

39th Annual Report 2008-09

It gives me great pleasure to welcome you all to the 39th annual General Meeting of your Association. On behalf of the Mg. Committee of the association I am privileged in presenting the 39th Annual Report of the Association for the year 2008-09 with the audited Balance sheet and Income and Expenditure statement for the period ended 31st March 2009.

The year gone by has indeed been one of the most challenging for the world economy. The unprecedented financial crisis, acknowledged today as the worst since the Great Depression has brutally shaken the foundations of some the strongest economies in the world. Nearly 40 million jobs have been lost. Cumulative losses from bankruptcy, closures and ailed business are pegged at trillions of dollars. Though Governments across continents have responded speedily and in rare unison, the path of recovery is expected to be long and arduous. Despite this pall of gloom that dears on us, there are reasons to remain optimistic and confident. India's inherent strengths provide a strong foundation to better withstand the aftermath of the downturn in the global economy.

Though the Indian Seafood Industry has moved from crisis to crisis during the last decade due to external factors totally beyond its control, the industry has managed to survive and keep its momentum of growth. However, today it faces the most challenging time in its history since seafood exports from India began in 1955. The industry is fighting for its very survival.

There are fundamental issues, for which there are no short term solutions. The basic problems are:

1. There is sharp decline of catch along both East and West Coasts of India due to over-fishing and pollution in our coastal waters. Fishermen are finding it difficult to make ends meet with the low catch and the high cost of operation.
2. Our Aquaculture today is focused entirely on the Monodon Species or called Black Tiger in commercial parlance. Demand for Black Tiger in the international markets faces sharp decline due to the availability of low cost Vannamei shrimp, which can be produced at almost half the cost of cultivating Black Tiger. The Vannamei Shrimp is an equally attractive looking and tasting shrimp as the Black Tiger from the consumer perception.
3. India is unable to compete on the aquaculture shrimp front against its Asian competitors. China, Thailand, Vietnam and Indonesia have all switched massively from Black Tiger to Vannamei. The farm level price for Black Tiger in India is the lowest ever. It is unviable for the Indian Shrimp Farmer to cultivate Black Tiger at prices now being offered based on offer prices exporters are receiving from major international buyers. The Indian Shrimp culture industry is in turmoil and farmers are averse to seeding their farms. There will be a drastic reduction in aquaculture production in coming years unless we find a solution.

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We are too important an industry to disappear. Too many livelihoods are dependent on this sector, that we just cannot allow ourselves to perish.

We have one of the largest resources of inland water bodies and rivers, second only to China. We have 8000 kilometers of Coastline. Our Exclusive Economic Zones is one of the largest available for Deep Sea fishing. We have large unexploited Tuna resources in our EEZ. It is said that the tuna in our waters are dying of old age.

We have the largest number of EU approved factories in Asia. We have internationally competitively priced skilled labour. We have an effective Quality Assurance Agency in the Export Inspection Council. So why are we not the second largest fishery nation in the world, after China? This is the question we need to ask ourselves. The answers are simple.

We need to harness our inland water bodies for sustainable aquaculture.

Our coastal waters need conservation and rejuvenation.

A. Year Under Report

1. Membership

Membership of the Association stands today as follows

Name of the Region	No. of Members
Andhra Pradesh	33
Gujarat	62
Karnataka/ Goa	18
Kerala	73
Maharashtra	36
Orissa	24
Tamilnadu	35
West Bengal	21
Total	302

2. Regional Setup

The regional Offices as listed above, are headed by the following:

Regional Presidents	Regions
Mr. Y.Surya Rao	Andhra Pradesh
Mr. Kenny Thomas	Gujarat
Mr.George K.Ninan	Karnataka/ Goa
Mr.K.G.Lawrance	Kerala
Mr.Gul Kripalani	Maharashtra
Mr.G.Mohanty	Orissa

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Mr.K.V.Mohanan

Tamilnadu

Mr.Taj Mohamad

West Bengal

3. Mg. Committee Meeting

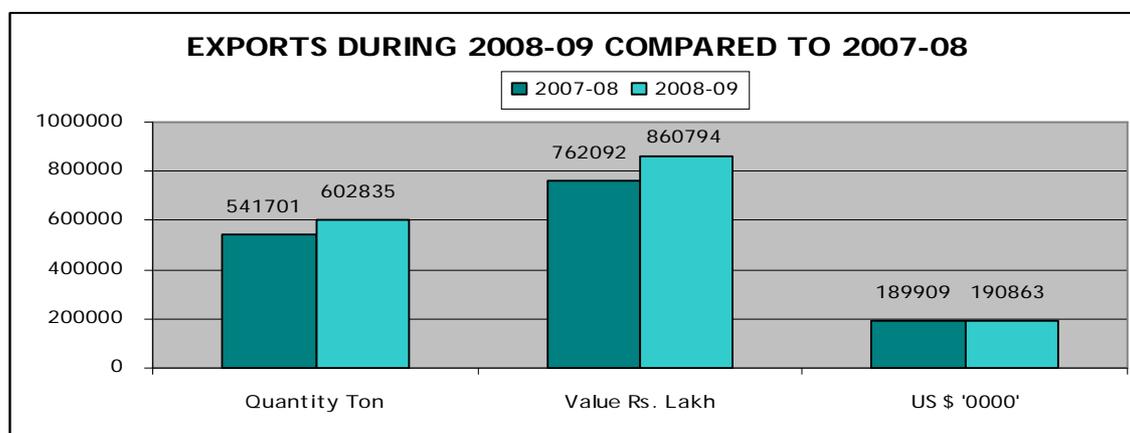
During the year under report 2008-2009, The National Mg. Committee met **4 times**. It has faced and effectively dealt with several issues that have cropped up during the year. Some of them have been very critical like the US anti-dumping duty on Shrimps, Retention of DEPB at the same rate. Antibiotic issues, exim policy matters and other issues have also been important. But all of them have been discussed in detail in the managing committee meetings, and decisions taken, after the MC members had taken the views of the respective regional general bodies. The decisions are implemented through an executive and administrative set-up, making SEAI into a real professional body, which is well recognized in various ministries and forums. For achieving this, we should thank the Vice Presidents, Dr. K.V.Prasad and Mr. R. Bhattacharya, Treasurer Mr.Norbert Karikkasserry and Mr. Elias Sait, Secretary General and all the MC members for rendering their effective support and participation. Mr. Sait with his considerable knowledge and experience in seafood trade, has played a major role in obtaining substantial benefits for the Industry from the Government and other agencies. Mr.Sait will continue to play a major role in guiding the affairs of our Association.

4. Export Performance during 2008-09

For the 5th year in succession, the export earnings of marine products in dollar terms touched record levels during 2008-09. The export earnings in rupee terms were also the highest ever recorded. The overall exports showing the export growth are given below:

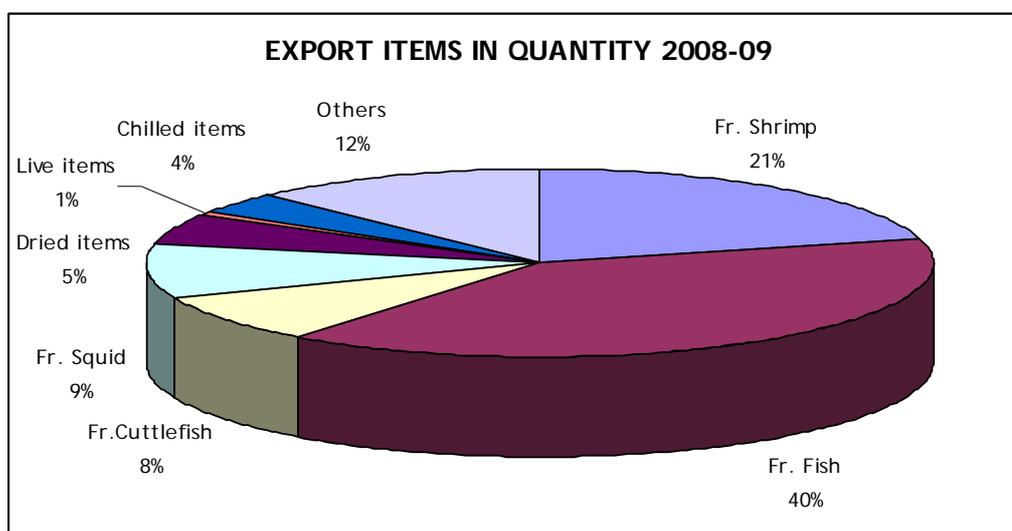
OVERALL EXPORTS DURING 2008-09

Details	2008-09	2007-08	Growth (%)
Quantity in Ton	602835.34	541701	11.29
Value Rs.crore	8607.94	7620.92	12.95
US \$Million	1908.63	1899.09	0.50



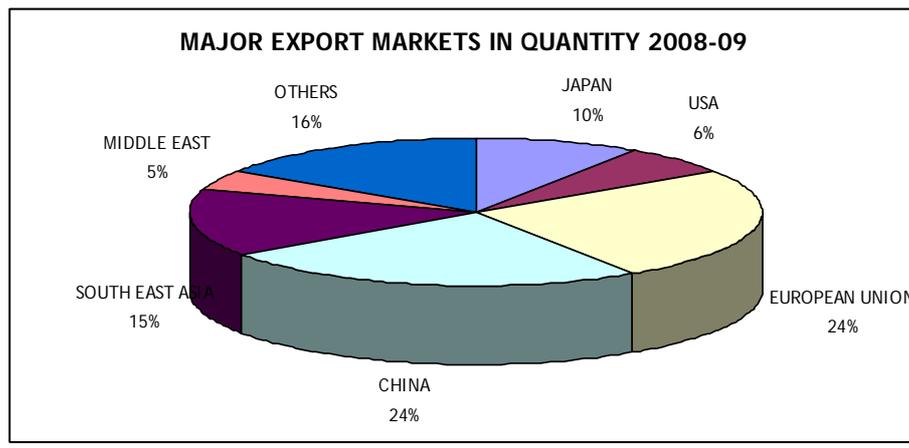
4.01 Major Item wise exports

Frozen shrimp continued to be the largest item with a share of about 44% in the total export earnings, even though their share in the export during the period dropped by 8% in quantity, 4 % in value and 15% in dollar value. . Fish, the largest item of export in quantity terms with a share of about 40% and the second largest item in value accounted for a share of about 20%. The frozen fish recorded an export growth of about 8% in quantity and 32% in rupee value and 15% in dollar earnings. Frozen Cuttlefish contributed 8% in quantity and about 9% in value terms to export basket. Export of Frozen squid grew very remarkably registering a growth of 67% in quantity, 55% in rupee terms and 41% in dollar terms respectively. All other items also recorded a growth in export during 2008-09.



