Panama FTA, U.S. seafood and fish products would gain immediate duty-free access. The need for timely progress on these free trade agreements is long overdue.

It is a collective responsibility to ensure the health of the world's oceans, sustain a vigorous seafood and fish supply to meet the needs of a growing population, and improve market conditions for global competitiveness. Again, I welcome this discussion and appreciate the opportunity to share a few words.



Written Testimony of Ted Danson

Subcommittee on International Trade, Customs, and Global Competitiveness of the Senate Committee on Finance July 14, 2010

Good afternoon, Mr. Chairman and Members of the Committee. I'd like to thank you for the opportunity to talk to you today. My name is Ted Danson. I am a long time ocean advocate and a member of the Board of Directors of Oceana.

We are an international ocean conservation organization based in Washington, DC. Oceana also has staff in Alaska, California, Florida, Oregon, and Massachusetts, as well as international offices in Belize City, Belize; Brussels, Belgium; Madrid, Spain; and Santiago, Chile. We have more than 400,000 members and supporters from all 50 states and more than 150 countries around the world. Our mission is to protect and restore the world's oceans.

I've been working on ocean issues for more than 20 years. My interest started when one day, I decided to take my daughters -- who were 4 and 8 years old at the time -- to go swimming at the beach in Southern California. We were ready to go and running toward the water, but were stopped by a sign that said "no swimming, ocean polluted."

My girls couldn't believe it and neither could I. The ocean was closed. They asked me why, why can't we go swimming -- in this beautiful, seemingly very healthy-looking ocean?

So in the late 80s, I co-founded the American Oceans Campaign to clean up beaches and the ocean. And for 15 years, we worked to protect the oceans from oil drilling and other threats. But what I learned along the way is that overfishing -- in addition to pollution -- is a major problem facing the oceans.

Most people think pollution is the biggest problem because that's what we are familiar with. But we often don't understand the harm that comes from overfishing because it happens far away and below the surface -- and we can't see the destruction that is occurring.

And so we could expand the capacity of the American Oceans Campaign, we decided to join with Oceana, which has become the world's largest organization focused solely on marine issues.

That's why I am particularly excited to be here today -- because there's an inextricable link between ocean conservation and global competitiveness.

Fish is a Global Commodity

Ocean protection is about food security and the environment, but it is also fundamentally about business and economics.

It's quite simple -- No Fish. No Fishermen. No Future.

The world depends on the oceans for food and livelihood. The oceans provide essential protein to nearly half of the world's population. Hundreds of millions of people around the world depend on fishing for all or part of their income. The United States is now the world's largest importer of seafood, and ranks as one of the top 5 exporters. And in the U.S., our commercial and recreational fisheries supply more than 2 million jobs.

But the world's fisheries are in trouble.

According to the U.N. Food and Agriculture Organization, more than 80 percent of the world's fisheries are now overexploited, fully exploited, significantly depleted or recovering from overexploitation.¹

Many of the world's fish populations are being rapidly depleted by overfishing. According to leading fishery scientists, 63 percent of assessed fish stocks worldwide require rebuilding, and reduced exploitation rates are needed to reverse the collapse of vulnerable species.²

Some of the most overfished species are the "big" fish. A study published in the journal Nature concluded that 90 percent of all the tuna, marlin and sharks are gone.³

According to the FAO, "the maximum long-term potential of the world marine capture fisheries has been reached."⁴ As a result, increased demand for wild capture fish cannot be met by increasing fishing effort without restoring fish populations and ensuring their ongoing sustainability. But sustainable fishing can only be achieved through compliance with effective fisheries management programs, by controlling illegal fishing and by limiting subsidies that not only distort trade but also undermine management efforts and lead to overfishing.

Paying Fishermen to Overfish

Despite international consensus about the depleted state of the oceans, many governments continue to provide major subsidies to their fishing sectors. Subsidies not only distort markets and support uneconomic activities, but are a major incentive to overfishing and other destructive fishing practices.

These subsidies push fleets to fish longer, deeper, and farther away than what would otherwise be economically viable. Many fleets continue to operate only with the support of government subsidies.

¹ FAO. The State of World Fisheries and Aquaculture -- 2008. "Part 1: World Review of fisheries and aquaculture." 2009. Rome.

<http://ftp.fao.org/docrep/fao/01/i/0250e/0250e01.pdf>

² Worm, B., Hilborn H. et al "Rebuilding Global Fisheries." 7/31/09. Science, v.325

³ Myers, R. & Worm, B. "Rapid worldwide depletion of predatory fish communities." 5/3/03. Nature, v.423

http://fish.dal.ca/~myers/papers/Papers-recent/nature01610_r.pdf

⁴ FAO Marine Resources Service, Fishery Resource Division. Review of the state of the world marine fishery resources. FAO Fisheries Technical Paper. No. 457. (2005). Rome, FAO. Pp.235 <http://ftp.fao.org/docrep/fao/007/y5852e/y5852e00.pdf>.

These large subsidies have helped produce a worldwide fishing fleet that is up to 250 percent larger than what is needed to fish at sustainable levels.⁵

Some subsidies support beneficial programs, such as management and research. However, the vast majority of subsidies drive increased and intensified fishing, resulting in detrimental effects to the fishery resource. These subsidies include those that reduce costs or enhance revenues and promote overcapacity, such as support for boat construction and modernization, fishing equipment, fuel, and other operational costs.

To put it in an economic context, these “overfishing” subsidies are estimated to be approximately \$20 billion each year.⁶ World fishing revenue is about \$80 to \$100 billion annually – so that’s 25 percent of the entire fishing industry.

To no surprise, some of the biggest fishing nations, like the European Union and Japan, are among the world’s top subsidizers. But the developing world is catching up. The ten largest developing fishing nations, including countries such as China and Brazil, are estimated to provide subsidies nearly equal to those of their industrialized counterparts.⁷

In sum, the effects of fishing subsidies are so great that eliminating them is likely the single greatest action that can be taken to protect the world’s oceans.

Combating Illegal, Unreported, and Unregulated (IUU) Fishing

Illegal, unreported, and unregulated (IUU) fishing is a serious global problem that takes away billions of dollars in revenue each year from legitimate fishermen.

Illegal fishing activity is increasingly pervasive and has reached significant economic levels. The global illegal catch of fish is estimated to be between 11 and 26 million metric tons a year, worth \$10 billion to \$23.5 billion annually.⁸ In comparison, the value of the legal reported world catch was \$91 billion in 2006.⁹

Subsidies have also been connected to IUU fishing. For example, it has been more than fifteen years since the United Nations General Assembly established an international moratorium banning the use of driftnets and eight years since they were banned in the European Union. But Oceana has documented hundreds of boats in the Mediterranean with illegal nets that have taken subsidies by European institutions to convert them.

The main drivers of IUU fishing include overcapacity, high demand and prices, limited monitoring, ineffective sanctions, poor fisheries management, and weak economic and social conditions. Even where there is adequate management, illegal fishing can still be pervasive and compromise sustainable fisheries.

⁵ Porter, G. “Estimating Overcapacity in the Global Fishing Fleet.” World Wildlife Fund (1998).

⁶ Sumaila, R., Khan, A., Dyck, A., Watson, R., Munro, G., Tydemers, P., & Pauly, D. A Bottom-Up Re-Estimation Of Global Fisheries Subsidies (Working paper # 2009-11). University of British Columbia, Canada. *Fisheries Centre. Research Reports, 2009.*

⁷ Sumaila R., Khan, Dyck, Teh, Watson, Tyedmers, Pauly. Subsidies, Sustainability & Seafood Security: A crucial role for the WTO. Fisheries Centre Seminar at the World Trade Organization, May 4, 2010.

⁸ Agnew DJ, Pearce J, Pramod G, Peatman T, Watson R, et al. (2009) Estimating the Worldwide Extent of Illegal Fishing. *PLoS ONE* 4(2): e4570. doi:10.1371/journal.pone.0004570.

⁹ FAO. The State of World Fisheries and Aquaculture – 2008. “Part 1: World Review of fisheries and aquaculture.” 2009. Rome. <ftp://ftp.fao.org/docrep/fao/011/i0250e/i0250e01.pdf>.

IUU fishing can be combated by addressing its main causes – in broad terms, by limiting demand and markets for IUU fish and by improving fisheries management and fishing incomes. Other approaches focus on strengthening sanctions against vessels and countries engaged in IUU fishing.

The United States has responded to the threat of illegal fishing through provisions of the Magnuson Stevens Act. These provisions include import prohibitions and other measures to enforce compliance with internationally established catch limits and to prevent the trade of fish caught by vessels identified as engaging in IUU fishing.

Reducing Harmful Fishing Subsidies

Nearly 10 years ago, world trade ministers recognized the importance of healthy fisheries to trade and development and initiated negotiations on fisheries subsidies as part of the World Trade Organization (WTO) Doha round. These negotiations are the first time that environmental concerns have led to the launch of a specific trade negotiation.

