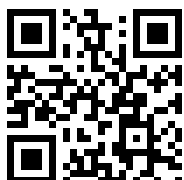


# Research for PECH Committee - Fisheries in Vietnam



**Fisheries**





# Research for PECH Committee - Fisheries in Vietnam

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## **Abstract**

Vietnam is located in Southeast Asia on the eastern Indochina Peninsula, with a population just over 93.6 million, it is the eighth-most-populous Asian country. There are four main fishing areas in Vietnam: the Gulf of Tonkin, shared with China; the Central area; the South-eastern area; and the South-western area (part of the Gulf of Thailand), shared with Cambodia and Thailand. According to the 2016 report of the Food and Agriculture Organisation of the United Nations (FAO), Vietnam is the third largest seafood exporter worldwide after China and Norway before Thailand and India.

This document was requested by the European Parliament's Committee on Fisheries.

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## **LINGUISTIC VERSIONS**

Original: EN

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Manuscript completed in October 2018

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## THE SOCIALIST REPUBLIC OF VIETNAM

### Independence – Freedom – Happiness

#### 1. INTRODUCTION TO VIETNAM

Vietnam is a densely populated developing country that has been transitioning since 1986 from the rigidities of a centrally planned, highly agrarian economy to a more industrial and market based economy, and it has raised incomes substantially. The Doi Moi (renovation) process started in 1986 with the following main aims:

1. Shifting from a planned centralized economy based on public ownership to a multi-sector economy based on the market;
2. Democratizing social life by building a state on the basis of the rule of law;
3. Strengthening external cooperation with other countries.

Vietnam has a young population, stable political system, commitment to sustainable growth, relatively low inflation, stable currency, strong FDI inflows, and strong manufacturing sector. In addition, the country is committed to continuing its global economic integration via multilateral and bilateral arrangements. Vietnam joined the WTO in January 2007 and concluded several free trade agreements in 2015-16, including the EU-Vietnam Free Trade Agreement (which the EU has not yet ratified), the Korean Free Trade Agreement, and the Eurasian Economic Union Free Trade Agreement and it is member of the Association of Southeast Asian Nations (ASEAN) since 1995. In 2017. Seeking to diversify its opportunities, Vietnam also signed the Comprehensive and Progressive Agreement for the Transpacific Partnership<sup>1</sup> in 2018 and continued to pursue the Regional Comprehensive Economic Partnership<sup>2</sup>.

Current challenges are to continue its trajectory of strong economic growth. The government acknowledges the need to spark a 'second wave' of reforms, including reforming state-owned-enterprises, reducing red tape, increasing business sector transparency, reducing the level of non-performing loans in the banking sector, and increasing financial sector transparency. Vietnam's public debt to GDP ratio is nearing the government-mandated ceiling of 65%.

Based on the United Nations Millennium Development Goals (MDGs) and the country's own aspirations, Vietnam has established its own 12 development goals (referred to as Vietnam's Development Goals or VDGs), which include social and poverty reduction targets. About 90 percent of the poor live in rural areas. Poverty still affects close to 15 per cent of Vietnamese people, including around 50 per cent of the ethnic minority population. (UN 2009, GSO 2010).

Vietnam has done better than expected in human development terms in recent decades, says the 2013 Human Development Report (HDR). According to the global report of the UN Development Programme, Vietnam's human development progress has increased by 41 percent in the past two decades. In 2012, Vietnam ranked 127th out of 187 countries – which is in the 'medium' category of human development. The new Vietnam's Socio-Economic Development Strategy (SEDS) aims to

<sup>1</sup> The TPP was signed on 4 February 2016, but never entered into force as a result of the withdrawal of the United States. The formal signing ceremony was held on 8 March 2018 in Santiago, Chile. The agreement enters into effect 60 days after ratification by at least 50% of the signatories (six of the eleven participating countries), with three countries having ratified as of 18 July 2018.

<sup>2</sup> The Regional Comprehensive Economic Partnership (RCEP) is a so-called mega-regional economic agreement being negotiated since 2012 between the 10 ASEAN (Association of South-East Asian Nations) governments and their six FTA partners: Australia, China, India, Japan, New Zealand and South Korea. RCEP is largely driven by ASEAN. It is reported that a broad agreement is likely to be reached in November 2018.

establish the foundations for Vietnam to become a modern, industrialized country by 2020. The country is firmly on that track. Vietnam exceeded its 2017 GDP growth target of 6.7% with growth of 6.8%, primarily due to increases in domestic demand, and strong manufacturing exports. The recent successive GDP - real growth rates are also impressive:

- 6.8% (2017)
- 6.2% (2016)
- 6.7% (2015)

GDP (purchasing power parity) is \$647.4 billion (2017) and GDP (official exchange rate): is \$220.4 billion (2017) in 2017 dollars positioning it 36th country by comparison to the world. The trade surplus, in 2017, remained stable to around the same level as in 2016, namely representing 2.9% of the country's GDP. Inflation levels increased to 4.4% in 2017 from 2.7% in 2016 and there are concerns over more inflationary pressures due to increasing wage growth (World Bank, 2018).

Looking forward to the next 5-10 years, the UN sees the need to consolidate the gains made to date, in order to ensure sustainable recovery, broad-based and inclusive growth, and greater social inclusion.

## **Geographical location and population**

Vietnam is located in Southeast Asia on the eastern Indochina Peninsula and covers a total area of 331,210 km<sup>2</sup> (comparable to Germany e.g.). With a population just over 93.6 million in 2017, Vietnam is the eighth-most-populous Asian country and ranks 15th worldwide. Vietnam's average annual population growth rate was 1.2% between 1999 and 2009, down from 1.7% in the previous 10 years.





Figure 1: Map of Vietnam

Although Vietnam has one of the highest population densities in the world, the population is not evenly dispersed; clustering is heaviest along the South China Sea and Gulf of Tonkin, with the Mekong Delta (in the South) and the Red River Valley (in the North) having the largest concentrations of people. In these areas, agriculture has been a key contributor to the overall economy, in which the flat and fertile river deltas such as the Red River Delta in the North and the Mekong River Delta in southern Vietnam play an important role.

Urban population makes up 35.9% of total population (2018) and is growing at an annual rate of urbanization: 2.98% annual rate of change (2015-20 est.). The urbanisation rate although high is down from 3.4% of the previous decade (Vietnam General Statistics Office 2010, United Nations 2010).

Major urban areas are Ho Chi Minh City 8.145 million; Da Nang 1.444 million; Hai Phong 1.219 million; Can Tho 1.175 million; Haiphong 1.075 million; HANOI (capital) 1.064 million (2018).

Vietnam has 64 cities and provinces. Hanoi in the north is the capital city with the population of approximately 6.45 million people while Ho Chi Minh City in the south is the largest urban area, with a population estimated at 7.16 million. The Mekong River Delta is one of the most highly productive

and densely populated regions of Vietnam. There are 54 different ethnic groups in the country. (Vietnam General Statistics Office, 2010).

Vietnam is prone to natural disasters, including typhoons, storms, floods, droughts, mudslides, and forest fires, with the poorest people in society the most vulnerable. More than one million people require emergency relief each year. At the same time, climate change models predict that that Vietnam will be one worst affected countries globally.