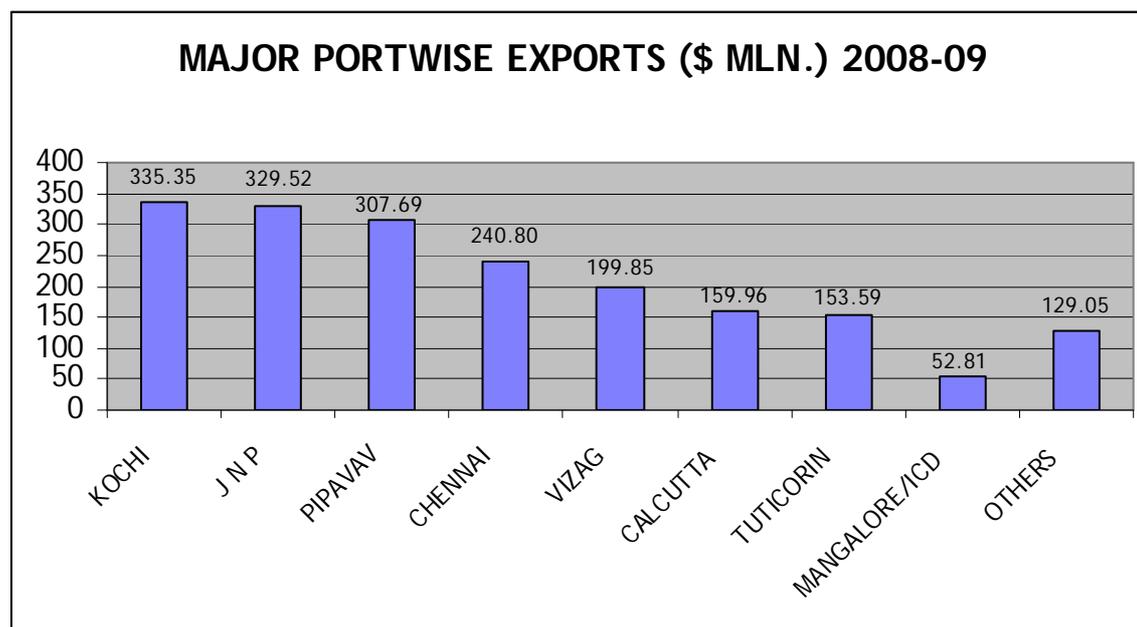
4.02 Major Export Market

European Union remained the largest market for Indian seafood accounting for 151590 MT (25%) in quantity, Rs.2800 crores (32.5%) in rupee terms and US \$ 623 million (33%) in dollar terms. Share of European market has come down from 35% to 32.6% in dollar terms during the year. A very important feature of the export trend is the increase in export to China. China got into the second place from 3rd position held in last year with a share of 15% in dollar terms. Japan was relegated to 3rd position with an overall export of 57271 MT having a value of US \$ 278.61 million. Share of export to Japan has also gone down to 14.34% from 16 % during the pervious year. Exports to USA have fallen further to US \$ 227.29 million. (-10.18%) relegating it to 4th position. But East Asia registered a remarkable growth with 39% increase in quantity, 52% increase in rupee terms and 33% increase in US \$ terms. The share of South East Asia has increased to 10% from 7.5% in US \$ terms during the year. Export to Middle east also registered growth with 5.5% increase in quantity, 20.8% in rupee value and 7.3% in US \$ terms. Share of other countries is 10%.



4.03 Port Wise Exports

A total 23 land/Air ports handled marine cargo during the year, The major ports in order of export were Kochi (17.6%), JNP (17.3%), Pipavav (16.1%), Chennai (12.6%), Vizag (10.5%), Calcutta(8.4%), Tuticorin (8%), Mangalore (2.8%) etc. While JNP and Pipavav increased their share, Chennai and Vizag witnessed a reduction.



5. Culture Fisheries

5.01 Export production through aquaculture

Aquaculture contributed significantly in the year of Global economic recession to the seafood exports of the country although a decreasing trend was noticed both in the area under aquaculture and overall production compared to the previous year. Production of aqua cultured shrimp and scampi has been decreasing during the past two years due to various factors that has

plagued the sector such as increased cost of production, recurring disease outbreaks, natural calamities like cyclonic floods. However, efforts are being taken to create increased awareness among the farming community regarding the need for quality improvement by MPEDA as this is one of the major issues for retaining the markets for sustainability of production and exports from the country

5.02. Status of aquaculture production

Reports received indicated an overall reduction in aquaculture production during the year under report. While shrimp production showed a decrease of 28.40%, there was a drastic reduction of scampi production by 53% less than the previous year. This is attributed to the global economic crisis, which resulted in the reduction of the international prices for the seafood items in general and shrimp in particular. This led to the reduction of shrimp and scampi farming operations by the aqua farmers. Other factors that resulted in the decrease in the farming areas are the natural calamities like floods, increase in disease prevalence, supply of poor quality seed for farming and competition from large scale production of the Pacific white shrimp at lower prices in the international markets.

5.03 Shrimps:

During the year under review i.e. 2008-09, shrimp production was estimated at 75,996.54 MT that was produced from an area of 1,08,788.68 ha. Compared to the previous year production of 106160 MT from an area of 1,22,078.80 ha utilized for shrimp farming, a decrease of 28.41% in production and 10.89% in area was noticed during the current year 2008-09. The estimated value of the shrimp produced during the year is Rs.1,710 crore, which registered a reduction of Rs.690 crore over the previous year.

5.04. Scampi:

Compare to the previous year's production of scampi i.e. 27,262.06 MT from an area of 50,206.30 HA, A DECREASE OF 53% in production and around 63.30% in area utilized has been registered during 2008-09. The production of scampi was 12,806.25 MT from an area of 18,421.14 ha. The estimated value of scampi during the year is valued at Rs.205.00 crore which registered a reduction of Rs.231.00 crore over the previous year (Table -4). In addition to the above area it is recorded that about 1980.27 ha has been brought under scampi farming in the state of Kerala under the newly introduced scheme of Padasekharams during 2007-08. Though production is only 284.30 MT with an average productivity of 140 kgs/ha, this had contributed to the aquaculture production from the state and also the area that was not utilized earlier could be brought under productivity purpose.

5.06 Total aquaculture production

The overall production from export oriented aquaculture during the year 2008-09 was estimated at 88,803 MT and the value of the same was estimated at Rs.1,915,00 crore, which works out to an average farm gate price of Rs.216 per kilogram of wet weight. There was a decrease of 44,619 MT production and Rs.921 crore in value respectively which is 33.44% reduction in quantity and

32.48% in value compared to the previous year production of 1,33,422 MT valued at Rs.2,836 Crore.

Though it is anticipated that all the shrimp/scampi produced by aqua farming will be exported, it is observed that some quantities of shrimp and scampi would have been disposed off in the domestic markets as well due to the increase in demand for the seafood and also to realize better prices for the produce.

In addition to the above, serious attempts were made to diversify aquaculture into other exportable varieties like finfish (Asian Seabass) and Crab for farming in cages and ponds. During the current year 2008-09 about 10 MT of Seabass was produced valued at approximately Rs.0.13 crores.

B. Trade Issues

1.EU Regulation No.1005/2008

With effect from 1st of January 2010 EU will be implementing a very stringent legislation to fight against illegal, unregulated and undeclared fishing. As per Regulation (EC) No. 1005/2008 all wild caught fishery products, except those caught in inland waters i.e freshwater and lakes will have to be accompanied by an official statement giving the name of the catching vessel, name of the Captain and date and quantities caught per fishing vessel etc.

The above referred regulation has come into force on 29/10/2008 i.e. on the day of its publication in the Official Journal of the European Union and will be effective from 1st January, 2010. The regulation is result of the follow up action of:-

1. The United Nations Agreement for the Implementation of the Provisions of the United Nations Convention on the Law of the Sea signed by member states on 10/12/1982,
2. The FAO Agreement to Promote Compliance with International Conservation and Management Measures by Fishing Vessels on the High Seas (FAO Compliance Agreement) dated 24/11/1993,
3. The Agreement to the Conservation and Management of Straddling Fish Stocks and Highly Migratory Fish Stocks (UN Fish Stocks Agreement) dated 04/08/1995, and the Common Fisheries Policy of the EU as set out in Regulation (EC) 2371/2002.

The regulation consists of a pre amble and three chapters. The first chapter deals with the definitions of IUU and vessels, etc. The second chapter deals with conditions for access to port of member states by third country fishing vessels, port procedure, inspections, etc. the third chapter deals with Catch Certification related to import of fishery products from third world countries by member states. Article 12 para 2. of the above regulation specifically states "*fishery products shall only be imported into the Community when accompanied by a Catch Certificate in*

Conformity with this Regulation ". It is very clear from this that all seafood exported from India and arriving at any EU port after 31st December, 2009 will be cleared only on production of a Catch Certificate.

Para 41. of the above regulation also reiterates that the provisions of Regulation (EEC) No. 2847/93 relating to sanctions remain thus applicable to violations of the rules of the Common Fisheries Policy as set out in Regulation (EC) 2371/2002.

Let us now look at the requirements of the Catch Certificate.