In 2005, WTO ministers refined and reasserted their commitment to controlling fisheries subsidies in the Ministerial Declaration produced at the Hong Kong Ministerial Conference:

“...there is broad agreement that the Group should strengthen disciplines on subsidies in the fisheries sector, including through the prohibition of certain forms of fisheries subsidies that contribute to overcapacity and over-fishing Appropriate and effective special and differential treatment for developing and least-developed Members should be an integral part of the fisheries subsidies negotiations, taking into account the importance of this sector to development priorities, poverty reduction, and livelihood and food security concerns.”¹⁰

In 2007, the Chairman of the WTO negotiating group on fisheries subsidies produced a first draft agreement that would prohibit capacity-enhancing subsidies, provide limited exceptions for beneficial support programs, require fishery conservation and management, and provide reasonable flexibility for developing countries to pursue sustainable development of their fisheries and fishing sectors. All of these measures remain in consideration as the fisheries subsidies negotiations advance.

The fisheries subsidies negotiations have made significant progress in the past few years, in considerable part from the contributions of the United States. A proposal sponsored by the United States, Australia, and New Zealand seeks an ambitious outcome in the fisheries subsidies negotiations and outlines a series of core principles that need to be reflected in a final fisheries subsidies agreement. Another proposal, sponsored by six Latin American countries (Argentina, Chile, Colombia, Ecuador, Mexico, and Peru), argues for a meaningful prohibition of fisheries subsidies and limited and conditioned flexibility for developing countries. These papers, submitted to the WTO in July 2008, complement an earlier pro-conservation proposal by the United States that significantly impacted the direction of the current discussions.

¹⁰ Hong Kong Ministerial Declaration, 22 December 2005 (WT/MIN(05)/DEC)

These negotiations have generated global attention and consensus by WTO countries of the importance and need to address fisheries subsidies. I have had the pleasure and good fortune to travel to Geneva twice to meet with ambassadors and delegations to the WTO as well as Director-General Pascal Lamy. I have heard a wide range of perspectives and views, all of which are very different but still true.

So I recognize the enormity of the task in front of you. But the stakes are high, and so should be our expectations.

The implications of the fisheries subsidies negotiations reach far beyond just trade. Reducing subsidies is a necessary action to reverse global overfishing, and the WTO negotiations are our best chance. And unlike many other international organizations, WTO rules are legally binding and enforceable. That's why it's so important that we seize this opportunity.

The world needs a fisheries subsidies agreement and soon.

We need the renewed leadership and commitment by Congress and the United States for the completion of the Doha round and a strong fisheries subsidies agreement.

This agreement must include a broad prohibition of subsidies that contribute to overcapacity and overfishing. To the extent that some subsidies are not prohibited, they should remain subject to WTO review and disciplines to check against risks that they might cause unforeseen increases in capacity or fishing effort. In addition, stronger notification and review of subsidies is needed to increase transparency and help ensure that subsidies are consistent with resource sustainability objectives.

There has been recognition in the WTO negotiations that some flexibility should be given to developing countries. However, it is important that resource sustainability is ensured in the use of subsidies by developing countries and that currently underexploited resources do not become depleted in the future.

Promoting Sustainable Trade of Marine Products

Ocean resources previously have only received minimal attention in U.S. regional trade agreements. Yet all of the countries involved in the Trans-Pacific Partnership (TPP) have strong marine interests. Four of the eight TPP countries are major fishing nations. The United States, Peru, Chile, and Vietnam are among the top 15 global producers by volume.¹¹ New Zealand and Australia are also significant producers and exporters of higher value fish.

The TPP has the opportunity to improve ocean conservation while expanding trade with a marine environment agreement that includes obligations and commitments towards the following:

- Addressing subsidies that contribute to overcapacity and/or overfishing
- Ensuring the sustainable trade and management of sharks
- Combating IUU fishing and keeping illegal and inaccurately described seafood products from entering the international marketplace

¹¹ The State of World Fisheries and Aquaculture, 2008. FAO Fisheries and Aquaculture Department, Food and Agriculture Organization of the United Nations. Rome, 2009.

- Improving fisheries management programs, participation in relevant regional fisheries agreements and multilateral environmental agreements, and the ability to protect living marine resources, such as sea turtles and corals
- Promoting the effective enforcement of existing obligations under domestic fisheries management programs, regional fisheries management organizations, and multilateral environmental agreements

Strategic Trade Policy Can Help End Global Overfishing

The oceans are at a crossroads. One road leads to tremendously diminished marine life. The other leads to oceans again teeming with abundance. The United States can help choose the right one.

The WTO fisheries subsidies negotiations are the first tangible example of how multilateral organizations can directly contribute to solving global environmental problems through new approaches and trade tools. An international agreement that for the first time limits global fisheries subsidies would not only be a huge success for ocean health, but also set new precedents for trade and the environment.

The proposed TPP free trade agreement presents a significant opportunity to implement the objectives of the President's trade agenda and use trade policy to address the mounting global environmental challenges facing the oceans.

Once again, thank you for your interest and support on these issues.

**Written Testimony of Mark Linscott
Assistant U.S. Trade Representative
for Environment and Natural Resources**

**Before the Senate Subcommittee on International Trade, Customs and Global
Competitiveness**

July 14, 2010

Chairman Wyden, Ranking Member Crapo, Members of the Subcommittee, thank you for convening this hearing today. I am Mark Linscott, Assistant United States Trade Representative for Environment and Natural Resources. I appreciate the opportunity to appear before you today to provide testimony on the efforts and interest of the Office of the United States Trade Representative in protecting and conserving the world's marine resources. Our trade policies have a role to play in advancing key environmental objectives globally, and we have increasingly sought out opportunities to harness our trading relationships to achieve some of these aims. From our efforts to address concerns with illegal logging to our focus on marine conservation issues, we are pressing ahead with a robust trade and environment agenda.

State of the World's Fisheries

As you heard from the previous panel, the state of the world's fisheries is grim. According to the United Nations Food and Agriculture Organization (FAO) 80 percent of global fish stocks are classified as fully exploited, overexploited, depleted, or recovering from depletion. Contributing to this crisis are highly subsidized global fishing fleets which can find and capture marine resources in what were once untouchable and impossible to reach places. Construction and modernization subsidies have built a global fleet capacity 2.5 times larger than that needed to catch the resource available. Such subsidies have led not only to overexploitation of fish populations and undermining fisheries management schemes, but are preventing the recovery of depleted fish populations, and affecting coastal communities, livelihoods and efforts to achieve sustainable development. Some estimates suggest that harmful subsidies account for approximately 15 to 20 percent of the value of global wild capture fisheries production. For the purpose of today's hearing, I will focus my

remarks on the U.S. objectives and progress made on the fisheries subsidies negotiations in the World Trade Organization's (WTO) Doha Development Round and highlight elements within the recently launched Trans-Pacific Partnership negotiations, where we have potential to further our effort to address the state of the world's fisheries and eliminate harmful fisheries subsidies. And I would also note that while our focus is on how these negotiations can contribute to the sustainable development of global fisheries, we believe these efforts will additionally reduce distortions in global seafood markets in ways that will significantly benefit U.S. fishermen.

Overview of the Doha Development Round

The United States continues to play a leadership role in pressing for strong rules on fisheries subsidies as part of a Doha Development Agenda package. Our role in this important work is driven by an element of USTR's mission: to leverage trade negotiations and relationships to pursue environmental objectives. The United States is committed to seeking a strong agreement that will prohibit the most harmful forms of fisheries subsidies and be enforced through WTO dispute settlement.

The United States has long identified fisheries subsidies as a key area in which trade liberalization can contribute to environmental conservation and sustainable development, and in turn, help improve the state of the world's oceans, fisheries and fishing communities. It was with this in mind that USTR pressed strongly for inclusion of this issue in the Doha mandate. In fact, the WTO fish subsidies negotiations are probably the best example of how the WTO can promote sustainable development.

Since 2001, when Ministers at the Doha Ministerial Conference agreed to a specific mandate directing WTO Members to "clarify and improve disciplines on fisheries subsidies, taking into account the importance of this sector to developing countries," USTR has been actively pursuing an ambitious result that will include a prohibition of the most harmful subsidies which directly enhance capacity to overfish the world's oceans. The Doha mandate reflected an acknowledgement that subsidies that contribute to overfishing and overcapacity not only distort trade, but also lead to the depletion of a critical natural resource and make it more difficult for developing countries to develop their own fisheries resources to feed their people. Harmful foreign subsidies also provide

an unfair advantage in the global marketplace to producers in those countries that seek to maintain or build up new fishing capacity than otherwise would be the case absent direct government assistance. These negotiations represent a milestone for the WTO, because for the first time, concerns for environmental conservation, not merely traditional trade concerns, played a major role in the launch of a trade negotiation. The need for strong measures to address over-fishing and overcapacity is as strong now as when Doha was launched.

Brief History and Status of the Doha Negotiations

The WTO fisheries subsidies negotiations have gone through several phases since they were launched as part of the Doha Development Agenda (DDA) in 2001. In fact, we have come a long way since the early days when some foreign delegations even questioned whether there was a specific negotiating mandate. The WTO's Hong Kong Ministerial in 2005 resulted in a strong ministerial statement that continues to serve as the way forward for the negotiations. This statement asserted that delegations "should strengthen disciplines on subsidies in the fisheries sector, including through the prohibition of certain forms of fisheries subsidies that contribute to overcapacity and over-fishing."