## Current political situation

The Vietnam's National Day (Vietnamese: Ngày Quốc Khánh) is observed on 2 September, commemorating President Hồ Chí Minh reading the Declarations of independence of Vietnam at Ba Đình Square in Hanoi on 2 September 1945.

The Socialist Republic of Vietnam is a one-party socialist republic ruled by the Communist Party of Vietnam. The President of Vietnam is head of state and the Prime Minister of Vietnam is the head of the government. The government and the President of Vietnam carry out the executive power. The National Assembly of Vietnam is the legislator. The judiciary power is independent from the executive branch. The current Constitution of Vietnam dates from 15 April 1992 and it has since been amended one time.

The centralization of political power by the government has brought stability over the past forty years. This certainly is one of the factors, driving the foreign investment inflows to Vietnam.

### Elections and appointments to executive posts:

**The president** is indirectly elected by National Assembly from among its members for a single 5-year term; election last held on 2 April 2016 (next to be held in spring 2021).

**The prime minister** is appointed by the president from among members of the National Assembly, confirmed by National Assembly.

**The Deputy prime ministers** appointed by the prime minister, confirmed by National Assembly.

**Cabinet:** Cabinet proposed by prime minister, appointed by the president, and confirmed by the National Assembly.

- **Chief of state:** President Tran Dai QUANG (deceased 21.September 2018);
- **Vice President now President:** Dang Thi Ngoc THINH (since 7 April 2016)
- **Head of Government:** Prime Minister Nguyen Xuan PHUC (since 7 April 2016);
- **Deputy Prime Ministers:**
  1. Truong Hoa BINH (since 9 April 2016),
  2. Vuong Dinh HUE (since 9 April 2016),
  3. Vu Duc DAM (since 13 November 2013),
  4. Trinh Dinh DUNG (since 9 April 2016),
  5. Pham Binh MINH (since 13 November 2013)

**Legislative branch:** the unicameral National Assembly or Quoc Hoi (500 seats; members directly elected by absolute majority vote with a second round if needed; members serve 5-year terms). Last election were held on 22 May 2016 (next to be held in May 2021)

**Judicial branch:** high court(s): Supreme People's Court (consists of the chief justice and 13 judges). Chief justice is elected by the National Assembly on the recommendation of the president for a 5-year, renewable term; other judges appointed by the president for 5-year terms.

**Subordinate courts:** Court of Appeals; administrative, civil, criminal, economic, and labour courts; Central Military Court; People's Special Courts; note - the National Assembly can establish special tribunals.<sup>3</sup>

<sup>3</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/vn.html>

## Economic overview of the fisheries sector

Agricultural exports represent nearly 8.5% of total exporting value, constituting an important source of income for the country. Among those, the export of products of fisheries and aquaculture is the most important covering almost ¼ of total exporting agricultural value, mainly concerning exports of frozen or fresh shrimps and prawns and fish such as pangasius, tilapia and tuna.

The traditional fishing activity in Vietnam can be described as **in-shore** (rivers and lagoons and up to 4-5 nm from the coast) and coastal fishing along its 3260 km coastline. The relatively recent development of **offshore** fisheries was driven by the country's political aspirations to elevate itself to a status of regional maritime power.<sup>4</sup> (Fau, 2015).

This off-shore fisheries development goal was set in 2007 (Vietnam's Maritime Strategy Toward the year 2020) which follows up from the Program on Offshore Fishing of 1997. The latter aimed at transition from coastal artisanal and family fishing towards professional off-shore fishing. The in-shore fisheries represented about 70% of the catches in the beginning of the millennium, but by the end of the first decade, the offshore fisheries had caught up representing half of the catches. (Le Hong Hiep 2014). The changes include an increase in vessel size and the professionalization of fishers<sup>5</sup>.

This development has produced spectacular results: In 2014, Vietnam took over Thailand as the leading Southeast Asian exporter in terms of value, but was temporarily overtaken by India in 2017. According to the 2016 report of the Food and Agriculture Organisation of the United Nations (FAO), Vietnam is the third largest exporter worldwide after China and Norway before Thailand and India. In a decade (2004- 2014), the export value has risen threefold from 2,444 billion USD in 2004 to 8,029 billion USD in 2014, giving an annual growth rate of 12.6 % (FAO 2016). The table below is 2017 FAO source indicating a lower value for exports.

**Table 1: Vietnam fish and fisheries products stats.**

Capture fisheries production		Aquaculture fisheries production		Exports			Imports		
Million tonnes equivalent)		(live weight)		USD billion (est.=estimation)					
2014	2015	2014	2015	2015	2016 est	2017 est	2015	2016 est	2017 est
2,7	2,8	3,3	3,4	6,8	7,4	7,7	1,3	1,3	1,3

**Source:** Globefish Highlights Quarterly January 2018 ISSUE, with Jan-Sept 2017 Statistics FAO <http://www.fao.org/3/i8626en/i8626EN.pdf>

<sup>4</sup> Fau, N. (2015). La maritimisation de l'économie vietnamienne : un facteur exacerbant les conflits entre le Viêt Nam et la Chine en mer de Chine méridionale ? Herodote, 2(157), 39–55. doi:10.3917/her.157.0039

<sup>5</sup> Impacts du changement climatique sur la pêche hauturière vietnamienne / François Gemenne, Note d'Analyse n° 1, Ministère de la Défense, Observatoire Défense et Climat, mars 2017, 30 p.



## 2. EU VIETNAM LEGAL AND INSTITUTIONAL FRAMEWORK

The EU and Vietnam free trade agreement is preceded by two agreements. The "**Cooperation Agreement** between the European Community and the Socialist Republic of Vietnam" was signed in Brussels on 17 July 1995 and entered into force on 1 June 1996. The EU Vietnam Framework **Agreement on Comprehensive Partnership and Cooperation** (PCA) The "Framework Agreement on Comprehensive Partnership and Cooperation between the European Union and its Member States, of the one part, and the Socialist Republic of Vietnam, of the other part" was signed in Brussels on 27 June 2012 and entered into force on 1 October 2016. The EU and Vietnam launched negotiations for an ambitious and comprehensive **free trade agreement (EVTA)** in June 2012 in the hope of creating a conducive environment for trade and investment relations.

- On 1 February 2016, the text of the EU-Vietnam free trade agreement was published<sup>6</sup>, following the announcement of the conclusion of the negotiations.
- On 25 June 2018, Commissioner Malmström and Vietnamese Minister for Trade and Industry Trần Tuấn Anh agreed on a final text for the EU-Vietnam Free Trade Agreement (EVTA)<sup>7</sup>.

This formally concludes the legal review of the document. The parties also concluded discussions on an Investment Protection Agreement (IPA).

After translation into the other 22 EU official languages and Vietnamese, the Commission makes a proposal to the EU Council of Ministers for signature and conclusion of the agreements. After signature, the Council will send the agreements to the European Parliament. The investment protection agreement with Vietnam will follow its ratification procedure also at Member State level. The Parliament must give its consent to the treaty if it is to go into effect. The agreement contains a legally binding link to the Partnership and Cooperation Agreement (PCA) that governs the overall relationship between the EU and Vietnam.

EU Vietnam Free trade agreement (EVTA) gives preferential tariffs to imported Vietnamese goods. The EU is already the biggest importer of Vietnamese shrimp e.g. the tariff on shrimps:

- HS code 03061100 raw shrimps will be 0% instead of the current 12.5% and;
- HS 03061710 shrimp products would be 0% instead of the current 20%;
- HS 030617 Frozen shrimp is currently subject to 4.2% tariff and;
- HS 160521 processed frozen shrimp is currently subject to 7% tariff.