1. The Catch Certificate should be issued by a Public/Competent Authority who has been empowered by a Notification issued by Government of India, to attest the veracity of the information contained in the Catch Certificate and empowered to carry out verifications of such certificates on request from EU member states.
2. The acceptance of these Catch Certificates validated by the Competent Authority shall be subject to the conditions that EU has received a Notification from GOI certifying that it has in place national arrangements for the implementation, control and enforcement laws, regulations and conservation and management measures which must be complied with by its fishing vessels.

These are the two paragraphs which have a direct bearing on the seafood export from India. At present, EIC, which is the Notified Competent Authority, is only empowered to attest the veracity of the Health Certificate for import of seafood into EU. They are at present not legally empowered to issue the Catch Certificate. It is also doubtful whether they have the requisite infrastructure and personnel to physically conduct a verification audit of the fishing vessels, should the need arise. Therefore, GOI first needs to identify the Competent Authority in relation to Regulation (EC) No. 1005/2008 and empower them with a Notification as required in Annexure III of the above regulation.

The second Notification is a much more complex issue. This involves putting in place national arrangements for the implementation, control and enforcement laws, regulation, conservation and management measures for fishing in conformity with International Rules on conservation and management of fisheries resources. It is given to understand that the GOI is coming out with a National Fisheries Policy under the aegis of the National Fisheries Development Board. The specific issues notified under the above regulation must be addressed in the National Fisheries Policy. It is also unclear if the proposed National Control and Enforcement Laws, Regulations would be seen as an infringement on the sovereignty of the state over the 12 mile coastal area. As things stands today, this will equally be required for products from small scale fisheries also for composed fishery products.

If this new legislation is implemented it will certainly affect the fishing industry and seafood export industry in India. Our main source of raw material is from artisanal fishing and small vessel.

A meeting was convened by Addl. Sec. (Europe) Sri. P.K. Chaudhery in his chamber at Udyog Bhavan on Monday 17th August, 2009 to discuss the matter. The meeting was attended by Sri. Shyam Agarwall (JS), Sri. Rajagopal Sharma, Director, MOCI and representatives from the Ministry of Agriculture and MPEDA. SEAI was represented by President, Anwar Hashim, Secretary General, Elias Sait and Norbert Karikkassery, Mg. Committee member. Although President expressed SEAI's opinion on the various aspects, an objective decision could not be arrived for lack of sufficient input regarding the number of vessels engaged in fishing along the Indian coast, state marine fishing laws which are in place, and the details of Indian fishing Act as well as the draft fisheries policy which is alleged to have been prepared.

Addl. Sec. therefore directed that a sub committee be formed which is to be Chaired by JS, Shyam Agarwal. There should be representations from SEAI, MPEDA, EIC, MoA and MOCI. The sub committee is scheduled to meet with the necessary inputs. SEAI has also been requested to prepare a short note on the subject by the Chairman of the sub committee.

2. Antidumping Issues

2.01. 3rd Administrative Review

US Department of Commerce (DoC) has finally determined the anti-dumping duty on imports of Indian Shrimps to 0.79% from 1.69% after the preliminary finding of the third administrative review. The rates will be applicable to Indian companies engaged in export business with the US. Efforts by the Union Government, the Marine Product Export Development Authority (MPEDA) and Seafood Exporters Association of India (SEAI) had resulted in the first review bringing it down to 7.22%, the second review to 1.69% and the final findings of the third review now bringing it further down to 0.79%.

In the final determination shrimp imports from Ecuador will attract antidumping duty of 2.09%, Thailand 4.51%, Vietnam 25.76% and China 112.81%. Therefore, Indian exporters stand to gain compared with exports from some of the competing countries.

Though 68 Indian shrimp companies came up for review, the respondents were restricted to Devi Sea Foods Ltd and Falcon Marine Exports Ltd. According to the final result of the third review, Devi Sea Foods attract an anti-dumping duty of 0.39%, while Falcon Marine would be **at 0.79%**.

2.02. 4th Administrative Review

Federal Register Notice dated April 7, 2008 (Vol.74, No.65) from USDOC decided for Initiation of AR for certain Frozen Warm water Shrimp from India. The US petitioners requested for review against 332 Indian Companies. US DOC may rescind a review where there are no exports, sales,

or entries of subject merchandise during the POR. So if the Producer exporter had no exports, sales or no entries during the POR should have notified the USDOC within 30 days.

The department will consider rescinding the review only if the producer or exporter submits a statement certifying that it had no exports, sales, or entries of subject merchandise during the POR. Those companies who made shipments to US during 3rd POR and no shipment during 4th POR should necessarily file a NO SHIPMENT LETTER to USDOC. The last date of receipt of letter at USDOC was 7th of May 2009. Accordingly we advised all our members who are appearing in FR Notice and having no shipment to file a NO SHIPMENT LETTER TO US DOC

US DOC on 13th of May 2009 selected the following as the mandatory respondents for the 4th Review.

- a) M/s. Devi Seafood,
- b) M/s. Falcon Marine,
- c) Liberty Group.

2.03 WTO order on Bonding

The enhanced bonding requirements for Indian shrimp exports to the US have been removed with immediate effect following the ruling of WTO in favour of India and Thailand. The ruling by the US Customs and Border Protection that has come into effect from April 1, 2009, is a major consolation for the Indian shrimp exporters who had to pay hefty anti-dumping duties at the US ports of entry and also execute bonds for millions of dollars upfront as well. The ruling put up by the US Customs and Border Department reads: "This notice ends the designation of shrimp subject to anti-dumping or countervailing duty orders as a special category or covered case subject to an enhanced bonding requirement".

There is close to \$50 million outstanding bonds pending with the US Customs Department, which are still to be liquidated in favour of Indian exporters. During the year 2005-06, Indian exporters had to execute close to \$20 million as bonds for a total shrimp export of Rs 950 crore at 10.17 per cent. While the value declined to Rs 800 crore the next year the rate also fell to 7.22 per cent, which would have entailed a bond requirement of approximately \$11.55 million. In 2007-08, Indian shrimp exports to the US were at Rs 750 crore while the duty fell to 1.69 per cent, necessitating a bond requirement of \$2.55 million. While the value of shrimp exports to the US is estimated at Rs 611 crore for 2008-09, the bonding requirement would have been around \$1 million at a rate of 0.79 per cent.

Issues Arising from Antidumping Duty Proceedings Cause Undue Financial Hardship to Indian Frozen Shrimp Exporters to the U.S

I. CBP has implemented WTO ruling prospectively only. CBP should cancel and discharge the bonds executed under EBR up to 31st March 2009.

I.1 Summary

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The U.S Customs and Border Protection ('CBP') has withdrawn the enhanced bond requirement ('EBR') with effect from 1st April 2009. However CBP does not intend to cancel and discharge the bonds given during the tenure of EBR – from August 2004 to March 2009. CBP has taken the position that the bonds given under EBR will be treated as any other normal customs bonds.

This position of CBP is entirely inconsistent with the EBR guidelines issued in 2004 and 2005, and will result in huge additional costs to the Indian frozen shrimp importers in the U.S, who are mostly Indian frozen shrimp producers and exporters. CBP should take immediate action to cancel and discharge these bonds.

I.2 Background

When antidumping duties were first imposed, several Indian frozen shrimp producers and exporters registered themselves with CBP as Importers of Record ('IOR'). As a result they have held themselves liable to be assessed for any variations in antidumping duty; the variations arise as a result of the U.S system of assessing antidumping duties retrospectively. The U.S buyers are thus shielded from the contingency of higher duties encouraging them to continue to source their frozen shrimp requirements from India.

The CBP bond requirements stipulated that an IOR should execute a surety bond equal to 10 percent of duties due and payable in previous 12-month period. This bond requirement did not include antidumping duties, and there were no customs duties on import of frozen shrimp. Therefore the Indian IORs executed customs bonds for minimum required amount of \$50,000.

In August 2004, CBP introduced EBR for frozen shrimp, thereby requiring the bond amount to be calculated at 10 percent of past or potential antidumping duties. Thus the EBR enhanced the bond requirement manifold.

Example:

Estimated Import Value in Year 1	\$10 million
Rate of Antidumping Duty	10%
Estimated Antidumping Duty Deposits	\$1 million
EBR for Year 1	\$1 million
Normal Customs Bond	\$0.050 million
Total Bond Required	\$1.050 million

Since antidumping duties under U.S retrospective system take several years to be assessed, a new bond is required to be executed once the limits under an existing bond are exhausted. Thus each IOR has at any time three or four bonds executed under EBR pending with CBP.

Example:

Bond Executed As Above	\$1.050 million
Estimated Import Value in Year 2	\$12 million

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Rate of Antidumping Duty	10%
Estimated Antidumping Duty Deposits	\$1.2 million
New EBR for Year 2	\$1.2 million
Cumulative EBR Outstanding	\$2.250 million

For executing the bonds, the surety companies in U.S demanded 100 percent collateral. Therefore the IOR in above example provided collateral by way of irrevocable letter of credit in favor of surety company for \$1.050 million for Year 1, \$1.2 million for Year 2 and so on.

The banks providing these collaterals charge annual fees to keep each collateral valid. Thus at the end of Year 2, the IOR in above example would have paid annual fees to the bank on \$1.050 million for Years 1 and 2, on \$1.2 million for Year 2 and so on. It is estimated that the Indian IORs annually pay \$1 million to their bankers to keep the collaterals valid.

I.3 Issue of Concern to Indian Frozen Shrimp IORs

Though CBP has done away with EBR with effect from 1st April 2009, they have not extended this relief in respect of bonds executed from August 2004 to 31st March 2009. CBP has taken the position that these bonds will be cancelled and discharged in the normal course as in case of any other customs bonds.

