



Wild, Natural & Sustainable®

July 22, 2020

Jim Sanford
Assistant U.S. Trade Representative for Market Access and Industrial Competitiveness
600 17th Street N.W.
Washington, D.C. 20508

Drew Lawler
Deputy Assistant Secretary for International Fisheries
National Oceanic and Atmospheric Administration

Re: Recommendations for National Seafood Trade Strategy

Dear Mr. Sanford and Mr. Lawler:

Thank you for the opportunity to provide comments. The Alaska seafood industry is encouraged by the May 7, 2020 *Executive Order on Promoting American Seafood Competitiveness and Economic Growth* and the focus it hones towards issues of concern to our industry.

Alaska, the cornerstone of the U.S. seafood industry, produced more than 2.5 million MT of fish and shellfish in 2019. The state commercially harvests over 100 species, including salmon, crab, and whitefish, and regularly **produces more than 60% of the U.S. seafood supply, with commercial landings of more than five times the volume and nearly three times the value of the next highest producing states.** Five of the top ten seafood ports in the U.S. reside in Alaska and the 101,000 U.S. jobs supported by the state's seafood industry earn an estimated \$5.6 billion in annual labor income.

The Alaska Seafood Marketing Institute (ASMI) is a public/private partnership between the State of Alaska and the Alaska seafood industry, charged with increasing the economic value of the state's seafood resource. ASMI, as a recipient of USDA Market Access Program funding, has enjoyed a long and productive relationship with USDA's Foreign Agricultural Service (FAS) building markets in overseas regions and conducting promotional activities. **We hope that the Seafood Trade Task Force can establish a meaningful system for two-way communication in order to consult with the Alaska seafood industry on all seafood trade-related matters.**

Exports are a key market for Alaska seafood; last year roughly 80% of our catch by volume found its way to foreign markets. However, 2019 exports of Alaska seafood were valued at an estimated \$3.14 billion, a 3.8% decline from the prior year. Maintaining and expanding seafood export opportunities is critical to the viability of the Alaska fisheries and has become an increasingly difficult task in recent years.

It is our hope that the Seafood Trade Task Force will further the commitment made in the Trade Facilitation and Trade Enforcement Act of 2015 with Alaska Sen. Sullivan's language, *To obtain competitive opportunities for United States exports of fish, seafood, and shellfish products in foreign markets substantially equivalent to the competitive opportunities afforded foreign exports of fish, seafood, and shellfish products in United States*

markets and to achieve fairer and more open conditions of trade in fish, seafood, and shellfish products, including by reducing or eliminating tariff and nontariff barriers. This language lays a solid foundation, but the intentions have not yet been realized and we need to honor and build upon this purpose now.

Alaska seafood exports face extraordinary challenges: tremendous trade uncertainty in recent years, the strength of the dollar against most foreign currencies, carving out niches for wild, premium product in the face of increasing aquaculture production around the world, and competition from low-cost seafood producers from nations that are not subject to the environmental safeguards and labor protections in effect for U.S. fisheries. Most foreign-harvested seafood imported into the U.S. enters duty-free, enabling foreign products to compete with our products within the U.S. marketplace. Joining these challenges is the sharp uphill battle created by the COVID-19 global pandemic, including the near worldwide shutdown of the foodservice industry, which generally accounts for a majority of seafood consumption and for some products, nearly all consumption, as well as logistical challenges throughout the global supply chain.

We hope that this letter and the attached list of our seafood trade priorities is the first of a formal expansion of communication with the Alaska seafood industry on seafood trade matters and look forward to progress for our industry.

Respectfully,

A handwritten signature in black ink, appearing to read "J Woodrow", with a stylized, cursive script.

Jeremy Woodrow, Executive Director
Alaska Seafood Marketing Institute

Alaska Seafood Trade Priorities

ASMI conducts overseas marketing programs in nine regions, targeting more than 40 key export countries. In all markets, the Alaska seafood industry seeks free trade or fair trade, a level playing field where free trade is not possible, and the removal of non-tariff trade barriers that hinder market access.