### Institutional fisheries framework of Vietnam

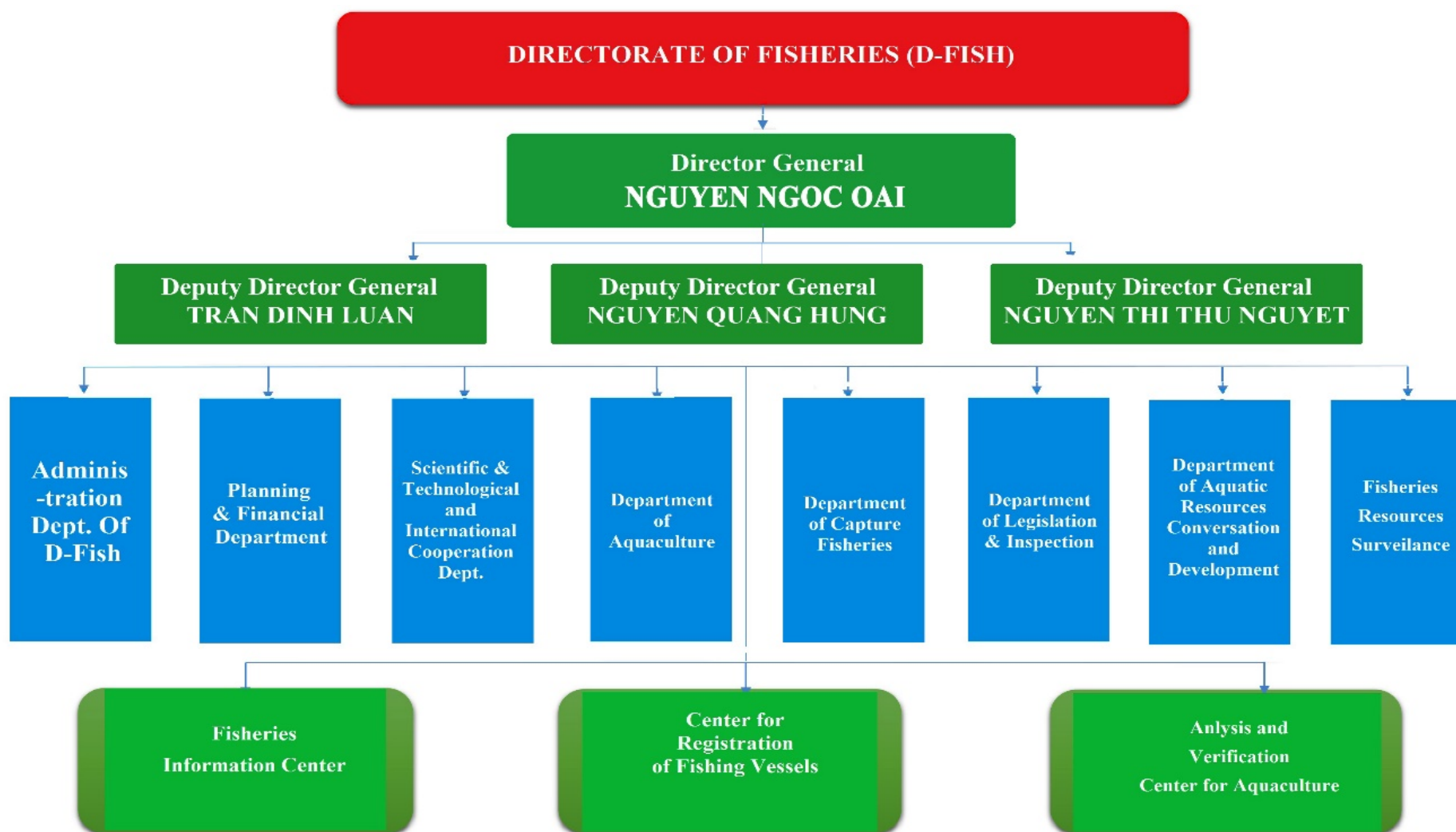
The Directorate of Fisheries is part of the Ministry of Agriculture and Rural Affairs<sup>8</sup> of Vietnam.

<sup>6</sup> <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1437>

<sup>7</sup> <http://ec.europa.eu/trade/policy/countries-and-regions/countries/vietnam/>

<sup>8</sup> <https://tongcucthuysan.gov.vn/en-us/Introduction/Organizational-Chart>

Figure 2: Organigram of Vietnam Directorate of Fisheries



Since 2007 the earlier ministry of fisheries has become a Directorate in the Ministry of Agriculture and Rural Development (MARD). The General Fisheries Office (usually referred to as the Directorate of Fisheries – DOF) has a number of sub-departments covering issues including: international cooperation, aquaculture, inspection, capture fisheries and resource protection, a fisheries information centre, and the Vietnam Institute of Fisheries Economics and Planning (VIFEP). A quality assurance department (NAFIQAD) has a key role in certification and traceability, including at the factory level. Moreover, a Vietnam Certification Centre (QUACERT) is authorised to provide services including certification of management systems to international standards, as well as the development of national certification labels. Its certifications such as VietGap are approved internationally.

Two agencies are responsible for monitoring, control and surveillance in Vietnam's sea area. The Vietnam Marine Police is the country's coastguard, providing protection and assistance to fishers where necessary. Fisheries inspection, falling under the Directorate of Fisheries, had 92 patrol boats in 2012 with a total capacity of 21,000 HP.

At the level of seafood producers and employers, there are organisations providing high quality information and statistics. The Vietnam Association for Seafood Exporters and Processors (VASEP), unites some 80% of these companies, and is generally seen as far stronger than any similar body in other Asian countries. It conducts lobbying activities for its members on government policies, and also increases the visibility of Vietnamese seafood in international markets.

Vietnam has adopted some long term policies for the seafood sector and its sustainability, covering both overall fisheries and aquaculture through to 2020. As described by a paper prepared for Canada's Research Council in 2012, these have some difference in emphasis. The overall fisheries policy appears to place emphasis on large-scale aquaculture enterprises for industrial production, signalling some loss of employment, and a shift away from the community-based aquaculture that has been a feature of Vietnamese production.

## **International and regional Fisheries cooperation**

Fisheries cooperation in the region is provided for by the Western and Central Pacific Fisheries Commission, WCPFC), since 2004. One of its primary activities is to fight illegal fishing on high seas and conservation of the fish stocks. Despite the fact that the majority of island nations in the region are affected by the intrusions of so-called « blue boats » (see chapter Economic incentives for IUU) in their territorial waters, Vietnam is not party to the Commission. Nevertheless, the Vietnamese government plays an essential role in regulating the high seas fishing sector to meet the requirements of its importing countries. The National Agro Forestry Fisheries Quality Assurance Department (NAFIQAD), is a subsidiary to the ministry of Agriculture, and monitors the security and quality of the high seas fisheries.

The most important bilateral agreement was concluded with China in 2000, regarding the maritime border in the Gulf of Tonkin. The agreement followed a number of incidents between the Chinese and Vietnamese fleets linked to the contested sovereignty of the Paracel and Spratley islands. The dispute is of importance as the region is rich in fish. The aggressive encounters of Chinese boats and the Vietnamese boats pushed some Vietnamese fishers to move further south. In October 2011 Vietnam and China came to an agreement in principle regarding their maritime issues, hoping to put an end to these incidents.