On this basis, a bond executed under EBR will be outstanding as follows:

- For one year from the date of executing the bond. (Timeline: One year)
- The earliest administrative review for the entries covered under this bond commences at the end of this one year period. The administrative review will last about one and a half years. (Cumulative timeline: Two and a half years)
- DOC will issue liquidation instructions about one month after the final determination. CBP takes up to one and half years to liquidate all the entries. (Cumulative timeline: Four years)
- CBP may raise demands in respect of any liquidated entries within: six months of liquidation in case of errors; and five years of liquidation in case of misrepresentation, fraud etc. Technically the surety company is liable under the bond for the period of five years. Therefore CBP will hold on to the bond for certain extended period beyond the date of liquidation. Now it is entirely up to the surety company to make a risk assessment and take a position on how long they wish to hold on to security. In few recent cases, the surety company has on a very selective basis agreed to reduce the collateral by about 80 to 90 percent in respect of bonds where all entries were liquidated and no demands were raised by CBP for a period of about six months. On this basis, it may be assumed that surety company agrees on case by case basis to reduce the collateral six months after all

the entries covered by a particular bond are liquidated. (Cumulative timeline: Four and half years).

Thus each letter of credit furnished as collateral will be outstanding for a period of four and half years. The IOR is required to annually renew the collateral five times incurring the underlying costs. This is repeated in respect of each of about 4 to 5 bonds executed between August 2004 and March 2009.

I.4 CBP Action Untenable

- a. It is inappropriate and against the principles of natural justice for CBP to apply the WTO ruling only prospectively.

In the notice withdrawing the EBR guidelines with effect from 1st April 2009, CBP has taken the position that its action is based on WTO ruling against the EBR guidelines. In other words, CBP has accepted that its EBR guidelines violate WTO agreement ab initio and are thus void from inception. This ruling should have been applied with effect from August 2004 and all the bonds executed under EBR regime should have been cancelled and discharged.

- b. Alternatively as and when DOC issues liquidation instructions CBP should discharge the concerned bonds for following reason:

The EBR guidelines issued in August 2004 make it abundantly clear that the enhancement is intended to protect the revenue interests against any possible increase in antidumping duty upon assessment. This risk is entirely mitigated once DOC issues liquidation instructions. Therefore CBP should cancel and discharge all bonds covering the entries in respect of which DOC has issued liquidation instructions.

- c. Therefore there should have been a specific mechanism to cancel and discharge the bonds under EBR because these bonds are quite different from normal customs bonds.

As stated earlier the EBR guidelines make it clear that the bonds under EBR are special purpose bonds. The normal customs bonds are perpetual in nature. However the bonds under EBR serve their purpose once DOC issues liquidation instructions crystallizing the antidumping duty liability. In other words the risk of increase in antidumping duty is entirely eliminated once DOC issues liquidation instructions, and consequently the revenue risk to CBP is also eliminated.

II. CBP has prematurely liquidated some entries at wrong antidumping duty rates and denied refunds to the Indian IORs.

II.1 Summary

CBP is by law required to liquidate the entries for antidumping duties upon instructions from DOC only. However CBP has erroneously liquidated some entries of several Indian IORs even before DOC issued liquidation instructions and denied antidumping duty refunds on the ground that

protests against their erroneous liquidations were not timely filed. CBP's action is illegal under U.S law and inconsistent with WTO agreement. Therefore CBP should re-liquidate these entries and refund excess deposits to Indian IORs.

II.2 Background

Under the U.S law, DOC instructs CBP to suspend liquidation of entries which are subject to antidumping duties. Following these instructions, CBP collects deposits of antidumping duty at the time of entry at the rates specified by DOC. After the administrative review, DOC issues the liquidation instructions to CBP specifying the assessment rates. By law CBP is required to liquidate these entries only upon receipt of these liquidation instructions and to do following: if the deposit amounts are in excess of assessment rates, CBP should refund excess deposit with interest; and if the deposit rates are lower than the assessment rates, CBP should raise demand for shortfall amount with interest.

In respect of Indian frozen shrimp imports, the assessable antidumping rates have come down steadily from 10.17 percent in original investigation to 0.79 percent in recently concluded 3rd administrative review. Thus the IORs of Indian frozen shrimp were entitled to refunds in each of three administrative reviews to date.

CBP applies its regulations for customs duties to the antidumping duties also, and applies following procedure: when an entry is liquidated, CBP posts the formal notice of liquidation on its bulletin board in concerned port of entry and the 180-day period is counted from the date of posting of this notice. In addition, CBP also serves a courtesy notice of liquidation on the IOR.

Significantly, CBP applies the following two customs provisions to antidumping duties also:

- a. Erroneous or wrong liquidations: If CBP liquidates an entry erroneously at a wrong rate resulting in denial of refund of antidumping duty to an IOR, then the IOR is required to file protest within 180 days from the date of liquidation, failing which the refund is deemed time-barred.
- b. Automatic liquidations: If an entry is not liquidated by CBP within 180 days, then it is deemed to be automatically liquidated at the deposit rate. In this case, the IOR should file a protest within following 180 days, counted from the date on which the entry is deemed to be automatically liquidated. CBP will deny antidumping duty refund if protest is not filed against automatic liquidation.

To sum up, under U.S law CBP can only act under instructions from DOC for suspending liquidation of entries and for liquidation of suspended entries. However CBP applies the customs law to deny refunds of antidumping duty even in cases where CBP fails to make timely refunds.

II.3 Issues of Concern to Indian Frozen Shrimp IORs

The 2nd administrative review covered entries from 1st February 2006 to 31st January 2007. Under the instructions from DOC, CBP suspended the liquidation of entries during this period and collected cash deposits towards antidumping duties. The rate of duty for All Others was 10.17 percent.

DOC issued the liquidation instructions in March 2009 on completion of administrative review, and instructed CBP to lift the suspension of liquidation and to liquidate the entries at the assessment rate of 1.69 percent. Thus several IORs under All Others category were entitled for refund of difference between 10.17 percent and 1.69 percent, together with interest.

While pursuing the refunds, the IORs learnt that CBP has erroneously liquidated several entries at deposit rate as far back as in April 2008, that is, even when the DOC instructions to suspend the liquidation were in force, and about one year before DOC issued liquidation instructions. CBP declined to refund the antidumping duties on the ground that the IORs did not file protests by October 2008, that is, within 180 days from April 2008. The amount involved is about Rs.2.40 crores and interest thereon which amounts to another Rs.40 lakhs approximately.

II.4 CBP action is illegal

CBP is bound by law not to liquidate entries and assess the antidumping duty without instructions from DOC. However CBP violated this legal provision and erroneously liquidated the entries at antidumping duty deposit rates. CBP then went on to deny refund on the ground that timely protests were not filed, thereby denying the refund legitimately due to the IORs.

The CBP action being illegal, CBP cannot take shelter under the legal provisions in respect of refunds. Rather, CBP should first correct the illegality of its action by voiding its earlier erroneous liquidations, and then re-liquidating the entries in accordance with DOC instructions, as mandated by law.

The WTO agreement also stipulates that any refunds of antidumping duty due upon completion of administrative reviews should be given forthwith. There is no provision under WTO agreement to deny refunds on any ground whatsoever. Thus CBP action violates the WTO agreement in spirit and letter and unjustly denies substantial refunds of antidumping duty to Indian IORs.

For above reasons, Indian IORs of frozen shrimp requested to take up with USTR to persuade CBP to re-liquidate the entries that were erroneously liquidated at deposit rates, and to immediately refund the excess of deposits over assessment rates, together with interest up to the date of refund.

3. Trade issues with China

Beijing has threatened to ban import of seafood and other food products from India if New Delhi continues to restrict import of milk products from China.

The Chinese side, in a response to the extension of ban on milk and milk products, including chocolate exported by China to India till December 24, 2009, the General Administration of Quality Supervision, Inspection and Quarantine of China had conveyed that it had encountered food safety problems in imported food products from India, including seafood products.

China, however, has not imposed a ban on import of the food products.

We came to understand that the Indian Government has conveyed to China that India has taken note of their concerns. China has been also told that the decision to extend the ban till December 24 was taken after due consultation with authorities concerned and experts in the dairy industry.

Although China has not confirmed it yet, a hint from the Chinese government has put Indian fish exporters in a fix. China is our 2nd largest trading partner in volume and 3rd largest in Value. During the financial year 2008-09 China imported 147312 tons of Seafood worth Rs. 1296 Crores.

4. Rejection in EU Countries

Indian Seafood Industry has faced a serious situation due to the rejections by the Health Authorities in EU Countries and USA on detection of anti biotic residues in cultured shrimps from India. Japan is also very conscious on this issue.

During the year 2008, in EU, the total rejections of shrimp consignments from India due to detection of antibiotic residues were more than 30 in number. In the first 7 months of the current year, the number of rejections is 50.

EU authorities have informed the competent authority in India viz. Export Inspection Council of India (EIC) that they will be closely observing further rejections. They have now informed Export Inspection Council (EIC) that every health certificate must be accompanied by antibiotic free certificate of the consignment from the origin. It is very likely, if not imminent that EIC may very soon introduce 100 percent compulsory inspection of all the Indian shrimp consignments Exported to Europe, for antibiotic residue presence. If this happens, we will surely loose EU market, which now constitutes almost 45% of the total cultured shrimp exported from India. Similarly, we will have serious issues on this ground with US FDA and Japan health authorities.

What mentioned above is nothing new and every one of us is well aware of the consequences of this problem. We have been trying to conveniently ignore or remove from our mind this problem. The situation has now come for us to take serious actions on dealing with this issue.

On 27th March, 2008, there was a meeting chaired by the Additional Secretary of MOC&I , Government of India, who is also Chairman of EIC. There was also another meeting chaired by the Chairman, MPEDA involving EIC/EIA and SEAI to discuss on action plan for dealing with this issue. The following are the critical points.