Following adoption of the Hong Kong mandate, delegations proceeded to clarify their positions on the level of appropriate ambition for the prohibition of fisheries subsidies. While the United States has from the outset pushed for a broad prohibition on subsidies that contribute to overcapacity and over-fishing with only limited exceptions, some of our trading partners have argued for a much more limited prohibition. In November 2007, then-Chairman Guillermo Valles (Uruguay) issued a landmark text, which could be in the form of an annex to the existing WTO Subsidies and Countervailing Measures Agreement and which would prohibit almost all kinds of potentially harmful subsidies. It also contains provisions on special and differential treatment (SDT), general exceptions for both developed and developing countries, fisheries management requirements, notification and surveillance and dispute settlement.

Because the fisheries subsidies negotiations involved entirely new, highly complex issues that the WTO had never addressed before, in December 2008 the Chair issued a detailed "roadmap" of questions in an attempt to move forward on key contentious issues within the text. These roadmap

discussions took up much of 2009 and were a useful exercise to help clarify Members' positions. Following this, Members, including the United States, have proceeded to submit new proposals, which have all followed the basic architecture of the 2007 text, reaffirming it as the way forward for the negotiations.

Overview of the U.S. April 2010 Proposal

The United States has been a strong supporter of the level of ambition proposed by the 2007 Chair's text, and our overall objective for these negotiations continues to be the elimination of harmful subsidies to the fishing sector, the promotion of sustainable fishing practices and effective and appropriate 'Special and Differential Treatment' for developing countries. Our most recent proposal, submitted in April 2010, took an important step toward deepening the Group's discussion on a range of technical and legal matters that will need to be addressed to produce an effective and implementable agreement. The development of an entirely new agreement, bringing WTO disciplines to bear on the complex world of global fisheries, while at the same time remaining within the WTO's competency and producing an agreement that can be effectively enforced through the WTO rule system, is a challenge the WTO has never faced before and one which requires attention to the most technical of details.

We intended through our April 2010 proposal to demonstrate support for a high level of ambition and a strong prohibition on subsidies, particularly for over-fished and over-exploited fish stocks, as well as to clarify the scope of some of the exceptions to the prohibitions on subsidies.

To outline a few elements of our proposal:

We believe that the discussions by the Group to date reveal broad agreement that a subsidy should not contribute to further pressure on fish stocks that are already in poor condition, even if the subsidy is not among those specifically prohibited. Through our proposal, we seek clarification of certain definitions and conditions in an effort to make the text easier to implement. These clarifications include: (1) the biological conditions of the fish stock in question that would trigger application of the prohibition (in essence identifying those stocks that are in such a poor state that all subsidies for fishing should be severely restricted); (2)

removal of the implication that there can be no element of scientific ambiguity concerning the stock conditions; and (3) definitions of certain terms such as “fishing activity” and “fish stocks.” For example, defining ‘fish stocks’ in terms of geographic and management units, recognizes the fact that stock conditions vary from place to place; a single species such as Atlantic cod may be depleted in one area of the ocean, but in better shape in other areas.

The Chair’s text consists of a general prohibition, followed by a cause of action for non-prohibited subsidies that cause harm to fish stocks. The U.S. April proposal seeks to improve the drafting regarding this portion of the text in order to make it operational in practice and to prevent the creation of unintended loopholes. In our proposal, similar to the Chair’s text, no Member shall “cause or perpetuate harm” through the use of any subsidy to the relevant fish stocks, including overfishing and the creation of overcapacity with respect to those stocks. We have also provided additional guidance as to what situations would constitute evidence of “harm,” *i.e.*, evidence that overcapacity or overfishing is developing. Under this scenario, a complaining Member in dispute settlement would have the burden of demonstrating that harm has occurred and that the subsidies in question are a cause of the harm. We also indicate that in certain situations, harm can be deemed to exist, regardless of whether evidence of overfishing or overcapacity is present. We identify two such situations: (1) there is no valid scientific assessment establishing a sustainable level of harvest for the stock; and (2) the subsidizing Member has not implemented a management plan for the stock. In those cases, the burden would shift to the subsidizing Member to demonstrate that the subsidy in question has not caused harm. Without a stock assessment or management plan in place, this would be a very difficult burden for a subsidizing Member to satisfy. Therefore, this provision should encourage Members to strengthen their management regimes.

This is a snapshot of some of the elements of the most recent U.S. proposal in the Doha fisheries subsidies negotiations. Due to its highly technical nature, we worked with agencies such as the National Marine Fisheries Service, the Department of Commerce’s International Trade Administration and the Department of State to develop the proposal. We also worked closely with our official advisors on the Trade and Environment Policy Advisory Committee – TEPAC. In

upcoming meetings in Geneva, we plan to work closely with other developing country delegations who are interested in proposing an approach to special and differential treatment for developing countries that can realistically address some of the challenges they face, particularly with subsistence fishing populations, but ensure there is no loophole for countries that already have big industrial fleets.

The Trans-Pacific Partnership (TPP)

The Trans-Pacific Partnership (TPP) is a potential platform for economic integration across the Asia-Pacific region, and is where we have the prospect to further our effort to address the state of the world's fisheries and harmful fisheries subsidies that contribute to overcapacity and overfishing. With its rapid growth and large markets, the Asia-Pacific region is vital to the expansion of U.S. trade and to the creation and retention of high-quality, high-paying export-supported jobs in the United States. The United States is negotiating with an initial group of seven like-minded countries (Singapore, Chile, New Zealand, Brunei, Australia, Peru, and Vietnam) to craft a platform for a high-standard, 21st-century agreement -- one that reflects U.S. priorities and values.

Potential Areas for TPP Marine-related Obligations

The TPP presents a unique opportunity to address marine and ocean conservation, over-fishing and unfair fishing practices among key Pacific nations. Six of the eight TPP partners (Chile, Peru, Vietnam, Australia, New Zealand and the United States) have major fishing interests. Therefore, a robust package of marine conservation measures, within both the Environment Chapter and under a framework for environmental cooperation, would be a strong complement to our efforts on fisheries subsidies in the Doha Round. While we are continuing to explore options for issues to include in an environmental chapter in the TPP, there was significant interest in the 2nd Round of negotiations in further considering "21st century issues," which include: environmental goods and services; oceans and marine governance; wildlife trade; illegal logging and associated trade; biodiversity and trade; and climate change and trade. We will continue to discuss these ideas with the Congress, key stakeholder groups and other U.S. government agencies as the TPP negotiations move forward.

USTR's Office of Environment and Natural Resources is responsible for negotiating environment chapters in all trade agreements, whether bilateral, regional or multilateral. These chapters typically

include obligations on effective enforcement of laws, non-derogation of environmental protections in encouraging increased trade or investment, domestic procedural protections, and promotion of public participation in environmental matters. We also work closely with the State Department, who is responsible for negotiating and coordinating environmental cooperation mechanisms associated with free trade agreements (FTAs).

An environment chapter in the TPP should strengthen country commitments to enforce their environmental laws and regulations, including in areas related to ocean and fisheries governance, through the effective enforcement obligation subject to dispute settlement. With respect to potential areas for marine-related obligations, a few of the ideas percolating and still in the early stages of development include, obligations and commitments that would address harmful subsidies for fishing, protect critically endangered marine species, combat illegal fishing and improve fisheries management, ensure safety of seafood imports and exports, and improve compliance with domestic and international programs and agreements, all or some of which could potentially be considered as elements of a TPP environmental agreement. We are also prepared to explore these issues within the context of an environmental cooperation package to enhance commitments made by governments in the environment chapter of a TPP agreement.

Conclusion

In concluding I would like to thank you for the opportunity to appear before you today to outline USTR's efforts to advance trade negotiations in a way that can help to conserve one of the world's most critical natural resources. These negotiations can also help to level the playing field for our nation's fishermen, processors and exporters through elimination of some of the most harmful practices that contribute to overcapacity and overfishing on the high seas. We recognize this as one of the key areas where USTR has the responsibility and capacity to make a difference on this critical issue.

Statement of Rod Moore
Executive Director, West Coast Seafood Processors Association
Subcommittee on International Trade, Customs, and
Global Competitiveness
July 14, 2010

Mr. Chairman, members of the Subcommittee, I appreciate the opportunity to provide the Subcommittee with information regarding the effects of international trade practices on the seafood industry. For the record, my name is Rod Moore and I serve as Executive Director of the West Coast Seafood Processors Association (WCSPA). We represent shore-based, American-owned seafood processing companies and associated businesses in Oregon, Washington, and California. Our members harvest, process, distribute, and sell a variety of seafood products – including Pacific groundfish and whiting, salmon, Dungeness crab, Pacific cold-water shrimp, albacore tuna, sardines, and swordfish – in regional, national, and international markets. I am also a member of the Pacific Fishery Management Council but none of the testimony I am providing today is given on behalf of the Council nor does it necessarily reflect Council policies or positions.