Figure 3: Map of China Sea



Map from Radio Free Asia<sup>9</sup>, Massive Fishing Fleet Forms Sharp Edge of China's South China Sea Expansion (A commentary by RFA executive editor Dan Southerland) 2016-06-17

Vietnam has also negotiated free trade agreements with fish importers like the EU and US. The Vietnam EU Free Trade Agreement (EVFTA) is likely to bring important changes to the fisheries sector of Vietnam, because the EU would remove tariffs over seven years counting from the ratification of the agreement except for canned tuna and fish sticks.

The Regional Fisheries organisations play a minor role in regulating fisheries in the South China Sea. There is no specific multilateral regional organisation in place that regulates the South China Sea, but there are bilateral fishing agreements for organising regional cooperation of the sector such as the Vietnam China Agreement of 2011 on the Gulf of Tonkin.

The area remains disputed between neighbouring countries, which in turn renders the application of the UN Convention on the Law of the Sea (UNCLOS) very difficult. China for example does not recognise the legitimacy of the UNCLOS arbitration tribunal. The Philippines also has territorial claims in the area, where overfishing is general practice.

The fisheries dialogue within Association of South-East Asian Nations (ASEAN) is at a standstill and the regional organisations have close to an inexistent role in regulating the fishing activity in the area. ASEAN also lacks a structured dialogue with the Pacific nations. Thailand remains alone trying to set up such a dialogue via the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). The suggestions that East Timor or Papua New-Guinea could mediate the interests of the actors in the Pacific Ocean and in the South China Sea considering the weak support from ASEAN remains a hypothetical possibility.

<sup>9</sup> <https://www.rfa.org/english/commentaries/china-fish-06172016151659.html>



### 3. FISHERIES SECTOR

With a coastline of 3.444 km in length it should not be a surprise that fishery has been an important source of food and income throughout history. Likewise, the aquaculture sector, which is dominated by brackish water and freshwater production systems, has a long historic tradition. While it mostly contributed to subsistence farming in the past, aquaculture has become an important part of the national economy since its commercial orientation as part of the Blue Revolution<sup>10</sup> in the 1990s.

Vietnam's seafood industry exported approximately \$8.3bn of its products worldwide in 2017; the EU accounts for close to a fifth of Vietnam's seafood exports. Vietnam sold \$1.4bn of seafood products to European countries in the year ending November 2017, up 23 per cent on the previous year according to the Vietnam Association of Seafood Exporters and Producers (VASEP).

#### Aquaculture

##### Policy framework

According to the Ministry of Agriculture and Rural Development, in September 2018 Vietnam adopted a master plan for developing Vietnam its brackish shrimp industry out to 2030.

The objective is to improve productivity, production and the commercial value of shrimp products. The plan focuses on developing two species: the black tiger shrimp (*Penaeus monodon*) and white leg shrimp (*Litopenaeus vannamei*), in the coastal provinces and cities which have natural brackish water resources suitable for the growth and development of brackish water shrimp.

The objective for the industry is to double shrimp production to reach 1.3 million tonnes and stabilize the shrimp farming area of 750,000 hectares. Currently 600 thousand hectares is the farming area of black tiger shrimp (production yield is 550,000 tonnes) and the farming area of white leg shrimp is 150,000 hectares, (output of 750,000 tonnes). By 2030, it is expected that the total export value of brackish water shrimp would be worth more than US \$ 12 billion (tripling of today's value).

##### Production facilities, value and volume

Vietnam's key aquaculture sectors include pangasius, shrimp, tilapia and increasingly also bivalves and marine fishes such as cobia, seabass and grouper.

Vietnam is the world's leading producer of black tiger shrimp, producing around 300,000 MT per year. Overall shrimp exports in 2014 reached US\$3.95 billion, up 27% on the previous year. White leg shrimp exports were doubled those of black tiger shrimp to reach US\$ 2.3 billion, up 46.3% over 2013.

According to Vietnam Association of Seafood Exporters and Producers,<sup>11</sup> the area used for shrimp farming is somewhat larger than the Vietnamese government's estimations above. In 2017, brackish water shrimp industry had more favourable on weather conditions as well as high market demand. In 2018, the shrimp farming area was estimated to be nearly 705.9 thousand hectares, of which, black tiger shrimp and white legged shrimp farming areas were about 595.8 thousand hectares (up 1.3 per cent year on year) and nearly 110.1 thousand hectares (an strong increase of 10.1 per cent year on year), respectively. Shrimp yield production reached 701 thousand tonnes, an increase of

<sup>10</sup> "Blue Revolution" in world fisheries expanded aquaculture in the late twentieth century. The Blue Revolution has shifted primary-sector activities toward a greater dependence on capitalized inputs-credit, machinery, fuel, feeds, fertilizers, and pesticides-instead of human labour and natural productivity.

<sup>11</sup> <https://tongcucthuysan.gov.vn/en-us/aquaculture/doc-tin/009677/2018-01-10/vietnamese-aquaculture-sector-in-2017>

8.9 percent compared to the same period last year. Black tiger shrimp and white legged shrimp yields were around 270.5 thousand tonnes and 430.5 thousand tonnes respectively.

Vietnam is a leading exporter of value-added shrimp to Japan, the United States of America and the EU28.<sup>12</sup>Vietnam. It has emerged as the number one importer of shrimp in Asia, with 60–70 percent of imports being re-exported to China through border trade.

Vietnam was the second largest source after China of tilapia imports to the EU28 in 2017, whilst Vietnamese exports of pangasius faced difficulties in both the US and European markets.

Besides shrimps, pangasius is another species driving exports. Around a million metric tonnes (MT) of pangasius is harvested in some 5,500 hectares of aquaculture space. In 2014, pangasius exports reached US\$1.7 billion, up 0.4% on the previous year, and accounting for more than a quarter of all seafood exports. The EU was the largest pangasius importer, accounting for over 19% of all Vietnamese seafood exports, followed by the U.S.

### New cultivated species for seafood export

There are also new species on seafood export list such as clams, and farmed fish such as cobia (*Rachycentron canadum* or black salmon) and barramundi (*Lates calcarifer* or Asian sea bass). An example to illustrate high hopes of the sector: the Vietnamese subsidiary of the Dutch Lenger Seafoods, established in the province de Nam Dinh, exports (*Meretrix lyrata*, or the hard clam) to the EU, or more specifically Italy. The company expects to export 5,000 tons a year to EU, US, Korea and Japan. The hard clams' cultivation area extends to some 2,000 hectares and produces roughly 30,000 tonnes. These were until recently produced for local consumption, but new export opportunities are likely to boost production.

### Capture fisheries

Tuna fisheries have developed quite rapidly in recent years, rising ten times in value between 2000 and 2011, as Vietnam has been increasing its influence in offshore areas and focusing on high value species (Nguyen, 2012)<sup>13</sup>. The export volume has exceeded domestic tuna catch since 2007. In 2014, Vietnam earned US\$ 484.2 million from its tuna exports to 97 different markets. The U.S., EU and ASEAN countries were the top three global markets. Vietnam's tuna resources are estimated at over 600,000 MT, with skipjack as the major species, accounting for more than half the total pelagic fish stocks. Skipjack tuna is caught year-round, while yellowfin and bigeye tuna are caught during the six-month period from December to June.