1. As decided in November 2008, all purchases of cultured shrimps effective from 1.4.2009 will be made only, if the farmer or the person who is selling the cultured shrimp to an exporter, produces a certificate from MPEDA mentioning the pond number, Farm address and date of inspection and also the fact that the shrimp from such ponds have been found to be free from antibiotic residue. The date of certificate should be 10 days prior to the date on which the material is supplied.
2. These details have to be entered into the raw material register as well as in the records maintained as per HACCP system of processing plants.
3. The health certificate will be issued by EIA after checking the records of production and raw material, confirming that this stock is backed by the raw material purchased, with antibiotic free certificate by MPEDA.
4. This system will apply for export of cultured shrimp to all countries including EU and not only shipments to EUs.
5. Any exporter found to have purchased cultured shrimp without the antibiotic free certificate issued by MPEDA, will face suspension / withdrawal of approval / cancellation of registration from EIA / EIC / MPEDA.
6. All culture materials will have to be purchased only from those farms which are registered with Aquaculture Authority of India. This procedure will be effective from 1.8.2009.
7. The system of purchase of aquaculture shrimp only if they are accompanied with antibiotic free certificates issued by MPEDA, will be effective in Andhra Pradesh from 1.4.2009 In all other states, this will be effective from 1.8.2009.
8. Any exporter or processing plant of states other than Andhra found to have purchased cultured shrimp from Andhra without accompanying antibiotic free certificate effective 1.4.2009 onwards, will also have to face the consequences of suspension / withdrawal of approval / cancellation of registration from EIA / EIC / MPEDA.

Follow up of the above procedures will be in the interest of the survival of cultured shrimp exporters. Consequences of not adhering to the above system will be that of export market to EU, USA and Japan being closed for cultured shrimp from India. Needless to say that this will lead to closure of many processing plants and also bankruptcy of those who are depending on export of cultured shrimp.

SEAI advised the members, that an exporter should not buy the cultured shrimps from 1.4.2009, if it is not accompanied by antibiotic free certificate from MPEDA. For this purpose, SEAI Andhra, MPEDA's regional offices in Vizag and Bhimavaram have been conducting meetings regularly. Based on the deliberation and decisions EIC issued an Executive instruction.

Another joint meeting was also held at Vizag on 23rd July 2009 where representatives from MPEDA, EIC/EIA, SEAI, CAAI and officials from AP State Fisheries Department attended.

On the wake of large rejections due to antibiotic residue, EIC made certain guidelines to put control on aquaculture products meant for export. As per the guidelines Exporters are allowed to buy raw materials only from farms approved by Coastal Aquaculture Authority. During the Joint meeting held at Vizag with MPEDA, EIC, Director of AP State fisheries Department, CAAI and SEAI, we strongly objected the move of bringing such a regulation before all Aqua farms are not registered by CAA and adequate No. testing facilities for testing the farm material before harvests are set up.

We are glad to inform you that after putting all the possible efforts jointly by MOC&I, MPEDA, EIC, CAAI and SEAI the rate of rejection had come down.

4. Strengthening of Monitoring & Inspection of Aquaculture shrimps Exported to Japan

EIC informed that they are going to strengthen the Monitoring & Inspection of Aquaculture shrimps exported to Japan. EIC, the Competent Authority suggested the following course of action for immediate implementation:-

1. All establishments approved for exporting fish and fishery products may be appraised about the detection & occurrence of the hazard pendimethalin.
2. All consignments of aquaculture shrimps meant for Japan shall be tested for the presence of pendimethalin (MRL 0.01 ppm) prior to export.
3. All establishments processing aquaculture shrimps shall be directed to identify pendimethalin as a hazard and the same should be addressed in the HACCP worksheet and plan to avoid the future occurrence.

Ministry of Health, Labour & Welfare, Japan has intimated that they have decided to raise the frequency of monitoring inspections related to Agricultural Chemical residue to 30% to Frozen Cultured Shrimp produced in India. EIC advised SEAI to educate the farmers regarding the consequence in using the herbicides containing pedimethalin.

5. Removal from Rapid Alert System (RASFF) in EU

Indian Seafood exporters have 3 major issues with regard to exports to the European Union (EU).

1. The various EU member states do not have a harmonized procedure for either acceptance of cargo or removal of an importer from their "Rapid Alert List" if the exporter had faced a consignment rejection.
 - i) The present EU procedure of Rapid Alert places an exporter on the Rapid Alert of all Member States if a consignment is rejected by the Health Authorities of any country. However, if the Exporter on Rapid Alert subsequently clears Health for a certain number of consignments, the unit is removed from the Rapid Alert List. However, the number of consignments to be cleared varies in the case of different member states. As an example:
 - a) In the case of France, it is 3 consignments
 - b) In the case of Italy, it is 10 consignments

- ii) What is illogical is that, if a consignment is rejected in any one country, the exporter is put on Rapid Alert by all the member states. However, to get off the Rapid Alert List of each country, the unit needs to clear 10 consignments in each of the member states. To date, there are over 30 member states and it would take an exporter a life time to get off the Rapid Alert under this procedure.

Logically, if an exporter clears the required number of consignments for a particular country and is taken off the Rapid Alert from that country, then the unit should be removed from the Rapid Alert of all the member states.

2. If a consignment is rejected by a member country's health authority in the EU, the consignment is to be returned to the exporting country to be reexamined by the Competent Authority of the exporting country. Also, a certain procedure is to be followed for monitoring by the competent authority of the exporting country for a certain period.

However, certain countries like the United Kingdom are destroying cargo if they detect antibiotic residue at the port of entry. The Health Authorities have no right to destroy Cargo, valued at hundreds of thousand dollars, which has not entered the borders of the importing country. The exporter has the right to bring the cargo back to origin for re-inspection by the Competent Authority and it is upto the Competent Authority of the Exporting country to determine how the affected cargo should be disposed. The Competent Authority is recognized by the EU.

3. At present the antibiotic residue levels required by the EU for seafood exports are extremely rigid and beyond the actual requirements of food safety according to most experts. There has been considerable debate on the efficacy of such stringent requirement for antibiotic residue. We should appeal for a certain relaxation in the antibiotic residue levels that has been given for wine and dairy products in the EU.

It is very serious NTB for exporters exporting to EU faced with rejection. Even though SEAI took this issue at various levels no solution was arrived at.

C. Achievements

1. VKUGY Scheme

Director General of Foreign Trade vide Notification No 154(RE-2008)/2004 2009 dated 2nd March 2009 granted 2.5% additional VKUGY for products fall under ITC HS Code 03, 1604 and 1605 with retrospective effect from April 1st 2008 in addition to 3.5% VKUGY benefits already sectioned. We take this opportunity to thank Mr. Anwar Hashim, National President, Mr. A.J.Tharakan, Vice Chairman, MPEDA and Mr. Elias Sait for the efforts taken by them in getting this benefit. Needless to mention, this timely effort has saved the industry and provided strength to fight against the recession.

2. Five year Foreign Trade Policy (2009-14)

Foreign Trade Policy 2009-14 announced by the Honourable Minister for Commerce and Industry, Government of India, is far below our expectation. One has to mention here that we are losing foot-hold in the Commerce Ministry and also in DGFT, because of our inability to pursue strongly in the corridors that matter, as we have suffered a loss of face in the ministry. A note on the applicability of FTP-2009-14 in Seafood Industry are as given below.

1. DEPB scheme is extended till 31.12.2010.
2. Interest subvention of 2% for pre-shipment credit is extended till 31.03.2010.
3. Fisheries have been included in the sectors which are exempted from maintenance of average EO under EPCG Scheme, subject to the condition that Fishing Trawlers, boats, ships and other similar items shall not be allowed to be imported under this provision.
4. Additional flexibility under Target Plus Scheme (TPS) / Duty Free Certificate of Entitlement (DFCE) SCHEME FOR Status Holders has been given to Marine Sector. 36 more items have been added for imports under this scheme.
5. Despite tremendous pressure from Finance Ministry and also from senior levels in the Ministry of Commerce to drop Marine Products from the list of VKGUY entitlement products, due to efforts of DGFT in putting forward our case to the Commerce Minister, our products have been retained in the list of products entitled for VKGUY in Appendix. 37 A at 3 % and also our products has been retained for additional VKGUY in Table 2 of Appendix 37 A at 2 %, thereby making our VKGUY entitlement to 5 %, instead of earlier 6%. The reason for this reduction is that as per the previous policy, against normal VKGUY rate of 5%, 3.5% had been extended to all products which had raw materials in their Input Output norms. As against this, in the new policy announcement a lower rate of 3 % has been fixed for those products which have specific DEPB rate, which in our case is 8%. Also rate for additional duty credit entitlement for products listed under Table 2 of Appendix. 37 A was 2.5 %, last year. This has been brought down to 2 % in the new policy. It has to be noted that many products have been dropped from the VKGUY list including meat, maize, barley, cotton and some soya products.
6. 0% EPCG scheme has been extended to a few employment oriented sectors including textiles, leather and handicrafts whose exports have fallen significantly in the last year. Since the exports of marine products were increased by 1 % in dollar terms last year, our sector was not included in the most affected sectors. However, we will have to pursue our case for inclusion in 0% duty under EPCG scheme.

3. Association of Shrimp Producing Countries

President had attended the first meeting of the ASEAN Seafood Federation at Bangkok as an invitee upon the invitation from the ASEAN Secretariat. ASEAN Seafood Federation consisting of the following:

1. Fresh and Frozen Seafood Association of Philippines

2. Malaysian Frozen Food Processors Association
3. Myanmar Fishery Products Processors and Exporters Association
4. Indonesian Frozen Seafood Association
5. Thai Frozen Food Association
6. Vietnam Association of Seafood Exporters and Producers

The objectives of the Federation are to promote closer co-operation in seafood industry among members as well as establish a Forum for members to freely and openly exchange their views on matters of mutual interest. The Membership of the Federation is open within the ASEAN Region who are engaged in the production or marketing of seafood and other organization as may be approved by the founding member. The scope of operation of the Federation will be of production techniques, food safety standards, production input screening, marketing etc. Federation will have a Secretariat appointed from a founding member and shall be corresponded with the country of the Chairman. President further stated that the Federation desires to have the Association of Seafood Exporters Association of India as a member of the Federation.

Your Managing Committee made detailed discussion on the ASEAN Seafood Federation and the invitation for Seafood Exporters Association of India is a member of the Association. It was decided that SEAI should be a member of the ASEAN Seafood Federation and requested the President to take appropriate steps for enrolling SEAI as a member.