Although some seafood products have their own unique market niches, most are essentially fungible. For example, Pacific salmon from Oregon has market competition from Pacific salmon from Alaska and Canada. West coast Dover sole can be displaced by farm-raised tilapia from China or even catfish from Mississippi. Sales of Dungeness crab are affected by the availability of king crab from Russia. Even when we sell fish in a regional market, the ready availability of substitute products – frozen or fresh – affects the profitability of seafood processors and in turn affects the amount of money that we can spend on raw product – i.e., the price paid to the individual fisherman for his labor and capital investment. Further, to maintain market share for some products – Pacific groundfish, for example – we need to be able to provide a consistent product year-round while matching market price fluctuations. A disruption in supply due to any factor – changes in management regulations, for example – can require tremendous effort to regain market share which we have lost to some other species.

Thus, while we compete on any number of levels – product characteristics, certification by international sustainability organizations, brand name – the most important consideration continues to be price: how much consumers are willing to pay for our products versus somebody else's products.

The U.S. seafood industry is largely un-subsidized. There are no price supports or reference price levels. Seafood inspection necessary for international health certification is conducted by the National Marine Fisheries Service on a fee basis – we pay for it. Other than in cases where there is GATT or WTO illegal subsidization occurring, there are virtually no tariffs on seafood imports that are not further processed. We are pretty much on our own in selling our products at home and overseas. Remarkably, we are pretty successful in doing so, which I think is a testimony to the hard work of U.S. fishermen and seafood processors in making available high quality products for the world market. In addition – media scare stories to the contrary – we have done an excellent job in conserving and managing our resources so that we continue to have seafood products available to sell. Conservation comes at a cost – sometimes one that is higher than is necessary or appropriate – but we have shouldered that burden and continue to produce seafood for the domestic and international markets.

That's the good news. The bad news is that because the seafood market is international in scope, because seafood products are largely interchangeable, and because price is so important a factor in market competition, factors that raise the price of our products but keep those of our competitors lower can have a significantly chilling effect on our ability to compete.

Focusing on the west coast, which after all is where our members operate, one of the most frustrating issues with which we've had to deal over the last 20 years is a highly discriminatory tariff on shrimp imposed by the European Union. In the Pacific Ocean, we have somewhat cyclical but generally abundant supplies of cold water Pacific shrimp of the species *Pandalus jordani*. In size, color, and product form, they are virtually identical to cold water Atlantic shrimp of the species *Pandalus borealis*. Other than a relatively small (although resource availability has increased substantially in the last 2 years) fishery in Maine, *P. borealis* are generally harvested in Atlantic Canada and the eastern North Atlantic. Cold water shrimp are a highly desired product in the European market where they are used for things like salad and sandwiches and ideally we should be able to successfully compete against our Canadian and European counterparts. But there is one major problem: Pacific shrimp enter the European market with a 20% tariff; the tariff on Atlantic shrimp has gone from 20% to 6% and this year to zero. So to compete, we have to find a way to reduce our price by a significant amount. That affects profitability all the way back to the individual fisherman.

Why the difference? It's a good question and I wish I had an answer. Originally, the tariff structure was put in place to protect the European industry. In recent years however, the bulk of cold water shrimp entering Europe has been from Canada, which has built up its own harvesting and processing capability. More important, the Canadian government has taken an active role in supporting its industry in seeking tariff concessions with European governments. While we have had some limited support from trade staff at the National Marine Fisheries Service, seafood trade issues – and especially Pacific cold water shrimp – tend to fall to the bottom of the list at international trade negotiations. In fact, when I made inquiries to some of our federal trade staff last October, following the news of the zero tariff opportunity for Atlantic shrimp, the response I got was: "it took seven years to [sic] the Canadians, with a coalition of six importing countries, to get this 6% tariff, before having the zero duty rate." In other words, our federal government – unlike the government of Canada – believes it is industry's responsibility to lobby European governments and the European Union to remove a clearly discriminatory tariff. If this philosophy were applied to all of our trade issues, I suspect that our balance of trade deficit would skyrocket. Given the importance that the seafood industry plays in the American economy and especially in our coastal areas by creating good-paying jobs, American taxpayers will be done a disservice if our trade agencies continue to approach our industry's overseas challenges with such apathy.

In the last two years, the Oregon shrimp industry has applied for – and achieved – certification as a sustainable fishery by the Marine Stewardship Council, an internationally recognized body. As part of that process, fishermen in all three west coast states made changes to their fishing gear to reduce bycatch by installing grates that exclude fish while retaining shrimp. In coming years, we expect to invest more money in fishing gear alterations to avoid bycatch of eulachon (smelt) which were recently listed under the Endangered Species Act as a threatened species. Shrimp vessels are required to carry federal observers on request. Shrimp trawling is prohibited in Habitat Areas of Particular Concern established off the west coast, as well as in most California state waters and all marine reserves. Shrimp vessels are required to carry electronic tracking devices under the federal Vessel Monitoring System. All of these requirements to promote conservation, sustainability, and sound fisheries management come at a cost, and not one which is borne by the federal or state government. Yet we still must compete based on price. When the price we can afford to pay to the boats gets too low we work together the best we can to figure it out. Contrast this with what occurred in the Newfoundland shrimp fishery last year when low prices led to the government waiving payment of landing taxes and subsidizing payments to fishermen.

As to the effects of European tariff discrimination, they are hard to separate out from other economic factors but I will leave you with this statistic: in 1985, there were 78 actively used shrimp peeling machines in the west coast fishery – 9 in Washington, 54 in Oregon, and 16 in California. In 2008, there were 24 actively used machines – 8 in Washington, 16 in Oregon, and 0 in California.

Pacific cold water shrimp continues to be an important component of the west coast fisheries. Over the past 10 years, average annual landings in Oregon were 22.4 million pounds with an average annual value to vessels of \$8.04 million dollars and an average annual community economic impact of \$20.09 million. If we had the opportunity to fully and fairly compete in the European market, that value could increase substantially. But to do that, we need to see aggressive action on the part of our trade agencies similar to what Canadian agencies have done for their shrimp industry. We are not asking for subsidies and we are willing to help in whatever way we can, but it's not something that one small industry can do by itself; we need the support of our government, whether in multi-lateral trade talks or one-on-one meetings with European authorities at levels higher than simply the local trade attaché.

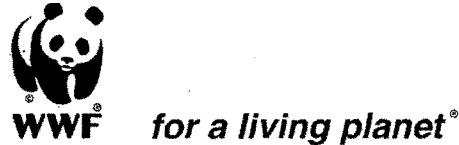
Finally, a few words about other issues affecting international seafood conservation and trade. As I mentioned above, the U.S. seafood industry is mostly unsubsidized and pays its own costs for everything from marketing to conservation requirements. Much of the attention on seafood industry subsidies has been focused on those used to build or equip vessels, the theory being that more powerful or efficient vessels will somehow more quickly deplete the world's ocean resources. In reality, it is the absence of strong conservation and management laws – or their lack of enforcement – that leads to over-fishing, not merely the presence of more efficient fishing vessels. Where subsidies truly hurt is when they are applied to the marketplace and penalize product from those countries such as the U.S. where the seafood industry bears the cost of implementing conservation measures and developing their foreign markets. I hope that both the Subcommittee and private groups who have made subsidies a rallying issue will recognize that there is more involved than simply building better boats.

Regarding illegal, unregulated, and unreported (IUU) fishing, although such practices have not had a direct effect on the U.S. seafood industry they certainly are worth paying attention to for reasons of resource conservation and management if nothing else. Our Association has been active in several international efforts in this regard, including development of finfish product traceability standards by the International Standards Organization, negotiations for a North Pacific Regional Fishery Management Organization covering harvests on the high seas, and participation in bilateral treaties with Canada for the conservation and management of Pacific albacore and Pacific Hake/Whiting.

I would also like to add a word of praise here for the National Marine Fisheries Service in dealing with the practical aspects of stopping IUU fishing. The European Union recently established new regulations requiring seafood companies either to provide assurances that seafood landed or imported into the EU is not a product of IUU fishing or face complete traceability to the individual vessel level. In some fisheries, such traceability is impossible as fish catches get mixed on board boats or when processed at plants. NMFS negotiated an agreement with EU authorities which would allow NMFS to certify that fish were caught in compliance with state or federal law and therefore were not a product of IUU fishing. This has removed what could have been a huge dam in the stream of international commerce and for this NMFS should be commended.

Last but not least, I want to call the Subcommittee's attention to an effort being made by segments of the U.S. industry to deal with economic fraud, including fraudulently packaged imported seafood. In 2007, the National Fisheries Institute developed the Better Seafood Bureau (now the Better Seafood Board) as a means of policing economic fraud within the seafood industry. Along with supporting economic integrity among its own membership and with similar organizations, NFI has actively worked to promote standards in domestic and international trade. Efforts such as this, along with governmental efforts to halt IUU fishing, will go a long way to promote sound fisheries conservation and management.

Again, thank you for giving me the opportunity to testify. I would be happy to answer any questions I can or provide further information to the Subcommittee.