### Main fishing areas in Vietnam

There are four main fishing areas in Vietnam: the Gulf of Tonkin, shared with China; the Central area; the South-eastern area; and the South-western area (part of the Gulf of Thailand), shared with Cambodia and Thailand. Fishing zones are further divided into in-shore, coastal and offshore zones. The in-shore zone includes rivers, lagoons but also coastal waters up to four nautical miles from the coast. Vietnamese marine fisheries are regulated according to boat engine power and location of the fishing activity, the procedure for obtaining licenses is considered relatively straightforward.

<sup>12</sup> FAO Globefish Highlights <http://www.fao.org/3/i8626en/i8626EN.pdf>

<sup>13</sup> Data taken from Than Viet Nguyen, Vietnamese Tuna Fisheries Profile, Western and Central Pacific Fisheries Commission (WCPFC)/Department of Capture Fisheries and Fisheries Resources Protection (DECAFIREP), Hanoi, November 2012. [https://www.wcpfc.int/system/files/PLI-VNM-03%5BConsultancy-report-\(Y3\)-Vietnam-Tuna-Fishery-Profile-Nov2012%5D.pdf](https://www.wcpfc.int/system/files/PLI-VNM-03%5BConsultancy-report-(Y3)-Vietnam-Tuna-Fishery-Profile-Nov2012%5D.pdf)

## Fishing fleet

There are different estimations of the Vietnamese fleet. Opinions converge within a 10% margin of that Vietnam's offshore fleet is in the range of 33,000 vessels. According to some **20,000** vessels is the estimation for the Vietnamese fishing fleet. Most of these are simple vessels equipped with a second hand truck engine; slightly less than 7,000 have engines above 90 CV (Blaha, 2017). According to others (Nguyen Khac Giang)<sup>14</sup>, Vietnam had **30,000** offshore fishing boats in 2014. Statista.com<sup>15</sup> portal records show the number of fishing vessels in Vietnam amounted to approximately **31,200** vessels.

The Vietnam Association of Seafood Exporters and Producers (VASEP) says<sup>16</sup> that Vietnam has about **110,000** fishing vessels, of which there are about **33,000** offshore fishing vessels (capacity of 90 CV or more), but only about 3,000 vessels are equipped with Movimar satellite positioning equipment. Vietnam's Fisheries Law 2017 which takes effect from 1 January 2019 requires all fishing vessels that measure 15m or more in length to be equipped with satellite positioning equipment. There is a serious gap to be filled in vessel positioning.

The government also encourages Vietnam's fishing fleet to sail out into disputed waters and provide a maritime defense function as part of a fishing militia. In 2009, Vietnam's National Assembly passed the Law on Militia and Self-Defense Forces that paved the way for the 'fishing militia' to officially operate. A year later, then-prime minister Nguyen Tan Dung ratified Plan 1902 to pilot the operation of the maritime self-defense forces. An estimated 8000 vessels and 1.22 per cent of Vietnam's maritime labour are members of the fishing militia.

In the 2014 HD-981 incident, a deep-water Chinese oil rig moved into Vietnam's exclusive economic zone and dozens of Vietnamese wooden boats surrounded the area to assist the coast guard in the standoff. Although there was no official call from the government, a letter of encouragement by then-president Truong Tan Sang and a call from the state-sponsored Vietnam Fisheries Society for fishermen to sail to the disputed waters implied that Hanoi implicitly incorporated civil vessels into sovereignty-protection activities.

Steel-hulled Chinese fishing boats also took part in the standoff, which led to perhaps the first time that two covert fishing militias collided with each other. This did not end well for the Vietnamese: one wooden boat was sunk and several others were badly damaged.

Following the HD-981 incident, Vietnamese policymakers were willing to commit more resources to strengthen their largely outdated fishing fleet. Two months after the standoff Hanoi issued Decree 67, which aimed to support fishermen to build bigger and more modern steel-hulled boats that are able to resist bad weather and threats from Chinese vessels and venture further into contested areas.

The government assigned a preferential loan of around US\$400 million in just three years to support building new fishing boats and upgrade old ones.

<sup>14</sup> Nguyen Khac Giang is Senior Researcher, Political Analysis, at the Vietnam Institute for Economic and Policy Research (VEPR), <http://www.eastasiaforum.org/2018/08/04/vietnams-response-to-chinas-militarised-fishing-fleet/>

<sup>15</sup> <https://www.statista.com/statistics/781933/number-of-fishing-vessels-vietnam/>

<sup>16</sup> Ministry website <https://tongcucthuysan.gov.vn/en-us/capture-fisheries/doc-tin/011192/2018-08-17/offshore-fishing-vessels-will-be-fitted-with-tracking-equipment-before-october-2018>

Figure 4: Photo of Vietnamese wooden tuna fishing vessel



Capt. Trinh Van Hung and his new offshore tuna-fishing vessel. Foto from Marine Link publication<sup>17</sup> by Alan Haig-Brown, "Vietnam Grows the Fleet".

The tradition of wooden boat building is still strong in Vietnam although quality wood is becoming harder to obtain. For both framing and planks, the shipyard imports round logs from Laos. Capt. Hung's 26 meter wooden vessel will be well suited for his drift-net tuna fishery. A typical trip for tuna will take him 150 miles south to Central Vietnam where he fishes off shore with a crew of 12.

In Southeast Asia, converted, second-hand generator engines power many fishing boats. In order to qualify for the loan program, the new boat is required to have a new, purpose-built marine engine to qualify for a government fuel subsidy, this will give the new boat ample power.

### Employment in seafood industry

According to 2014 data fisheries represent 7% of Vietnam's GDP, and employs 4.5 million<sup>18</sup> (Fau, 2015), both figures have been increasing over the last ten years. Fishing in general and offshore fishing in particular plays a vital role in the country's development, and is therefore the sector is well regulated by the government. Of the total fisheries labour force, around 670,000 are employed in aquaculture.

It is estimated that the tuna industry employs between 8 and 10 people to work on each fishing boat. With a total capacity of some 1,900 tuna vessels in 2012, this would amount to between 16,200 and 19,000 people employed in the tuna fishery. It is not an exact number but provides an idea of the size of the fishery.

<sup>17</sup> <https://www.marinelink.com/news/fishing-vietnam-fleet403343>, Tue, 20.Sept 2018

<sup>18</sup> Fau, N. (2015). La maritimisation de l' économie vietnamienne : un facteur exacerbant les conflits entre le Viêt Nam et la Chine en mer de Chine méridionale ? Herodote, 2(157), 39-55. doi:10.3917/her.157.0039

Seafood processing has generated considerable employment over the past two decades, and around three quarters are women. While recent figures could not be found, earlier analysis points to the importance of this industry for job creation and poverty alleviation<sup>19</sup>.

In 2013, there were 567 seafood-processing plants, some 450 of which were qualified for exporting to the EU.<sup>20</sup>

## Fish trading

With a trade surplus for seafood of US\$4.19 billion in 2015.