4. Delegation to Vietnam

SEAI led a delegation to Viet Nam in conjunction with Viet Fish-2009 in Hochi Minh City. The Delegation had meeting with Vietnam Association of Seafood Exporters & Producers. Delegation also visited Factories, Pangasius Farms. India could emerge as a global player by following the Vietnam example of large scale farming of catfish. Our river deltas in the country are ideally suited for the production of fresh water Pangasius Catfish. Vietnam produces 1.2 million tones of Pangasius Cat fish from Mekong Delta worth US \$1.4 billion. Delegation felt that west cost of India is best suited for catfish farming, by making ponds along the side of the river for faming.

5. Saudi Arabia lifted the ban imposed on the Import of fishery products from India.

Kingdom of Saudi Arabia lifted the ban imposed on the import of fishery products from India. The lifting of ban is according to the following condition.

1. The authority responsible for all matters related to the export of sea, river and farm products from the country of origin to Saudi Arabia should be a Competent Authority of the Government.
2. The concerned competent authority should be the connecting link between the country of origin and the Kingdom of Saudi Arabia in all matters related to the export of sea, river and farm products.
3. A health certificate for fish and sea products as it is mentioned in the handbook of the import of foodstuff through the exit points of GCC countries, issued from a competent

government authority should be enclosed with each consignment confirming that it is free from the microbe of cholera or other epidemic diseases.

4. In case of contamination of the exports of sea, river and farm products or widespread of the epidemic of cholera in the country of origin, the import of these products will be stopped till it becomes clear to the concerned authority in Saudi Arabia that the health condition is stable in the country of origin.
5. At the arrival of the consignment of sea product to the ports of Saudi Arabia, random samples will be taken for test in the laboratories of quality control, and in case it is found that the products are contaminated with the microbe of cholera, and are not in accordance with Gulf Standard Specification, the consignment will be rejected, re-exported to the country of origin and/or will be destroyed.

In this connection, since Saudi Arabia has expressed serious concern about the contamination with V.Cholerae, it has been decided, consignment meant for export to Saudi Arabia shall be tested for V.Cholerae prior to shipment as given below:

Samples shall be drawn and tested by EIA's prior to shipment and the test charges shall be borne by the exporter. For the sake of sampling, the total number of master cartons to be covered under one health certificate can be treated as one consignment. 5 composite Samples shall be drawn from each consignment of frozen products covering as much as the codes and grades as possible and the standards laid down as follows:

Type of Pathogen	Standard
Vibrio Cholerae	Absent in 25 grams n= 5 c = 0

n= number of units comprising samples

c= number of Vibrio Cholerae count in each sampling unit.

In case of chilled fishery products, one exclusive sample, other than the normal sample may be drawn for Vibrio Cholerae analysis on postfacto basis and the test charge of this sample shall be borne by the exporter.

6. Visit of Veterinary & Phytosanitary Surveillance Mission

A two member team from the Federal Service for Veterinary & Phytosanitary Surveillance Mission Russia consisting of the following visited India from 12th to 14th May 2009

1. Mr. Konstantine Suroron
2. Ms. Elena Lapshova

The team visited some of the processing facilities in Maharashtra and Processing and Aqua farms in Kerala. After the visit they had discussions with the Officials of Ministry of Commerce, EIC and MPEDA on 14th May. To our surprise Russia banned the Export of Marine Products from 1st of

July 2009. Thanks to Government of India for their quick action for reinstating the status co by sending a high-power delegation to Russia, consisting of Chairman MPEDA, Ms. Leena Nair IAS, Director of the Ministry of Commerce Shiv Kumar, Joint Director of the EIC of India Anand Kishore and First Secretary of economics and commerce at the Indian embassy in Moscow.

India and the Russian Federation have reached a new administrative arrangement on export of fish and seafood products from India. The new protocol, to ensure high level of food safety and quality control for shipment of seafood products from India, was signed in Moscow between the Export Inspection Council of India (EIC) Federal Service of Veterinary and Phytosanitary Surveillance of the Russian Federation (FSVPS).

The agreement also details on the modalities of cooperation in the fields of quarantine and inspections, during the export and import of products processed from wild catch and aquaculture. The agreement underlined the increased authority and responsibility of the EIC of India in administering the inspections and control system of India's fish processing units and their recommendation and approvals for export to Russia.

The teams representing the two countries, while recognising the need for continued constructive dialogue on future seafood and fish product shipments from India, also reached an agreement on creating a bilateral working group on sea products safety.

In the first list released by Russia includes the name of 45 Exporters who were exporting Seafood Products from India. Any Exporter desires to be included in the list may have to file application with EIA for approval.

7. Freight subsidy Assistance Scheme

MPEDA came up with a new subsidy scheme with effect from 1st of August 2009.

We suggested MPEDA to make the following changes in the list of value-added products eligible for freight subsidy under the Freight Subsidy Scheme to be implemented:

1. IQF Raw Cuttle-fish ,Squid and Octopus packed in trays and in pouches or polybags upto 10 kgs.
2. IQF Raw shrimps in all forms packed in pouches or polybags upto 5 kgs.(Instead of the present 1.8 kgs)
3. Shrimp (Headon) in pouches or tray packs upto 1.8 kg
4. Surimi Analogs.

The above changes become necessary for export of such value-added product of cuttle-fish and squid for the reason that each piece of IQF is above 250 gms, and the bigger sizes are even 1 kg. Therefore, the retail markets need these in a larger pack. For larger size shrimps, the customers need a higher glaze percentage, and therefore, in the EEC market, the requirement is for a larger pack of IQF in pouches, upto a maximum of 5kgs.

More over the above will help us to be in line with the different weight packages offered by our competitors, particularly from Thailand, Vietnam, Indonesia and China.

8. Indian International Seafood Show-2010

The Marine Products Export Development Authority (MPEDA) in association with the Seafood Exporters Association of India is organizing the India International Seafood Show-2010 (IISS-2010) biennial event from 19-21st February 2010 at Chennai trade Centre, Chennai. The IISS-2010 is a prestigious export promotion event, which attracts seafood traders from major markets like USA, EU, Japan and other countries. The major features of the show will be an exposition highlighting the overall developments that have taken place in the fishery sector over the years and the state of the art technology adopted by the processing units in India to produce and export value added products. The event will bring together the Indian seafood exporting fraternity and the overseas buyers under one umbrella to enable them to interact and finalize future business dealings. As in previous fairs, other stake holders in the industry such as Machinery Manufactures, Input Suppliers, Financial Institutions, Government, Service sector etc also will be participating in this mega event.

9. Technology Up gradation Scheme for Marine Products (TUSMP)

The newly introduced subsidy scheme by MPEDA is not at all user-friendly. Exporters are reluctant to apply for the scheme as some of the conditions stipulated in the scheme are beyond the capacity of Exporters to adhere with.

As on date from the date of announcing the scheme, 24 applications submitted by the Exporters for assistance were rejected by the Authority for the reasons that the conditions stipulated in the scheme are not met. Hence it is high time that necessary amendments may be made to the conditions stipulated in the scheme. MPEDA has kindly agreed to review the Scheme and make it more user friendly.

10. UNCTAD PROJECT

The UNCTAD project Strategies and Preparedness for Trade and Globalization in India commenced on 30th January, 2003. The objective of this project is to assist the Government of India and other stakeholders at the national, state and local levels to assess impacts and opportunities emerging from globalization; to build capacities to influence evolving international trade rules and to enhance preparedness for globalization. The main issues covered under this project are:

- a) Agriculture and food security, Non-agriculture market access,
- b) The TRIPS Agreement,
- c) The impact of WTO agreements on small scale industries, Services, Environment, Trade facilitation, Dispute settlement, Regional trade agreements, Investments and Competition.

1. Project Approach

Representatives of Ministry of Commerce and Industry, UNCTAD and Department for International Development (DFID) India, have discussed the approach as well as steps to be taken for project Implementation, both internally as well as with each other. The project will build on the past and ongoing contributions of many partners active in the field of trade and economic governance in India. The intention is not to set up new institutions, but to add to the strength and purpose of ongoing projects and activities with similar objectives as this project and to seek synergies. The active involvement of policy institutes, academia, and civil society organisations and the promotion of exchange of experiences is considered a key to promoting a 'human development' perspective to trade.

2. Components of the Project

The project has two inter-related components.

Component I: Assisting India in the Post-Doha WTO work programme.

Component II: Capacity building for internal preparedness and advocacy.

The **first** component seeks to assist Indian trade negotiators, policy-makers and other stakeholders in enhancing understanding of the development dimension of key trade issues and in participating effectively in the work programme adopted at the fourth WTO Ministerial Conference (Doha, November 2001). This will help the Ministry of Commerce to produce submissions for the WTO that are technically superior, supported by adequate data and analysis as well as shaped by views of diverse stakeholders, especially those representing the interests of the poor. Implementation of this component will take account of time schedules for WTO negotiations. In order to link national priorities with international developments, this component will be implemented in co-ordination with UNCTAD's *technical assistance and capacity building for developing countries in support of their participation in the Post-Doha WTO work programme* (UNCTAD/RMS/TCS/1).

The **second** component seeks to strengthen human and institutional capacities, as well as a policy environment that will support and sustain a more equitable process of globalization. This will build capacities of stakeholders that represent and/or have greater influence over policies and programmes which affect the poor. Government agencies, private sector entities and civil society need to assess the impact of global agreements on the constituencies they represent or the work they do and review their strategies accordingly. This implies the need for stakeholders to build their institutional and human resource capacities so as to gain from globalization; to mitigate its' negative effects as well as influence the planning and policy-making processes. This component will build capacities to tackle globalization and strengthen the quality of inputs that diverse stakeholders are able to make into component 1. **The marine sector** has been selected in the component II of the project since it is one of the most poverty stricken and is also sensitive to global trends.

3. Proposed output of the project

The key outputs expected from the implementation of the project are

- (i) Increase in India's capacity to develop appropriate positions in international trade negotiations and related domestic policies;
- (ii) Selected partners generate high quality research & analysis to inform policies and decision-making of key stakeholders in government, private sector and civil society;
- (iii) Increased awareness of trade related impact with improved capacities to advocate constructive policy positions; and
- (iv) Institutional and human resource capacity developed to tackle global trends.