Sustainable Fisheries, Robust Trade

**Testimony of David K. Schorr
Fellow, World Wildlife Fund**

**Hearing on
"Marine Wealth: Promoting Conservation and Advancing American Exports"
U.S. Senate Committee on Finance
Subcommittee on International Trade, Customs, and Global Competitiveness
July 14, 2010**

Thank you Mr. Chairman, and good afternoon. My name is David Schorr and I am speaking today on behalf of the World Wildlife Fund. Known internationally by its panda logo, WWF is one of the world's largest privately funded conservation organizations, with more than 5,000,000 members worldwide, and with offices and projects in over a hundred countries. As an organization that combines science-based conservation in thousands of field projects with solutions-oriented policy advocacy, WWF has an abiding interest in the topic of this hearing.

Before going further, I want to thank you for the opportunity to testify here today, and wish to express our appreciation to you and your fellow Senators on the Subcommittee for your leadership and foresight in holding these hearings. We are today in a moment of relative trade policy calm, but pivotal developments in US trade relations are likely not far beyond the horizon. It is a very good time to look ahead and ask what kind of trade policies are needed for this new century.

Fisheries and the Trade-Environment Link

Almost two decades ago, WWF was one of the first organizations to recognize the profound links between trade and environment. Like many of our colleagues in the environmental community, we were concerned in part with how trade liberalization—if blindly pursued—could exacerbate the depletion of the world's natural resources and the erosion of its environmental quality. We were concerned then, as in some instances we might still be concerned today, with how trade policies and environmental policies can sometimes conflict. But from the outset, WWF rejected the simplistic notion that trade liberalization is inherently evil. On the contrary, we have consistently viewed sustainable trade and constructive trade policies as fundamental to the success of our environmental mission. This has led WWF, at the risk of some controversy, to support trade liberalization initiatives that we believe are likely to advance environmental husbandry, even as we have opposed trade initiatives that appear likely to do more environmental harm than good.

The trade-environment link is an especially sensitive one whenever trade is based directly on natural resources. This is certainly true for trade in fish products. Fishing is the last global economic activity to rely on the hunting and gathering of wild animals. Feeding billions of people, and directly or indirectly employing hundreds of millions,

fishing is the only economic sector in which so many lives and livelihoods depend on the health of untamed ecosystems.

But as elemental as our relationship to the sea remains, fishermen today are no longer primitive hunters and gatherers. With our extraordinary new technologies, our steadily rising human population, and—yes—our vastly expanded international trade in fish products, we have in the span of only a few decades brought the Earth's once abundant fisheries to the brink of catastrophic exhaustion.

To reverse this current crisis of depletion, governments must continue to improve the way we manage and regulate fisheries. But command and control regulations alone are not likely to succeed. Fisheries management must go hand in hand with attention to the underlying economics—to the commercial and social realities—that are the ultimate drivers of fishing activities.

Today, the economics of fishing are dangerously out of balance. It is not only that we face a classic "tragedy of the commons", in which short term economic calculations drive rational fishermen in "open access" fisheries to deplete the resource on which they depend. We also face a world where the price signals and production costs of fisheries products are heavily skewed by subsidies, where trade in illegal contraband is a significant share of the world market, and where consumers are routinely isolated from basic information about what they are buying when they step up to the fish counter or sit down at their favorite seafood restaurant.

Governments policies obviously matter a lot to the economics of fishing. And, as commerce in fisheries products has grown and gone global, national and international trade laws have become a critical piece of the puzzle. Today, nearly 40% of fisheries products (by live weight) enter international trade—and that is a figure which ignores the substantial flow of products from fleets fishing in the waters of foreign countries for sale back in their own domestic markets.

Mr. Chairman, as Congress considers how best to advance US trade policies, there are several areas that deserve your attention with regard to fisheries. I begin with fisheries subsidies, where much has been accomplished but where much remains to be done at the World Trade Organization.

Fisheries Subsidies: An Opportunity for Groundbreaking New Rules

As you know Mr. Chairman, negotiations towards innovative new WTO disciplines on fisheries subsidies have been underway as a core element of the Doha Round since 2001. With strong leadership from successive administrations, and with bipartisan support in Congress, the US was the prime mover in launching the fisheries subsidies talks, and has played a critical role moving these negotiations towards a significant and groundbreaking success. Indeed, these negotiations hold the promise of making an important contribution not only to the future of sustainable fisheries but to the development of the multilateral trading system itself.

Effective WTO disciplines will make a real difference to the economics of fishing. Fisheries subsidies are estimated to have a global value equivalent to nearly 20% of the ex-vessel sales of wild caught fish—a scale of subsidization that cannot help having a profound impact on patterns of production and trade. Many of these subsidies continue to expand fishing capacity where there are already too many boats, or increase fishing pressure where there are already too few fish. This is why the heads of state and world leaders who met at the 2002 World Summit on Sustainable Development in

Johannesburg placed the successful conclusion of the WTO fisheries subsidies negotiations among a handful of top priorities for ending the worldwide overfishing crisis.

But it is also important to note how the fisheries subsidies negotiations are helping transform the WTO and international trade policy dialogue itself. When the WTO was born in 1994, the trade and environment debate was mainly dominated by the mutual fears of trade officials and environmentalists. With the famous tuna-dolphin GATT dispute and the environmental controversy over NAFTA still freshly in mind, many environmentalists were calling for the WTO to change its rules and practices to reduce perceived conflicts with environmental policies—some were calling for the WTO to go out of business altogether. At the same time, many trade officials viewed environmental demands as a dangerous interference with the pursuit of liberalized trade. Developing countries in particular were nearly unanimous in decrying "trade and environment" as little more than a smokescreen for "green protectionism."

Nothing has done more to refocus the trade and environment debate in a positive direction than the WTO fisheries subsidies negotiations. Through a long technical and political dialogue—a dialogue that has ironically benefited from the repeated delays in concluding the Doha Round—negotiators in Geneva have arrived at a consensus (or, at least, a near-consensus) on several fundamental points that in 1994 would have been difficult or impossible to imagine. Although as yet falling short of an agreement on specific new rules, the WTO talks now reflect the following concepts:

- First, that where access to natural resources are concerned, WTO rules should discipline subsidies not only when they distort export markets but also when they distort production and access to natural resources themselves;
- Second, that WTO rules can and should be aimed explicitly at encouraging sustainable and equitable patterns of natural resource-based production and trade; and
- Third, that where environmental management has a direct bearing on the terms of production and trade—and where basic norms of environmental management are well-established and broadly accepted—it is proper and even necessary for the WTO to incorporate "sustainability criteria" into elements of its rule system.

In less technical terms, WTO members have agreed in principle that WTO rules should ban some subsidies precisely because they contribute to overfishing, and that fisheries subsidies that are not subject to such a ban should be allowed only where basic requirements of proper fisheries management have been met and will not be abrogated. As a political matter, and particularly in light of the strong North-South dimension to the persistent Doha logjam, it is especially interesting that some of the strongest voices calling for environmental conditionality on certain WTO rights has come not only from the US but also from some leading developing countries.

In short, Mr. Chairman, the fisheries subsidies negotiations have been unique in the way they have changed the substance and tone of trade diplomacy in one important corner of the Doha Round. The issue may thus serve as a useful model for policymakers seeking to shape the next generation of trade relations.

But, of course, the WTO fisheries subsidies negotiations will be little more than a topic for future graduate seminars if we do not ensure that they actually succeed. All along, they have proceeded at a pace independent from the "on-again, off-again" pattern of the overall Doha Round—even if the final outcome is tied to Doha's "single undertaking." Some of the hottest periods in the fisheries subsidies talks have come precisely at low

moments in Doha diplomacy. Even in the last few months, the fisheries subsidies negotiations have been in an especially active and important phase. In May, for example, the United States concluded a vigorous interagency process and tabled its most detailed and forward-looking proposal to date.

The progress achieved at the negotiating table has been real. If the Doha Round can be brought to a successful conclusion, a strong outcome on fisheries subsidies is within reach. Without going into the details of WWF's position, Mr. Chairman, I would just like to briefly lay out the three key elements WWF is seeking in new fisheries subsidies rules.

First, new WTO rules should include a broad prohibition on most forms of fisheries subsidies that directly contribute to fishing capacity and effort.

Second, new WTO rules should ensure that subsidies not covered by the ban are subject to effective limits and conditions that ensure subsidies will not be granted where fleets are already overcapacity, where stocks are already subject to overfishing, or where fisheries management does not meet minimum international norms. These limits and conditions will be particularly important in the case of developing countries, which will likely remain free under "special and differential treatment" to employ many of the subsidies falling under the primary ban.

Third, new WTO rules should put an end to the dangerous lack of transparency that characterizes most subsidy programs today by requiring governments to disclose the details of their fisheries subsidies and by making subsidy reporting obligations enforceable under WTO law.

Mr. Chairman, WWF believes that WTO rules meeting these tests can be achieved. But success will require negotiators to overcome a number of remaining technical and political hurdles—and this will only be possible with continued US leadership.

Accordingly, Mr. Chairman, WWF encourages your subcommittee to work with the administration to maintain strong and active US leadership in the WTO fisheries subsidies talks. In the future, as in the past, it will be especially important for this issue to stay on radar screens at the highest political levels, and for fisheries subsidies to remain visibly on the list of ultimate US demands for the Doha Round.