China

Alaska continues to bear a heavy and expensive burden from the Section 301 tariffs. While we applaud the removal of some non-tariff trade barriers in the Phase One trade deal, **currently most Alaska products face between a 32-40% final tariff in the China market.**

ASMI has invested over 20 years building the China market and the Alaska seafood industry, likewise, invested heavily with the anticipation of heavy growth in Chinese seafood consumption. However, the retaliatory tariffs have devastated our efforts. While global seafood exports to China almost doubled from 2017 to 2019, **Alaska seafood exports to this key market declined from nearly \$1 billion, \$969.7 million in 2017, to \$690.3 million in 2019.**

In 2020 we continue to lose margin and market share and the impacts may be felt even after the retaliatory tariffs are lifted, as our competitors are establishing markets and taking advantage of growing demand.

We urgently and respectfully request that you press China to create a blanket exclusion for U.S. seafood. U.S. exclusions publicly announce entire product lines and timelines, which helps create the certainty and security needed for business deals. We ask that the task force convince China to mirror this process and create a public, long-lasting exclusion for all U.S. seafood products.

With respect to the Chinese exclusions process launched on March 2nd: unfortunately, that process is proving to have limited value for our sector. The current process relies on importers to complete paperwork, not all have been accepted and many former customers choose not to pursue the exclusions when competing products from other nations can be imported without it. The one-month provision hampers purchasing and contracts: we need a longer-term blanket exclusion in order to regain market share. **Placing an order and not knowing if import duties will be 7 or 35% is not a workable situation for many of Alaska's Chinese partners. Unfortunately, this significant uncertainty results in very limited or no business at all, especially when our competitors enter the market at significantly lower tariff rates and no burdensome exclusion process.**

Japan

Seafood was not included in the Phase One trade deal, however, Japan is a critical export market for our industry, and for many of our seafood products, including high-value roe products for which it is the only significant market. In 2019 direct Alaska seafood exports to Japan fell in value from \$782.5 million to \$622.7 million. Losses in one of our oldest and most established markets are especially painful.

Despite the free-market access Japanese seafood products are granted when entering the United States, Japan continues to impose significant tariff and non-tariff barriers on U.S. seafood, limiting our potential for profit and growth in this vital market. Tariff barriers on important U.S. seafood product lines range from 1% to 10.5%, which are significant in the price-sensitive marketplace. For example, Japan is the only market for Alaska herring roe on kelp, which receives a 10% tariff, while Canadian herring roe on kelp enters the market duty free.

The elimination of tariff barriers on U.S. products exported to Japan would provide a critical boost to U.S. competitiveness in the Japanese market. This is not only in relation to domestic Japanese product but

also vis-à-vis Russia, which is a very large and direct competitor for our industry in Japan. It would also address a competitive disadvantage created by implementation of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which eliminated tariffs on seafood exported to Japan from all countries that are party to the agreement.

Non-tariff barriers imposed by Japan include operation of the country's anachronistic Import Quota ("IQ") system. Under this system, United States exporters of Alaska pollock, Pacific cod, and other seafood products are required to obtain quota in order to move their exports. This is time consuming and expensive, and it creates an additional layer of business uncertainty. Exempting U.S. products from the IQ system would foster predictability as well as growth and innovation, and help U.S. exporters avoid unnecessary costs and delays from bureaucratic processes.

European Union

While the vast majority of seafood from the EU enters the U.S. duty free, the EU maintains tariff levels on most seafood products, limiting export opportunities for U.S. seafood producers. The EU Common Market Organization, which operates within the Common Fisheries Policy, also maintains an Autonomous Tariff Quota (ATQ) system for certain fish imports, including a number of fish species exported by Alaska seafood producers. ATQs are set on a species or product form basis for total imports into the EU, regardless of the country of origin. Fish products covered under an ATQ can enter the EU duty free, or with a reduced tariff under an ATQ, up until the point that the "quota" is filled. Imports above the established autonomous quota are subject to higher "normal" tariffs. This system makes it difficult for Alaska exporters to plan and creates uncertainty in one of our most mature and stable markets.