Seafood has been drawn into the trade war between the two superpowers earlier this year. On 6 July 2018, China put in place 25% tariffs on most US seafood, affecting the importation of US squid, salmon, pollock, cod, lobster and crab, however sources from Undercurrent News say the tariffs would not apply to seafood that is re-exported. According to a statement from the US Trade Representative (USTR), the tariffs will apply from 24 September 2018 at 10%, and then go to 25% on 1 January 2019.

The US-China trade tensions could be an opportunity for Vietnam. How exactly this will play out is difficult to say due to fast changing trading environment. The following example illustrates the situation vividly. Undercurrent News reported that Danish fishing company Esperson is looking to expand its cod production in Vietnam, with demand strong amid the trade war between the US and China<sup>21</sup>. *"We may have made the move from China to Vietnam a year too early, but I am very glad we did now," he told Undercurrent. The move is paying off, as US buyers face tariffs – which could be 10% or even 25% – on seafood from China. The tariffs have come into play. "We didn't expect something as extreme, but we expected something to happen," he said. The plant is focused on cod, with 80-90% of production going to the US. "It's all cod, we tried haddock, but it does not seem to work. We have tried twice," said Espersen's Chief Executive Officer Klaus Nielsen.*

Not everything has played out as expected. At the very last moment, the (USTR) excluded frozen fillets of Alaska pollock and cod from its final list of products to be hit with 10% tariffs. This means that cod and pollock from Alaskan fishing companies which is sold to China and brought back to the US as fillets will not be hit with the tariffs. It will also mean Russian, or indeed EU cod and pollock raw material processed in China, would be exempt, but wild salmon, tilapia and shrimp products remain on tariff list.

The trade war has already taken its toll. During the recent Seafood Expo Asia show 4-6 September 2018 in Hong Kong, China business executives confirmed to Undercurrent News that the US purchasing of Chinese seafood has all-but stopped. This opens up new opportunities for other Asian seafood traders including Vietnam.

Vietnamese seafood sales have been increasing already prior to US-China trade war. According to the General Department of Vietnam Customs, seafood export turnover reached US\$2.089 billion from January 2018 to middle of April 2018. Thus, seafood is the second agricultural product, which has achieved export value of over US \$ 2 billion this year after wood and wood products.

Seafood export value from the beginning of the year until April 2018 has increased 15.93% in comparison with the same period last year. This growth rate is lower than the rate of 18% in 2017. Meanwhile, the Vietnam Association of Seafood Exporters and Producers (VASEP) has estimated

<sup>19</sup> Seafish Vietnam Country Report [http://www.seafish.org/media/publications/VietnamEthicsProfile\\_201509.pdf](http://www.seafish.org/media/publications/VietnamEthicsProfile_201509.pdf)

<sup>20</sup> Eg. Dao Thanh Hong and Quan Vu Le, "Analysis of policy changes in the seafood processing industry in Vietnam", *Pacific Economic Review* 13:5 (2008), pp. 521-549. <http://onlinelibrary.wiley.com/doi/10.1111/j.1468-0106.2008.00417.x/abstract>

<sup>21</sup> Undercurrent News 15.09.2018 <https://www.undercurrentnews.com/2018/09/13/russia-fishery-forum/>

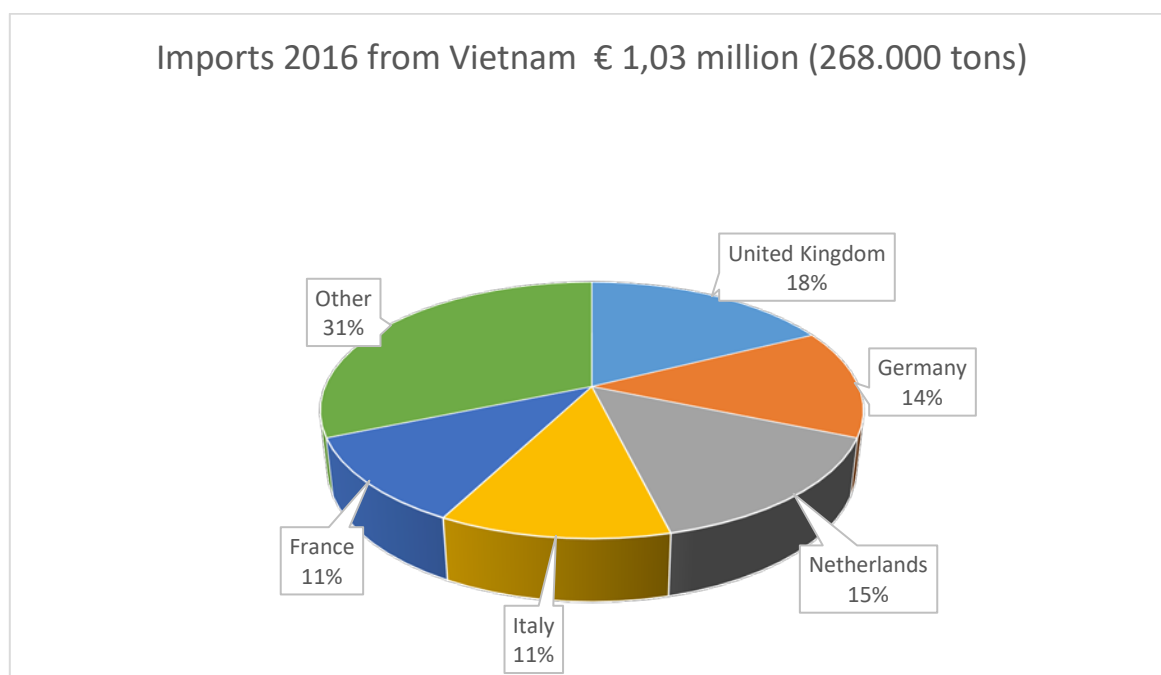
seafood exports target US \$ 10 billion this year, up 20.2% compared to 2017. Truong Dinh Hoe, General Secretary of VASEP stated that there are many advantages in term of markets for seafood this year.

Currently, the main import items to European Union (EU) markets were frozen shrimp and processed shrimp from Vietnam. As soon as EVFTA is effective, export tax on raw shrimp (HS code 03061100) decreases from 12.5% to 0%, shrimp tax code HS 03061710 will be decreased from 20% to 0% respectively. However, Shrimp exporters in India are shifting from the EU to the US due to the EU's antibiotic testing standards. This creates a good opportunity for Vietnam to export shrimps to the EU markets. Moreover, Thai shrimp competitors have very limited supplies due to lack of raw shrimp material imported from India.<sup>22</sup>

According to Vietnam Association of Seafood Exporters and Producers (VASEP), shrimp exports in the first 4 months of 2018 increased by 17%, reaching nearly 1 billion USD. In particular, shrimp exports to the EU market accounted for more than 18%, up 13.5% over the same period last year. Exports to the three main markets (Holland, Germany and Belgium) have grown to double digits. Exports to the Netherlands and Germany increased by 76.3% and 55.3%, respectively, while exports to Belgium grew by 18.9%.

With 268 000 imported tons of seafood the EU has moved from the first to the third place in 2016 behind US and China. This is because consumption of pangasius fish halved in the EU between 2010 and 2016. EU remains however, the largest importer of Vietnamese shrimp. The following tables will change again upon the entry into force of the EVTA in 2019.