Ending Trade in Illegal and Unsustainable Fish Products

Mr. Chairman, a second critical factor affecting the international economics of the fisheries sector is trade in products based on pirate fishing. In the fisheries business, we often use the term "IUU" fishing, to stand for "illegal, unreported, or unregulated" fishing activities. This is a term that appears, for example, in various sections of US law that authorize the use of trade and other commercial restrictions to combat IUU fishing. But for our purposes today, I will stick to the term "illegal fishing", partly because it is more familiar, and partly because conservationists and other stakeholders may soon be moving away from the term IUU and towards considering any fishing that is "unregulated" or "unreported" to be illegal *per se*.

However you define it, Mr. Chairman, illegal fishing is a significant problem. Although by its nature it is hard to track and measure, illegal fishing may be responsible for nearly 20% of catches from wild capture marine fisheries. For some major commercial stocks, according to the FAO, the figure may be as high as 30%. Globally, therefore, illegal fishing may have a dollar value that is roughly equivalent in scale to the subsidies governments pour into the fisheries sector each year.

And, as in the case of subsidies, illegal fishing is a problem that good trade policies can help solve. There are at least three angles to this issue, Mr. Chairman, that I think deserve the attention of members of the Subcommittee on Trade:

1. How we close our markets to illegal fishing;
2. How other countries will close their markets to illegal fishing; and
3. How we can help facilitate trade not only in legally caught fish products but particularly in those which are caught through sustainable fishing practices.

First, Mr. Chairman, is the question of how we use our own domestic laws to fight illegal fish trade. Since the reauthorization of the Magnuson-Stevens Fishery Conservation and Management Act in 2006, the US has had law on the books mandating certain trade measures against some illegal fish products. The 2006 language, however, has left some gaps and ambiguities in the US approach—gaps that will need to be filled by both regulation and additional legislation. In fact, several members of this subcommittee have already cosponsored bills in both in the 110th Congress and in the present 111th that would continue to refine the US use of trade measures against illegal fishing. I am referring to efforts to pass the “International Fisheries Stewardship and Enforcement Act” through S2907 (from 2008) and the current S2870, both of which were originally sponsored by Senator Inouye and co-sponsored by Senators Cantwell, Kerry, and Snowe, among others.

From a trade perspective, it is important that US trade measures against illegal fishing products be predictable and fair as well as effective. This will require clarifying the scope of the term “IUU” and creating a process that to the greatest extent possible triggers trade measures on the basis of objective facts rather than political decisions. It is also important to have a system that helps create and use a regular flow of good quality information about illegal fishing practices, rather than simply responding to ad hoc developments. Three central ideas in accomplishing this include:

- (i) developing a “living list” of vessels, companies, and individuals known to have engaged in illegal fishing;
- (ii) creating an interagency “Fisheries Enforcement Program” to develop and respond to information about illegal fishing vessels and products seeking entry into the United States; and
- (iii) establishing an “International Cooperation and Assistance Program” to build capacity to prevent and address illegal fishing activities and to promote the development of sustainable fishing regimes.

Having an proactive, reliable, comprehensive, and apolitical process for imposing trade measures on IUU fish products will not only make US law more effective, but will also reduce the likelihood that such measures will become the subjects of international disputes.

We face similar issues with regard to trade measures used by other countries against illegal fishing. The EU is already on the verge of implementing its own system, while a recently adopted FAO treaty—the Port State Measures Agreement—creates a framework for many other countries to do the same. The international community is moving rapidly towards frequent use of trade measures against IUU products and the vessels and companies that purvey them. It will be in the interest of the United States as well as its trading partners to ensure that the procedures and rules for such trade measures are as harmonized—and as effective—as possible. Mr. Chairman, this is one

area that could be a very productive focus for regional trade discussions such as the Trans-Pacific Partnership.

Finally, Mr. Chairman, we can and should do much more to facilitate trade in legitimate fish products and especially in products originating with responsible and sustainable fishing practices. We need to build international systems for documenting how, when, and where fish are caught. We need to create reliable chains of custody, so that both consumers and governments can know with assurance what kinds of fish products are entering our markets. Much of this "mission critical" information flow will need to be generated by the private sector. But governments will also have to play a role. We will need well-coordinated rules for tracking vessels and products as they move across the globe. We need to close loopholes in "country of origin" labeling laws and develop tight traceability requirements. These are matters for customs bureaus as well as coast guards. Our trade negotiators, working in tandem with our fisheries policy officials, can pursue trade facilitation mechanisms to help coordinate national policies, and to promote efficient working relationships between public and private product tracking systems. This again would be an excellent focus for the TPP and similar talks.

The Need for Interdisciplinary Policymaking

Mr. Chairman, before closing I would like to make just a few general remarks about how fisheries and trade policies can and should be productively combined—and here again the TPP provides one concrete focus for thought.

When we are establishing or expanding commercial relations in environmentally sensitive sectors, we must meet the challenge of crafting truly interdisciplinary policies. Just as fisheries managers cannot hope to achieve sustainable fisheries without attention to economic realities, trade officials cannot help grow the economic pie without attention to environmental truths (some of which, by the way, turn out to be convenient). In the early days of the trade and environment debate, there was a tendency to think what was needed was to talk about environment at the same time that we talk about trade, whether in side agreements or in special WTO committees. But it is time to move well beyond this "separate but equal" approach, and enter the age of real integration.

The lesson of the fisheries subsidies debate at the WTO is that this can be done, if the goals are set properly and if trade and fisheries officials are willing to enter into a deep and creative technical dialogue. It is an interesting and hopeful sign that so many members of this Subcommittee on International Trade are also active in the field of fisheries legislation. But we are still in early days, and we must still resist the tendency to work in traditional silos.

I will close by mentioning one tool that can perhaps help in this regard, and that is the process for conducting inter-agency environmental reviews of trade policy initiatives, in accordance with Executive Order 13141. The process for conducting such a review of the TPP has just recently got underway. WWF is aware that formal reviews of this kind are sometimes rote exercises in "checking off the boxes". But with sufficient attention, they can become real sources of innovation. It might be worth asking this time around whether the TPP environmental review process will have sufficient financial and staff resources—and political attention—to help deliver the kind of forward looking ideas that, by holding these hearings today, your subcommittee has indicated it seeks.

Thank you, Mr. Chairman, and I will be happy to answer questions from the Subcommittee this afternoon or at any other time useful to you.

**WRITTEN TESTIMONY OF
ERIC C. SCHWAAB
ASSISTANT ADMINISTRATOR FOR FISHERIES AND DIRECTOR
NATIONAL MARINE FISHERIES SERVICE
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION
U.S. DEPARTMENT OF COMMERCE**

**HEARING ON
“MARINE WEALTH: PROMOTING CONSERVATION AND ADVANCING
AMERICAN EXPORTS”**

**BEFORE THE
SUBCOMMITTEE ON INTERNATIONAL TRADE,
CUSTOMS, AND GLOBAL COMPETITIVENESS
COMMITTEE ON FINANCE
UNITED STATES SENATE**

July 14, 2010

Introduction

Mr. Chairman and distinguished members of the Subcommittee:

Good afternoon and thank you for the opportunity to be here today to describe the U.S. system of fisheries management and discuss the National Oceanic and Atmospheric Administration's (NOAA) role in implementing rights and obligations related to international fish and ocean treaties and opportunities to achieve greater international cooperation. I am Eric C. Schwaab, Assistant Administrator of the National Marine Fisheries Service (NMFS).

As the federal agency with primary responsibility for sustainably managing the Nation's living marine resources and their habitats, stewardship of these important resources is at the heart of the NOAA and NMFS missions. Our work is complex and incorporates many goals, which include: conducting appropriate science and research to inform decision making; incorporating ecosystem approaches to management; designing controls to achieve sustainable fisheries; protecting threatened and endangered species and marine mammals; managing fishery-induced impacts on marine habitats; enforcing U.S. fishery requirements; and ensuring the seafood produced is safe and wholesome.

Along with our federal partners, we seek similar goals internationally, including: sustainably managed fisheries, conservation of non-target, associated and dependent species and habitats; preventing, deterring, and eliminating illegal, unreported, or unregulated (IUU) fishing; and ensuring the safety of seafood destined for export or import. In this regard, we strive for a level playing field for U.S. fishermen, U.S. seafood exporters, the U.S. market for seafood, and U.S. consumers of seafood.

In my testimony today, I will discuss our domestic fisheries management regime, overcapacity and subsidies, IUU fishing, promotion of seafood exports, seafood safety, and international cooperation and assistance.

U.S. Fishery Management System

U.S. domestic stewardship of marine resources is grounded in a number of legislative mandates. Three of the key mandates are the Magnuson-Stevens Fishery Conservation and Management Act (MSA), the Endangered Species Act (ESA), and the Marine Mammal Protection Act (MMPA). There are also other mandates for domestic implementation of the conservation and management measures adopted by Regional Fishery Management Organizations (RFMOs), which are the multilateral bodies that manage transboundary fish stocks.