The project will promote activities such as studies on selected issues/sectors of key interest to the poor; "hands on" assistance in identifying India's interests and formulating negotiating proposals; strengthening of institutions and "centers of excellence", especially WTO cells; workshops to promote multi-stakeholder dialogue; "brainstorming activities" with key stakeholders, including state governments to identify the development implications of global agreements and facilitating exchange of experiences and lesson learned in different states of India.

4. Funding and Project partners

The project is an UNCTAD Trust Fund project financed by DFID supported by both the Ministry of Commerce and Industry and UNCTAD. The Ministry of Commerce and Industry as a nodal agency representing the Indian government will be an important partner in the project design and implementation. The project will work with India-based officials of the Ministry of Commerce and Industry, who, together with UNCTAD, will ensure the full participation of the other line ministries, as well as other government institutions. In addition, the project will involve India's Geneva-based trade delegation to effectively promote its objectives. The degree of involvement will vary from issue to issue. Ministry of Commerce and Industry will participate in all key stakeholder consultations with the private sector and NGO-civil society and contribute monetarily towards the costs as well.

5. Role of MPEDA and SEAI

The marine sector has been selected in the component II of the project since it is one of the most poverty stricken and is also very much sensitive to global trends in the field. MPEDA and SEAI are the Tier I partners of the Project. The co-ordination of the project implementation in seafood sector is jointly undertaken by SEAI and MPEDA.

6. Seminars/Workshops/Training Programs Conducted Under Component II Of The Project

A number of seminars, workshops and training programs were conducted under the project. As laid down in the objectives, these programs were conducted with an intent to increase India's capacity to develop appropriate positions in international trade negotiations and related domestic policies, to generate high quality research & analysis and decision-making of key stakeholders in government, private sector and civil society, to increase the awareness of trade related impact

with improved capacities to advocate constructive policy positions and to develop the capacity of institutional and human resource to tackle global trends.

7. Activities Related To Dissemination Of Information

7.01 Publishing Of WTO Literature In Vernacular

In this connection, the printing of literature in Malayalam, Telugu, Bengali and Kannada has already been printed and published.

7.02 WEB-

The website www.fishglobal.org is being regularly updated with relevant data and latest news.

7.03 News Letter

The quarterly newsletter of the project, 'The fish', is being issued at regular intervals.

8. Projects Undertaken

8.01 SIFFS- MPEDA Fish Market Intelligence System for South India

The pilot phase of the Fish Market Intelligence System funded by UNCTAD /MPEDA / SEAI started in July 2008. The total cost of the project was Rs.18,35,000. The summary of the output under the pilot phase is described below.

8.01.1 .System established for collection of following information from 9 whole sale markets and 11 fishing harbours: (i) Maximum, Minimum and floor prices for all species agreed upon, (ii) arrival/landing quantities and sources of arrivals. All essential information about the fish market/landing center included in it.

8.01.2 . Fair amount of standardization has been achieved with regard to species names, unit of sale, grades, etc.

8.01.3 . Information transmission to SIFFS: Two systems have been established for transmission of information to SIFFS from the market/harbour. (i) All data received over phone by noon so that it can be entered into the database and made available online by 1 pm every day. (ii) key price data sent instantaneously by cell phone from markets/harbours to the SIFFS server that automatically makes this data available on our site. This part of the information collection is instantaneous and is potentially without any time lag.

8.01.4 . Information processing: They have also set in place a system in SIFFS to daily collect the information from the field and enter the data base in a timely manner and to make the information available on the website fishinfo.siffs.in

8.01.5 . They also developed a system for sending price information by SMS. Now they are sending 300 SMS and the number can be increased to 1000 soon.

8.02. A Study On Capacity Building Requirements In The Ornamental Fish Sector In India To Enhance Exports

A study was undertaken with the help of Cochin University of Science and Technology at a project of Cost of Rs.9,35,000.00. Objectives of this project includes

1. To survey the breeders, domestic traders and the exporters in the ornamental fish sector in India.
2. To estimate the species and quantity produced.
3. Analysis of domestic trade in terms of quantity and value.
4. Identify constraints in production technology, finance and marketing.
5. To cluster the stakeholders based on experience, expertise and infrastructure.
6. To carry out a SWOT analysis of the ornamental fish breeding sector in India
7. The final report has been made. It is awaiting final evaluation by OFD department of MPEDA.

Proposed outcome of the project includes

1. Identifying the capacity building requirements for promoting export oriented ornamental fish sector at various levels.
2. Creation of Data base of the ornamental fish sector.
3. Strength, Weaknesses, Opportunities and Threats faced by the industry will be identified.
4. Identification of anticipated growth of domestic market for ornamental fish sector.
5. Identification of export market for the species produced

8.03 PIABA Project

Project **PIABA** is a community based interdisciplinary project established to understand the ecological and socio-cultural systems of the middle Rio Negro basin, Amazonas, Brazil, in order to conserve and maintain the live ornamental fishery and other renewable resources at **commercially feasible and ecologically sustainable levels**. The project started in 1989 and is still continuing. The internationally renowned project links the ornamental fish collector to the exporter and provides large-scale employment. It has become the principal economic activity of the Municipality of Barcelos (population 11,000 and area 122,490 square kilometers) of the Amazonas State of Brazil. An estimated 20 million fishes, mainly Neon Tetra is exported every year from the project for the last one and half decade. This project is very similar to MSC Certification of fisheries, but operates

in the field of ornamental fisheries. An amount of Rs.10,00,000.00 was spend for this project from UNCTAD funds.The main goals envisaged are

- Formulate a plan to set up a wild fish collection and commercialization system to implement sustainable fishing
- Plan for a pilot programme on certification of wild caught fresh water ornamental fish
- To export "green" fishes with geographic certification.

8.04. Field level training programs in compliance with standards in foreign markets and preparation of hand book on compliance with standards in EU, USA and Japan.

This project was undertaken by Cochin University of Science and Technology (CUSAT). Personnel employed in the industry need to be kept abreast of the changing trends in development and updated techniques. This will help in improvement of checks in systems, identification and rectification of defects. This will in turn help in the growth of the seafood industry and will entail better revenue streams for the seafood industry by minimizing defects and rejects. This will benefit the country and its export immensely. Budget for this project was Rs. 3,04,500.00

8.05. Standardization Of PCR Methods For Diagnosing Viral Diseases In Ornamental Fishes As Part Of Biosecurity Programme

This project is to be implemented at National Centre for Aquatic Animal Health, Cochin University of Science and Technology. The objective of this proposal is to standardize PCR/ RT -PCR/ nested PCR techniques for the OIE notifiable viral diseases of ornamental fishes to be incorporated for screening fishes during quarantine.

Objectives

- Selection/ designing primers for virus screening
- Acquisition of positive control of fish viruses
- Standardization of the PCR techniques
- Standardization the PCR techniques using fish tissue
- Integration of the procedure in the quarantine system

So far, they could standardize the PCR reactions for noda viruses and Koi herpes Virus. All PCR standardization will be completed within one month, by which diagnostic kits will be made available and supplied to the quarantine facilities for screening fish population during export and or import. The final report of the project is expected to be submitted this month. The estimated project cost for this programme is Rs.6,33,650.00

8.06. Development Of Software For Cost Calculation –

The implementation of anti-dumping measures by the US department of Commerce on Indian seafood industry was a subject of concern to all exporters. The lack of transparency in anti-dumping stand of the USDOC and also the lack of awareness among Indian exporters was creating huge losses for the Indian seafood trade. To get around this disadvantage, a software was developed under the aegis of this project to help the exporters know in advance about their anti-dumping duty liabilities for their exports to US. The software has now been fully developed and implemented. During the quarter ending March 31, 2009, three training programs were conducted at Kochi, Vizag and Chennai under the project to educate the exporters in the use of this software. The software has positioned itself as an inevitable tool in the hands of exporters to US. An amount of Rs. 16,00,000.00 was spend from the project for developing the Software.

8.07 Eco Labelling Of Indian Seafood

The stock of marine products across the globe is facing a decline due to reasons such as over fishing, indiscriminate fishing practices etc. This decline is bound to have social, environmental and economic ramifications, especially in the developing countries, where millions depends on the marine sector for their livelihood. The Marine Stewardship Council is an organisation aiming at reversing this global decline of fish stock by employing market incentives. MSC, through its eco-labelling and certification programme, allows consumers to identify the outputs generated from environmentally responsible fishing practices. This, they hope, will ultimately result in promotion of responsible fishing practices and thereby secure livelihoods and availability of fish for food. This is to be achieved by a joint effort of the Government, NGOs, Fishing industry, Seafood processors, and general public.

With increased awareness on sustainability issues and ecological impact of sea catch, eco-labelling has become a necessity to enter the elite markets across the world. For this purpose, it was decided to get selected species of the Indian waters certified by the Marine Stewardship Council (MSC).

In this connection, a pre-assessment study was conducted by TQCSI and the report was given to CMFRI for evaluation. However, no significant development has taken place so far. Hence the implementation of the project has been extended up to 31st of December, 2009. All major activities related to the project are expected to be completed by then.

11. Up gradation of Sealab

The referral Lab set up by SEAI Kerala Region to cater the need of the Seafood Exporting sector is appreciated by various International Agencies visited India. Kerala Region has received an amount of Rs.2.25 Crores from Government of India for upgrading the facilities in Sealab by importing High-tech Equipments. Kerala Region also put a matching contribution of Rs. 75 Lakhs.

All equipments were installed and started functioning. Sealab is approved by EIC for testing Seafood products meant for Export and also got NABL accreditation.

12. Fishing Harbour at Vishapatnam

With the active management participation of SEAI- AP Region, Fishing Harbour at Vishapatnam is meeting all requirement for approval..

13. Community Pre processing Centre at Ambalappuzha.

At the instance of MPEDA, with a view to improve prevailing conditions in the area it was decided to construct a Community preprocessing centre at Ambalappuzha. The Total Project cost is Rs.3.06 Crores., out of which Rs.2.46 Crores was from the ASIDE Funds of Government of India, Rs.25 Lakh from MPEDA as Grant. SEAI purchased 40 Cents of land at a const of Rs.18 lakhs. Foundation stone was laid by Shri. S.Sarma, Hon,ble Minister for fishers Government of Kerala on 18th January 2009. The work is in progress and expect to commission soon..