Figure 5: EU seafood imports from Vietnam 2016



Source: European Market Observatory for Fisheries and Aquaculture Products (EUMOFA)

<sup>22</sup> <https://tongcucthuysan.gov.vn/en-us/fisheries-trading/doc-tin/010731/2018-06-06/vietnam-targets-us--10-billion-in-seafood-export-by-the-end-of-2018>

Vietnamese exports to EU 1, 03 M€ and 268 000 tonnes in 2016 include various tropical shrimps, clams, pangasius, tilapia tropical tuna. The list is not exclusive. According to VASEP, the EU is still the largest importer of Vietnamese shrimp, accounting for 18.2% of total Vietnamese shrimp exports.

In 2017, Vietnamese seafood exports to the EU market faced two major challenges: the negative communication from the beginning of the year has affected the consumption of pangasius, and the EU warning about the yellow card on illegal, unreported and unregulated fishing (IUU) for Vietnamese fishery products. However, the total value of exports to the EU during the year remained positive thanks to strongly increased consumption of shrimp products.

### Advantages of Vietnamese shrimp in EU market

According to the World Trade Centre (ITC), in 2017 EU shrimp imports reached over \$US 6.9 billion; increased by 3.4% compared to 2016. Spain and France are the two largest importers of shrimp. Shrimp export value to Spain reached 1.3 billion USD, up 7%; France reached 952.9 million USD, an increase of 3.9% compared to 2016. The EU accounted for about 30.6% of the total shrimp import value of the world. EU shrimp imports range from 6-8 billion USD per year. In the 10 years (2007-2017), EU shrimp imports increased from 5.6 billion USD to 6.9 billion USD in 2017.

With demand for consumption increasing due to better economic growth than was forecast in the EU, some products such as processed white shrimp and fresh/frozen tiger shrimp will continue with strong export growth rates to the EU

The Vietnamese shrimp export to the EU market is on the rise because India, the Vietnam's competitor encountered difficulties in this market. In the EU market, Vietnam has to compete mainly with India and Ecuador. While India's shrimp exports to the EU are decreasing, Ecuador is increasingly promoting exports to this market. Ecuador has more advantages than Vietnam in shrimp production and now enjoys 0% tariff preferences; down from 3.6% previously. Vietnamese shrimp in turn have the advantage of enjoying the EU Generalized System of Preferences (GSP) that Thailand and China do not have and is now more affordable than its competitors are. At present, the EU GSP tariff for Vietnamese frozen shrimp (HS 030617) is 4.2%; processed frozen shrimp (HS 160521) is 7%. EU mainly imports frozen shrimp and processed shrimp from Vietnam. After EVFTA comes into effect, the tax of shrimp with HS code 03061100 to the EU will be 0% from the current level of 12.5%, shrimp products with HS code 03061710 to 0% from the current level of 20%.

According to experts, the EU-Vietnam Free Trade Agreement (EVFTA) will affect seafood market shares. After the Agreement comes into effect, Vietnamese goods, including shrimp products, will enjoy special preferential tariffs.

VASEP acknowledges that the EU is a market with many strict technical regulations on food safety, environment and sustainable development. Especially in the present condition, when the EU is applying the "yellow card" for Vietnamese seafood for IUU operations. Therefore, Vietnamese businesses should meet the requirements of food safety and hygiene to access the market, especially when the EVFTA comes into effect with tax opportunities. Quality is paramount and key to Vietnam's development strategy for seafood exports.<sup>23</sup>

<sup>23</sup> Nhu Nguyet Vietnam Ministry of Agriculture and Rural Development, Directorate of Fisheries <https://tongcucthuysan.gov.vn/vi-vn/>



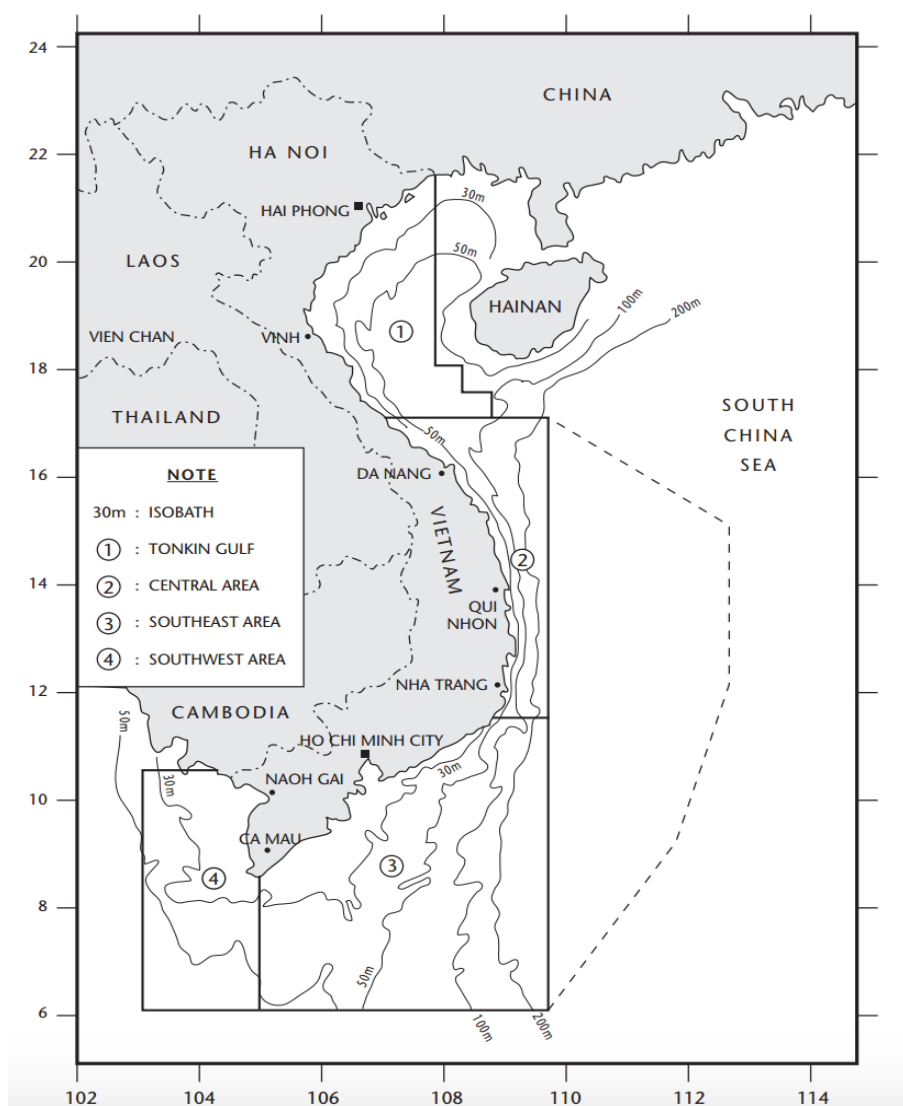


## 4. FISHERIES RESOURCE MANAGEMENT

### Status of fish stock

There are three different types of fisheries (inshore (meaning river), coastal and offshore). Around 10 percent of world's fishing takes place in the South China Sea. Unfortunately overfishing is one of its consequences. Apart from wild fisheries, aquaculture in the South China Sea continues to increase. Pangasius is the main species, 90% of which is farmed and exported from Vietnam, or more specifically from the Mekong delta. These exports are difficult for the countries which have classified the species as endangered. Because of the endangered species classification, some producers are diversifying into offshore fishing. Inshore (river) fishing is a major cause for overfishing, it is estimated that the fish stocks have halved over the past few years. This decline in aquatic resource is largely due to illegal fishing practices for example undersized net sizes and electric fishing. As a result of these illegal fishing practices, Giant barb (*catlocarpio siamensis*) for example a large migratory species once abundant in rivers, is now critically endangered and faced with extinction. This drastic fall in river fish stock and shrimp has turned many fishers to other coastal and offshore fishing areas.