To achieve sustainable fisheries, the MSA includes 10 National Standards for fishery conservation and management that are implemented in the U.S. Exclusive Economic Zone (EEZ). These standards ensure that overfishing is ended and science-based rebuilding plans are implemented in a timely manner to ensure healthy and sustainable commercial and recreational fisheries. MSA also provides extensive guidance on tools to be used for reducing fishing capacity, one of the greatest challenges of domestic and global marine stewardship and fair markets.

To address the issue of overfishing, which adversely affects marine ecosystems and reduces the supply of wild-caught seafood, the 2006 amendments to the MSA added mandates to implement annual catch limits and accountability measures to end current and prevent future overfishing in federally managed fisheries. These measures must be implemented in 2010 in fisheries subject to overfishing and in 2011 in all other fisheries.

The ESA and MMPA provide standards and processes to address the potential impacts of fishing on endangered species, such as sea turtles and marine mammals, particularly bycatch. The MSA, ESA and MMPA, in addition to the National Environmental Policy Act, ensure a transparent and participatory management process in U.S. fisheries.

Furthermore, along with our U.S. Coast Guard partners, we monitor and enforce fleets and processors in the domestic fisheries. While our work is an ongoing challenge, we have made substantial progress in addressing overfishing and ensuring healthy fishing communities, as evidenced by the most recent Report to Congress on the Status of U.S. Fisheries which shows that 85 percent of our stocks are not subject to overfishing.

As one of the three principal markets for seafood (along with the European Union and Japan), over 80 percent of seafood purchased by U.S. consumers is imported product. In 2008, the United States imported 5.2 billion pounds of fish products, valued at \$14.2 billion. This underscores the importance of ensuring that illegally caught fish and fish products do not enter the U.S. market. Another critical consideration regarding international fishing is that many of our target stocks as well as protected species, such as sea turtles, whales, and dolphins, are transboundary or highly migratory species. Even the most stringent measures taken to enable science-based, ecosystem approaches to fisheries management in the United States cannot result

in sustainable fisheries and protection of non-target species if foreign fleets interacting with shared stocks are not managed under the same guiding principles. Finally, it is extremely important that U.S. fishermen are not unfairly disadvantaged by imported product harvested by foreign fishermen who are not subject to equivalent management and bycatch measures.

NOAA also works with the Department of Justice to ensure that imported seafood products are accurately labeled and declared as to species, country of origin, and weight. This protects seafood consumers and the domestic industry from fraud and unfair competition, ensures the fair and equitable application of anti-dumping duties, and ensures accurate statistical information regarding harvest, production and trade in various seafood species.

Additional domestic seafood production (through aquaculture) will reduce the nation's dependence on imports. Currently, the United States imports approximately 84 percent of its seafood and half of those imports are products of aquaculture. The United States has a large seafood trade deficit, importing about \$10 billion more than it exports (\$14.2 billion in imports versus \$4.3 billion in exports). Of the seafood imported by the United States, 60 percent comes from Asian countries, led by China and Thailand. U.S. aquaculture (freshwater and marine) supplies about 5 percent of the U.S. seafood supply and U.S. marine aquaculture supplies less than 1.5 percent.

NOAA takes a thorough approach to sustainable aquaculture that will create employment and business opportunities in coastal communities; provide safe, sustainable seafood; and complement the agency's comprehensive strategy for maintaining healthy and productive marine populations, species, and ecosystems and vibrant coastal communities. NOAA is currently developing a new national marine aquaculture policy that reflects recent stakeholder input and builds on previous agency efforts in this area. In addition to exploring future aquaculture technologies, along with a variety of academic and private sector partners through research funding and technology development, NOAA also supports aquaculture activities aimed at rebuilding wild fish stocks and restoring populations and habitats of marine species.

Addressing Overcapacity and Subsidies in International Fisheries Management Fora

NOAA officials work with counterparts in the Office of the U.S. Trade Representative (USTR), the Department of State, the U.S. Coast Guard and other agencies to address the challenges of fishery-sector subsidies that lead to overcapacity and overfishing around the world. The USTR has the lead in the negotiations underway at the World Trade Organization to improve rules on government subsidies to the fisheries sector. NOAA has assisted with these negotiations since their initiation at Doha, Qatar in 2001.

NOAA has also worked with foreign counterparts in the Committee for Fisheries of the Organization for Economic Cooperation and Development (OECD) to explore solutions to key fisheries management challenges through political and economic analyses of the institutions and governance structures affecting fisheries. Studies emanating from the discussions in the OECD Committee for Fisheries provide clear guidance to member States about why and how to transition to sustainable fisheries, including reducing harmful fishing subsidies and overcapacity.

The United States has chaired this Committee for the past four years, and has focused its efforts on developing a work plan that addresses, among other themes, best practice guidelines for decommissioning schemes to deal with fleet overcapacity and the economics of rebuilding fisheries.

The United States is a member country of a number of RFMOs that oversee management of highly migratory and transboundary fish stocks. Examples include membership in three of the world's five tuna RFMOs (covering the Atlantic, Western Pacific, and Eastern Pacific oceans) and the International Pacific Halibut Commission. NOAA representatives have been appointed U.S. Commissioners to several of these RFMOs. U.S. Commissioners to these RFMOs advocate sustainable management principles based upon our domestic fisheries management that include science-based catch limits, improved monitoring, enhanced data collection, and minimization of bycatch and habitat impacts. They also advocate for controls on fishing capacity in cases where overcapacity is leading to overfishing. While progress in the international arena has been slow, preliminary steps have been taken toward implementation of capacity control measures in international fleets, such as capacity limits in the eastern Pacific tuna fisheries and vessel registry systems in most of the RFMOs.

Addressing IUU Fishing by Foreign Vessels

IUU fishing by foreign or flagless vessels is estimated to generate between \$10 and \$23 billion in gross revenue each year. This illegal fishing can undermine our domestic fishery management and negatively impact sustainable international fisheries management, with substantial impacts on the world's marine ecosystems, the U.S. fishing industry, and the American seafood consumer. As a major consumer of seafood, the United States has an obligation to avoid the importation of illegal seafood products. NOAA and its federal partners continue to work with other countries bilaterally and multilaterally to address the threat of IUU fishing and trade of illegal products.

In the global context, the Food and Agriculture Organization of the United Nations (FAO) developed, in 2001, its International Plan of Action to Prevent, Deter, and Eliminate IUU Fishing. In 2004, the United States, within the context of the International Plan, developed its own National Plan of Action to Prevent, Deter, and Eliminate IUU Fishing. The National Plan establishes a commitment to developing controls on IUU products entering the United States, developing measures to deter IUU fishing by identifying and penalizing IUU vessels and the nations that provide flags to those vessels, and broader measures to strengthen international organizations as well as other nations' abilities to combat IUU fishing. The United States also continues to push for effective action to combat IUU fishing in global bodies and RFMOs, as well as in negotiations to establish new RFMOs. A copy of this National Plan of Action has been submitted for the record for inclusion with my written testimony. Also submitted is the January 2009 Biennial Report to Congress on Implementation of the Title IV of the Magnuson-Stevens Fishery Conservation and Management Reauthorization Act of 2006. This report provides a summary of recent actions by NMFS to address IUU fishing.

NOAA also works in other international fora to deter IUU fishing operations. Many RFMOs identify vessels engaged in IUU fishing and adopt measures to penalize those vessels through

denial of port entry or access to port services. These IUU vessel lists also serve to highlight illegal operations, so the fishing industry (including processors and importers) is aware of vessels that have been engaged in such activities. With a few key exceptions, the United States already prohibits foreign flagged fishing vessels from landing, transshipping, or processing fish at U.S. ports, but such vessels are not barred from port entry for other purposes, such as maintenance, fueling, or provisioning. NOAA recently proposed regulations to prevent port entry and access to port services for vessels included on an RFMO IUU vessel list. Further, the United States took a leading role in negotiating the FAO Port State Measures Agreement, which sets minimum standards for actions nations must take to strengthen controls on vessels carrying fish into the world's ports, especially IUU vessels. The agreement was approved by the FAO on November 22, 2009, and the United States has signed it along with fifteen other countries. NOAA is currently developing proposed legislation to implement this Agreement which will need to be taken up by Congress.

As called for in the High Seas Driftnet Fishing Moratorium Protection Act, the United States identifies foreign nations whose fishing vessels have been engaged in IUU fishing. This process was mandated in the international provisions of the Magnuson-Stevens Fishery Conservation and Management Reauthorization Act. Under this process, in 2009, the United States identified six nations for IUU activities of their fishing vessels: France, Italy, Libya, Panama, the People's Republic of China, and Tunisia. Subsequently, NOAA, working through the Department of State, has consulted with relevant officials in each of the identified nations, as called for by the legislation. The United States is committed to working cooperatively to address IUU fishing with these nations, including bilaterally and through relevant multilateral fora. Progress made bilaterally and multilaterally in addressing the IUU fishing activity will inform the last step of the process, which is to certify to Congress whether appropriate corrective action has been taken by the identified nations, or whether the relevant RFMO has implemented measures that are effective in ending IUU fishing activity. The failure of an identified nation to take sufficient corrective action may lead to denial of port privileges for fishing vessels of that nation, prohibitions on the importation of certain fisheries products from that nation into the United States, and other measures. In May 2010, NOAA produced a progress report, which includes a synopsis of progress made in the consultations. A copy of this report has been submitted for the record for inclusion with my written testimony.