14. Rupee Export Credit Interest Rates

The Government of India has decided to extend Interest Subvention of 2 percentage points till March 31, 2010 on pre and post shipment rupee export credit, to Marine Products. As per the existing guidelines, banks charge interest rate not exceeding BPLR minus 2.5 percentage points on rupee pre-shipment credit up to 270 days and post-shipment credit up to 180 days. Banks will now charge interest rate not exceeding BPLR minus 4.5 percentage points on pre-shipment credit up to 270 days and post-shipment credit up to 180 days.

However, the total subvention will be subject to the condition that the interest rate, after subvention will not fall below 7 per cent which is the rate applicable to the agriculture sector under priority sector lending. The banks may ensure that the benefit of the 2 per cent interest subvention is passed on completely to the eligible exporters.

D. Future outlook

1. Need for Conservation of Sea catch

It is common knowledge today that the oceans of the world are completely fished-out, and that capture fisheries worldwide are on a steep decline. Global warming is leading to ocean surface temperature rising and acidification of seawater and, combined with over-fishing, we are faced with a sharp decline of fish in the world oceans. Fish that once seemed an inexhaustible source of food, are almost everywhere in decline. 90% of large predatory fish like Tuna, Swordfish and Shark have gone, 85% of whales have disappeared and many smaller fish are also in sharp decline.

As far as capture fisheries in India is concerned, our coastal waters are almost completely over-fished and catches are declining. Every Indian coastal state follows its own fishing policy. There is unrestricted coastal fleet expansion; no fish-net size restrictions; massive illegal wild seed collection along the coast; no attempt at resource management; uncontrolled pollution of coastal

waters; destruction of breeding grounds both by industrial pollution and relentless bottom trawling. As a consequence of all this, our shrimp capture catches are down by 40%; and fish catches are virtually disappearing.

Our declining catches are leading to social unrest along the coastline with fishermen competing for depleting resources. There are daily conflicts between fishermen of different coastal states over fishing grounds.

In such a situation where the oceans of the world are under threat and our coastal waters are almost fished-out, the only future really is aquaculture.

Fortunately, we have one of the largest resources of inland water bodies and rivers, second only to China. We, therefore, need to harness our inland water bodies and unproductive land along our 8000 kilometer coastline for sustainable aquaculture.

Our coastal fishing communities are amongst the poorest of the poor and they need alternative livelihood during periods of conservation. Consequently, a policy on cage culture rights in our inland waters and rivers for our fishing communities as a source of alternative livelihood needs urgent implementation.

China realized the importance of their fisheries sector as a critical component for food security and therefore, formulated a 20-year fisheries plan which has today resulted in China becoming the world's largest fishery nation accounting for over 50% of the world fish production from both capture fisheries and aquaculture.

India, till now, has had no effective, comprehensive and coordinated National Fisheries Policy like China and other Asian countries. We do have a National Fishery Policy, but its more a vision statement. Also we have no integrated and effective National Fishery Conservation and Resource Management Policy. Hence it is high time that we should formulate a policy to conserve our resources for the sake of 2 million people directly or indirectly depending on the Sea

2. Promotion of Aquaculture

To promote aquaculture, which appears to be the only alternative for the growth of the fisheries sector and for India to emerge as an important global player, there is an imperative need for the Central & State Governments and the NFDB to effect the following policy changes:-

- a. Declare Aquaculture as an agriculture activity.
- b. Compulsorily register all aquaculture establishments and issue licenses to operate. Registration should be under both the Aquaculture Authority and MPEDA.
- c. Statutory clearance of Aquafarms from pollution control board, forest department, etc., should be through a single window system of the Aquaculture Authority.
- d. Institutional finance made available on par with Agriculture.
- e. Crop Insurance available at reasonable premiums.

- f. Declare Aquaculture as legitimate user of land and water. Permit unproductive agriculture land for conversion to aquaculture. Allow specific quantity of water from irrigation canals for fresh water aquaculture.
- g. Prepare master plan for import of technology for culture of commercially viable fish species like Catfish, Tilapia, Seabass and other high value fin-fish. Broodstock quality improvement through Specific Pathogen Free projects, which fortunately are now under implementation. The recent permission for Vannamei culture by Ministry of Agriculture will now see a dramatic growth in shrimp culture. Evolve a strategy for providing MINIMUM PRICE PROTECTION for Aqua Farmers.
- h. Remove all constraints of sanitary permits for import of Artemia, Feed Ingredients and other aquaculture inputs.
- i. Reduce all import duties on aquaculture inputs.
- j. Subsidize airfreight for transport of aqua seeds.
- k. State Governments must exempt all Aqua produce, seed, feed and ingredients from VAT.
- l. State Governments must provide power at tariff rate similar to agriculture.
- m. State Governments must strictly prohibit wild seed collection along the coast.
- n. Identify suitable marine zones for establishing marine fish cages. Lease such areas to fishermen and fishermen cooperatives and promote cage culture in fresh water reservoirs, deep salt water creeks, estuaries and the open sea.
- o. Tilapia, Catfish, Seabass and Grouper cultures should be encouraged to augment supply fish for both domestic and export markets.

3. Need for Industry friendly Research Organization

India has some of the best Fishery Research Institutes in Asia. However, their contribution in extending technical help to the Fishermen, aqua farmer and export processing industry is dismal.

Correct the situation by:-

- a) An annual independent Audit on the usefulness of the research work undertaken.
- b) Evaluate the extent of research transferred from lab to farm.
- c) The Institutes should make available to entrepreneurs their findings at a fee for commercial exploitation.

4. Registration of Importers Representatives

Association is getting complaints from our members regarding non-payment of Export Invoices by the Overseas buyers. Most of the problems are created by the Foreign Buyers representatives. Many of the buyer's representatives do not have any accountability to towards the Exporters. We discussed this issue in many of our meetings but no decision was arrived at. Hence it is high time that buyer's representatives should have a registration either with MPEDA or SEAI and only such representatives will be authorized to trade in Seafood.

In a recent meeting with the Exporters of Gujarat Region, Chaired by the National President, Members of Gujarat Region emphasized the need for Registration of Buyers Representatives with MPEDA or SEAI.

5. Common Pre processing facility at Balramgarh;

At the instance of MPEDA, with a view to improve prevailing conditions in the area, the SEAI Orissa Region has submitted a project report preprocessing centre at Balramgarhi, Chandipur. The Total Project cost is Rs.4.20 Crores., out of which Rs.3.60 Crores was proposed from the ASIDE Funds of Government of India, Rs.25 Lakh from MPEDA as Grant. SEAI orissa region would purchase 3 acre of land at a const of Rs.30 lakhs. The association was asked to submit blueprints of the construction plan and details of land which is being prepared.

E. Management Committee Members' statements in Terms of Section 217(2AA) of the Companies Act 1956

The Managing Committee Members hereby confirm:

1. that in the preparation of Annual Accounts, the applicable accounting standards have been followed.
2. that the Managing Committee members have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year.
3. that the Managing Committee members have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities:
4. that the Managing Committee Members have prepared the annual accounts on a "going concern basis"

ACKNOWLEDGEMENT

In conclusion, on behalf of the Seafood Exporters Association of India, we wish to take this opportunity to express our deep appreciation to Shri Kamalnath, the Hon'ble Minister of Commerce & Industry , Shri.Jairam Ramesh, Hon'ble Minister of State for Commerce and Industry, Mr.G.K.Pillai, Secretary- MOC, O.P.Arya, Additional Secretary and Chairman EIC Joint Secretary Ms. B.S.Sihag and the entire Team of Directors and other officers, who have dealt effectively with the issues of our sector.

Mr. R.S.Gujaral, Director General of Foreign Trade, and his entire team, deserve a special mention of gratitude, by the industry, for having extended their full support to the Industry.

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The entire team of officials in the Ministry of Commerce, Agriculture, Food Processing, Revenue, Banking and Finance and all other ministries, have always been helpful to the seafood industry. We record our sincere thanks to these Officials.

We would also like to thank Mr.G. Mohan Kumar IAS, Chairman MPEDA, Mr. Kuruvilla Thomas IFS and V.Vishnu Bhat Directors of MPEDA and the entire team of MPEDA officials for their wholehearted support extended to the trade.

We would like to thank the Director, Export Inspection Council of India, and his entire team for their support and assistance rendered to the industry. We also thank all the Export Inspection Agency officials throughout the country.

We also would like to place on record our thanks for the assistance received from Port Trusts, Customs Departments, Shipping Companies, Financial Institutions and the various Central and State Authorities, Research Institutions like CIFT,CMFRI, CIFNET, FSI, IFP and the State Fisheries Departments.

We are particularly obliged to the Press and the various media for their service and support and we look forward for their continued patronage to our Association.

We also like to express our deep gratitude to all the individuals and institutions that have either directly or indirectly contributed to the welfare of the Association. We also wish to thank all our members for their wholehearted support and contribution.

We thank all the Regional Presidents and all the office bearers of the regions for their effective participation and support in the activities of the Association.

Finally, we would like to thank the Secretariat and Staff of the Association for their sincere commitments and hard work in discharging their duties.

To be able to stand tall amidst adversity, to live your convictions and know that your actions and beliefs have transformed the lives of millions is at once a humbling and enriching experience. Your Association is indeed privileged to be able to make a difference, and be recognized for the contribution it makes. Our abiding Vision, the strength of our outstanding human capital, and our commitment to creating enduring value continue to inspire us as we strive to achieve even greater success in future.

In this occasion of SEAI's 39th AGM, We would like to once again thank all of you-our valued members- for your unstinted support in our shared journey to create one of India's most valuable Associations. In this journey, we look to you, as always, to your continued support and encouragement.

For and on behalf of the Managing Committee.

**ANWAR HASHIM
PRESIDENT**