Other factors increasing uncertainty for Alaska exporters are disputes related to differences in perceived health and safety risks (related to food products), inconsistencies in the nomenclature used to identify products from Alaska, as well as unrelated disputes surrounding aircraft, automobiles, and digital service taxes, which have drawn in various seafood product lines as potential subject of retaliatory tariffs on both sides of this trade relationship.

We ask the Seafood Trade Task Force to address and resolve inequities in the seafood trade relationship with the EU as well as the de-coupling of seafood from unrelated trade disputes. Freer seafood trade would benefit U.S. seafood exporters in one of its largest markets and bring parity with EU seafood products entering the U.S. duty free.

United Kingdom

Total direct exports from the U.S. to the U.K. in 2019 reached 10,602 MT worth \$62.7 million. This number does not capture the large amount of Alaska seafood that enters the U.K. indirectly, from China, Canada or the EU.

Alaska sees a welcome opportunity in the upcoming bilateral negotiation between the U.S. and the U.K., however, until an agreement is finalized we find ourselves in an uncomfortable situation. On May 19, the United Kingdom announced a post-Brexit tariff regime to replace the EU common external tariff (CEF), which is currently in place until Dec. 31, 2020. However, the currently proposed regime does not reflect many changes from CEF, so seafood will see very few improvements, beyond a small tariff reduction for certain halibut from 15% to 14%. Further complicating matters, the U.K. will publish its plan for ATQs later this year. **Securing duty-free access for U.S. seafood into the U.K. would maximize opportunities for growth in an important export market and give us a level playing field to compete against other seafood-producing nations.** Duty-free access would mirror the terms we currently offer the U.K., as the vast majority of seafood coming into the U.S. from the U.K. and EU are imported duty free.

We ask that negotiators ensure that the EU's Autonomous Tariff Quota (ATQ) system that applies to a range of imports is not retained or adapted by the U.K. Reliance upon the ATQ system gives rise to business uncertainty and encourages market-distorting behavior, inflicting damage on the entire sector.

We encourage the task force to take this opportunity to promote transparency and minimize confusion in the marketplace by pursuing a Geographical Indication for Alaska pollock. *Theragra Chalcogramma* is often traded and sold to consumers as Alaska pollock regardless of whether or not it originates from U.S. waters off the coast of Alaska. As a result, non-U.S. pollock – in many instances inferior product originating from Russia – is purchased by consumers under the mistaken belief that it has been harvested from waters off the coast of Alaska and originates from the U.S. Domestic law has now recognized that misleading consumers in this way is unacceptable, and as a result only U.S.-origin product can now carry the label Alaska pollock in the U.S. In key export markets, however, wild Alaska pollock continues to compete against foreign-harvested product that misleadingly carries the Alaska pollock label.

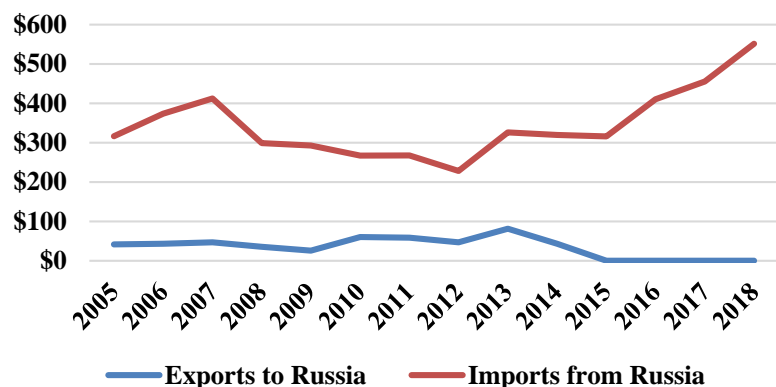
The upcoming trade negotiation with the U.K. provides a key opportunity to expand the common-sense approach to labeling already adopted in the U.S. Securing a commitment from the U.K. to protect the Alaska pollock Geographical Indication in their domestic law will promote transparency in the U.K. marketplace, and empower British consumers to make informed choices about their purchases of pollock products.