The NMFS Office of Law Enforcement routinely engages in international investigations targeting multi-national business operations that engage in illegal trafficking on a global scale. In recent years, the Office of Law Enforcement has been able to identify a number of multi-million dollar operations engaged in trafficking IUU fish and fish products. These investigations resulted in successful interdiction, prosecution and, ultimately, the termination of these operations. Such cases have eliminated many activities that were causing egregious harm to marine resources throughout the world. The Office of Law Enforcement also works closely with the U.S. Coast Guard to detect illegal incursions into the U.S. EEZ using sea and air patrols, vessel monitoring systems, and other surveillance tools.

NOAA also works with the U.S. Coast Guard, Customs and Border Protection, the Department of State, other federal agencies and our international partners to prevent IUU fishing products from entering the U.S. marketplace. Many of the fisheries products with the highest value, and

thus most likely to be harvested and traded illegally, such as bluefin tuna, Patagonian toothfish, and bigeye tuna, are controlled via international catch documentation schemes, which NOAA implements and enforces. These catch documentation schemes monitor international trade, identify the origin of imports, and determine if the imports were caught in a manner consistent with relevant international conservation measures. Further, NOAA is working to integrate its trade monitoring programs into the International Trade Data System (ITDS), which is a government-wide system, maintained by Customs and Border Protection, for the electronic collection, use, and dissemination of trade data necessary for federal agencies to perform their missions. NOAA's integration of fisheries information into the International Trade Data System will significantly enhance the coordination between federal agencies in detecting and responding to potential IUU fish and fish products.

In 2001, the United States joined other countries to establish the International Monitoring, Control and Surveillance Network, which works multilaterally to exchange fisheries and enforcement information, including information related to IUU fishing. The Network was established to provide a mechanism for fisheries law enforcement professionals to share information and experiences as they monitor the increasingly complex harvesting and marketing of fish around the world. The rise in illegal activities that has accompanied globalization underscores the need for this type of cooperative law enforcement across national borders. NOAA has served as the host for the Network since its inception, and funding for the Network has been provided by NOAA and several partners, including Australia, Canada, New Zealand, and the United Kingdom. NOAA continues to work to improve the monitoring, control, and surveillance capabilities in developing countries and is working closely with other Network partners to coordinate the Third International Monitoring, Control, and Surveillance Network workshop in Mozambique in 2010. Successful workshops were held in Malaysia in 2005 and Norway in 2008.

Finally, I would like to note two pieces of legislation that would provide NOAA with additional tools to combat IUU fishing. Senator Inouye championed S.2870, the International Fisheries Stewardship and Enforcement Act which is supported by several Members of this Subcommittee. In March 2010, the Senate Committee on Commerce, Science, and Transportation passed this comprehensive bill which would greatly enhance NOAA's ability to combat IUU fishing and prevent illegal fish product from entering the United States. In September 2009, the House passed a similar bill, H.R.1080, the Illegal, Unreported, and Unregulated Fishing Enforcement Act of 2009. Among other things, these bills make several technical changes to improve current international fisheries statutes, advance NOAA's enforcement capabilities, and authorize a broader capacity building program to help other nations address IUU fishing. The Administration would like to note that S.2870 would authorize two programs that are not included in the FY 2011 Budget.

Promoting and Facilitating Seafood Exports

In addition to NOAA's previously summarized efforts in support of negotiations to rein in global fisheries subsidies and to combat IUU fishing, we work closely with the Department of Commerce's International Trade Administration and the USTR to lower tariff and non-tariff

trade barriers to U.S. exports through bilateral and multilateral trade negotiations. U.S. seafood exports totaled in excess of \$4 billion last year, making the United States one of the five largest exporters of fish and fish products.

Many countries have established import requirements on fish and fish products that can serve as non-tariff trade barriers, such as import quotas, requiring complicated and lengthy “pre-approval” processes for the U.S. exporter, limiting who a U.S. exporter can sell to, and the imposition of import fees in addition to tariffs.

U.S. exporters are also at a competitive disadvantage for exports to both developing and developed countries due to foreign tariff rate structures; the European Union, for example, imposes an average tariff of 12 percent for fisheries products coming from most countries, and some developing countries have average tariff rates in excess of 25 percent, compared to the U.S. average tariff level of 2.4 percent for fisheries products. Preferential agreements between other countries which exclude the United States can provide easier market access for our competitors; Canada, for instance, is able to sell shrimp species that compete with Oregon shrimp into the EU at rates far below those applied to similar products from the United States. Seafood safety and sanitary requirements in some instances have required meeting standards that are not consistent with those used by the United States; for example, the European Union requires that bivalve mollusks be certified based on the safety of the meats while the United States deems this as unsatisfactory and bases its safety determinations on the safety of the growing waters. The EU currently has a ban on the importation of bivalve mollusks from the U.S. waters.

In some cases, the high quality of our domestic science and management gives the United States the platform and credibility with which to compete in the export market. For example, in January 2010, the European Union implemented a measure that required all imports of seafood products to be officially designated “non-IUU” in order to enter their market. In the course of a year-long negotiation, the United States successfully demonstrated to the European Union that the U.S. fisheries management and enforcement system effectively controls IUU fishing. As a result, U.S. seafood exports valued at approximately \$1 billion per year continue to have access to the European market with no disruption after the implementation of the European Commission Regulation.

Within the U.S. Government, NOAA advocates for and advances the interests of U.S. seafood businesses and consumers on issues affecting worldwide trade, market access, consumer health and safety. NOAA staff in the United States and two contract employees in the European Union and Japan also provide direct assistance to the U.S. fishing industry with respect to informing them of new international regulations and standards, interceding with foreign governments on behalf of industry over certification disputes, identifying market opportunities, and generally facilitating the free flow of trade between U.S. seafood business and our trading partners.

Ensuring the Safety of Seafood Imports and Exports

The NOAA Seafood Inspection Program operates on a fee-for-service basis under the authority of the Agricultural Marketing Act of 1946 to provide inspection services for fish, shellfish, and

fishery products to the seafood industry. Inspectors provide a wide variety of services and work to verify the safety and quality and to deter fraud and mislabeling of the products.

The NOAA Seafood Inspection Program inspected and or certified approximately 2.1 billion pounds of domestic and foreign produced seafood in 2008 at a cost to the seafood industry of less than one penny per pound. The major drivers for inspection today include consumer pressure on industry to provide safe seafood, industry demand for access to foreign markets, and, assurance the product meets industry specifications, particularly of large retail establishments such as Costco, Walmart, and Safeway.

NOAA's program helps to ensure high-quality seafood products reach U.S consumers and the export market by offering services in three major categories — (1) inspection of processes, products and product grading domestically and overseas; (2) export certification; and (3) training — which give assurance that the products are safe, wholesome, and meet the expectations of buyers and suppliers in the seafood industry.

Opportunities for Increased International Cooperation

One of the most important ways that NOAA can help enhance international cooperation towards achieving sustainable fisheries is through international assistance activities. Recently, NOAA established the International Cooperation and Assistance Program focused on, among other things, improving the ability of foreign nations and international organizations to combat IUU fishing. NOAA has invested more than two million dollars since the program began in 2007. In cooperation with its federal partners, NOAA has hosted workshops on how to reduce bycatch of turtles and other protected species, conducted cooperative research to understand species statistics and improve harvesting practices, and provided training to strengthen fisheries enforcement and improve fisheries observer programs in other countries. NOAA has been involved in various international assistance efforts through agreements and bodies, such as the United Nations Fish Stocks Agreement, United Nations General Assembly and various RFMOs. NOAA's assistance programs improve the management and science capabilities of other nations, allowing them to meet standards similar to those required of the U.S. fishing industry, thereby helping to level the playing field for the U.S. fishing industry. Moreover, these activities have the potential to open communication with non-traditional partners which can make RFMO meetings more productive towards achieving U.S. objectives.

The demand for international assistance continues to grow. NOAA has received an increasing number of requests for assistance from other nations to address IUU fishing and/or bycatch of protected living marine resources. Based on need and mutual interest, NOAA is currently focusing on three regions for international cooperation and assistance: West Africa, the Caribbean, and Southeast Asia.

Conclusion

In summary, NOAA sets forth a model approach to fisheries management and promotes international cooperation to achieve sustainability of fish stocks and non-target species through its implementation of international treaties and fishery management agreements. By combating

IUU fishing, addressing overcapacity, ensuring seafood safety, and providing training and technical assistance to developing nations, NOAA plays a key role in promoting ocean conservation and achieving sustainable fisheries worldwide. NOAA undertakes these efforts in recognition of the need to remove distortions in global seafood markets and ensure fair market access for U.S. fishermen. NOAA is an essential partner in promoting U.S. seafood exports and achieving sustainable trade policies.

Thank you, Mr. Chairman, for the opportunity to provide testimony on these important topics, I would be happy to answer any questions that you or the Subcommittee may have.