Russia

The 2014 Russian embargo on food products from the U.S. and other western nations bans all Alaska seafood products (except canned salmon, which is not exported to Russia in large volumes). Alaska and Russia harvest many of the same species and many Russia-origin products are available in the U.S. market, often at lower prices than comparable Alaska products.

The U.S. and the EU have not imposed any additional terms on the import of Russian perishable goods to U.S. or EU markets. **Russia continues to export seafood to the U.S. almost entirely duty-free. The value of Russian seafood imported by the U.S. has grown 69% since 2013, the year preceding the Russian embargo.**

U.S. - Russia Seafood Trade, \$Millions



Russia is committing substantial federal investment to their seafood sector, increasing their capacity to produce high quality seafood products that compete directly with U.S. seafood products in major markets. **In the year prior to the embargo, Alaska seafood producers exported \$61.3 million worth of products to Russia – primarily salmon roe.** Prior to the embargo, Russia was the second most important export market for Alaska salmon roe after Japan. In 2013, without taking into account transshipments, the two markets took roughly 64% of all Alaska salmon roe exports, leaving no single comparable market for Alaska salmon roe other than Japan when the Russia market closed.

The inequitable trade situation between the U.S. and Russian seafood must be addressed.

South Korea

The current U.S./Korea free trade agreement, KORUS, significantly limits duty-free opportunities for the export of Alaska pollock and various flatfish (yellowfin sole, rock sole, and others) and rockfish species (Atka mackerel) in a “whole round” and “headed and gutted” form. This is a significant issue for some Alaska pollock producers and most non-pollock U.S. groundfish producers. Korea’s tariff-reduced quota (TRQ) for such products is insufficient (only about 8,000 metric tons in 2020). When the TRQ is reached, tariffs of 22% are applied. While the existing free trade agreement provides for slightly increasing TRQ amounts through 2025 when the TRQ expires (and slightly declining tariff rates over that time period), it will be five more years until U.S. producers can be competitive in the Korean market with these product forms.

The revised KORUS agreement did not result in accelerating Korea’s TRQ increases and tariff reductions beyond the schedule set forth in the original agreement. **We respectfully request U.S. trade negotiators continue to seek opportunities for enhancing the position of U.S. seafood exporters in the Korean market by expediting schedules for freer trade.**

Peru

With a robust economy, well-established seafood processing sector and the U.S. - Peru Trade Promotion Agreement in effect since February 2009 bringing seafood duties from the U.S. to zero, Peru is an attractive destination for Alaska seafood, especially as we try to diversify our markets. However, the lack of a science-based regulation and established guidelines for the acceptance of imported raw material for further processing has effectively closed the market for our industry.

The resolution of this market access issue for Alaska seafood will open the market to the entire U.S. seafood industry. Preliminary projections point to \$7 million in new exports to the market as soon as the regulatory barriers are overcome; in the long term, exports are projected to greatly exceed this number. **The Alaska seafood industry respectfully asks that the members of the Seafood Trade Task Force support our industry efforts and assist us in working for a long-term, science-based resolution for the issue.**

Brazil

Brazil is the largest seafood consumer market in South America, holding a significant potential for Alaska seafood exports. While Alaska seafood has long entered the Brazil market through third party countries, in 2011, ASMI established a marketing program in the country, and helped create a direct line for exports of Alaska seafood from the U.S.

Inconsistencies in clearance procedures by Brazilian inspectors for imported Alaska seafood has led to market barriers for our products. The lack of understanding by Brazilian inspectors in certain ports of entry as well as their misguided interpretation of traditional international standards like Codex Alimentarius, have impacted the ability of Alaska seafood exporters to increase volumes sold into this market.

The Alaska seafood industry respectfully asks that the U.S. re-engage in discussions with the Brazilian government, in order to set consistent clearance procedures at all Brazilian ports, especially for Alaska seafood exports of raw material for further processing. Clear procedures will restore Alaska seafood exporter’s confidence in shipping products to all ports in this market.