Figure 6: The EEZ map of Vietnam



Source : (Son, 2003).

## Management of commercial fisheries

### Control and enforcement

Vietnam's Directorate of Fisheries is a government law enforcement agency of the Ministry of Agriculture and Rural Development. Its subordinate operational unit "Vietnam Fisheries Resources Surveillance" performs patrol, check, and control functions on the coast of Vietnam.<sup>24</sup>

Two governmental bodies control the fishing vessels: the Vietnamese Marine Police (coast guard), which is responsible for safeguarding the coastline as opposed to controlling and monitoring fishing activity; and the Fisheries Resources Surveillance (see figure 2 p.16) has 92 monitoring vessels in the Vietnamese Exclusive Economic Zone (EEZ). Only eight of these vessels have engines above 500 CV and are able to monitor vessels that fish beyond the EEZ. This is not enough for effective monitoring.<sup>25</sup>

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<sup>24</sup> [https://en.wikipedia.org/wiki/Vietnam\\_Directorate\\_of\\_Fisheries](https://en.wikipedia.org/wiki/Vietnam_Directorate_of_Fisheries)

<sup>25</sup> Impacts du changement climatique sur la pêche hauturière vietnamienne / François Gemenne, Note d'Analyse n° 1, Ministère de la Défense, Observatoire Défense et Climat, mars 2017, 30 p.

## 5. ILLEGAL, UNREGULATED AND UNREPORTED FISHING

### General framework

In October 2018, the EU issued Vietnam a “yellow card” under the system by which it ranks nations’ fishing practices and market access, giving the Southeast Asian country six months to reform the industry or face the threat of a ban on fish exports. The EU has also sanctioned or warned other Asian countries over their fishing practices. Thailand and Taiwan currently have yellow cards, while Cambodia has a red card temporarily blocking it from exporting fresh-caught fish to the EU.

It is evident that there are favourable conditions for illegal fishing in Vietnam. As stated above, poverty and depleting inshore and coastal stocks, economic incentives to fish offshore, failing international and regional ocean governance, and sub-standard control and monitoring capacity (8 control vessels to monitor what is thought to be a thousand “blue boats”) are not sufficient to monitor the country’s vast marine area. Some of these issues can be addressed by the state, but others can’t which adds further complexity to the issue.

### Economic incentives for IUU

According to some sources, banks can finance up to 90% of vessel construction costs. The ship building loans between May 2015 and May 2016 were in the excess of €165 million or 4 billion Vietnamese dong (Ngai, 2016).

The boat category nicknamed ‘blue boats’ leave their traditional fishing areas to plunder the resource of other local populations, to whom the activity causes considerable loss of revenue. It is estimated that a total of a thousand blue boats practice illegal fishing in the Pacific Ocean and in the China Sea. The infamous ‘blue boats’ fall into two categories: basic small boats priced around 10,000-12,000 USD with a crew of 10 to 13 and capacity for 25 000 litres of fuel. Larger boats are priced around 24, 000 USD, (Blaha, 2017) hold a crew of 16-17, and have the capacity for 35, 000 litres of fuel. Cargo capacity of these boats is between 7 to 10 tonnes and they are prepared for fishing trips of up to three months.

The construction and exploitation costs of these boats is low even considering the recent rise in timber price. Generous government support to boat building and renovation has two direct consequences. First the assistance has created a fishing fleet overcapacity that has a direct link to overfishing (UNEP et al. 2009). Second, the investment of ship-owners in the boat is minimal meaning that the boats captured and destroyed outside its fishing zone are quickly replaced which reduces punitive measure to a minimum (Blaha, 2017),

Most of these boats originate from the Quang Ngai province, from the Binh Chau region, to be more precise, the ports of Sa Ky et Ly Son which were traditionally sheltering boats for holothurian (sea cucumber) fishing.<sup>26</sup>

In 2016, some 46 of these boats were detected in the EEZ of New-Calédonia, the estimated catch was 300 tonnes benthic resource. This was an organised large scale plundering operation, which endangered the marine life and biodiversity in the targeted areas where the ‘blue boats’ operate.

Witnesses say that the areas are professionally preselected; the crews are familiar with the areas and species to catch. The most sought after varieties (prickly redfish (ananas) white teat fish, black teat fish, and leopard fish) of sea cucumbers are those are the most valuable. Depending on the species,

<sup>26</sup> Impacts du changement climatique sur la pêche hauturière vietnamienne / François Gemenne, Note d’Analyse n° 1, Ministère de la Défense, Observatoire Défense et Climat, mars 2017, 30 p.

sea cucumbers can sell for up to €2000 per kilo on Asian markets. This is a very lucrative market and an excellent return on investment considering very low input costs (a modest boat and crew that earns between 300 and 400 USD per fishing trip). A catch of a single boat of 6 to 7 tons of sea cucumbers can be worth up to 6 million USD. Neighbouring country news regularly report captures and destruction of “blue boats”, but as long as the incentives vastly outweigh the possible loss of vessels, it remains a difficult fight to win.

## EU Vietnam IUU case

### Chronology of the IUU proceedings:

1. **23 October 2017**, EU “yellow card” to Vietnam
2. **21 November 2017**, Vietnam’s Law on Fisheries, which details IUU fishing activities and stipulates strict punishments compared to administrative penalties for violations in other fields<sup>27</sup>. The law amends the Fisheries Law of 2003. It takes into account EU recommendations, and extends to fishery products sourced from illegal fishing for temporary importation, re-export, temporary export, re-import, trans-shipment and transit through Vietnamese territory. The law would be effective on January 12019.
3. **2 February 2018**, the Government promulgates the Decree No. 17/2018/ND-CP providing amendments to the Government’s Decree No. 67/2014/ND-CP dated 7 July 2014 on certain fishery development policies.
4. **26 April 2018**, at the Seafood Expo Global organized in Brussels, Belgium the Ministry of Agriculture and Rural Development (MARD) in cooperation with Vietnam’s Association of Seafood Exporters and Producers (VASEP) and the Vietnam Embassy in Belgium held a press conference. The event aimed to update the press and European seafood importers on measures Vietnam is making to combat IUU fishing. This is in response to the EU issuing a yellow card to Vietnam in October 2017.
5. **May 2018**, two EU delegations from DG MARE (technical 14-15 May) and (senior delegation 24-25 May) travelled to Vietnam to inspect the implementation of measures to combat IUU in Vietnam.
6. **July 2018**, Vietnam and the EU held a technical meeting in Rome with in the margins of FAO COFI.
7. **January 2019**, re-testing of satellite positioning devices of fishing vessels of 24 meters in length or more is sanctioned by the Ministry of Agriculture and Rural Development.

### EU-Vietnam: State of play<sup>28</sup>

The dialogue on Illegal, Unreported and Unregulated (IUU) fishing between the EU and Vietnam started in September 2012. The Commission identified Vietnam as non-cooperating country (yellow card) on 23 October 2017 following Vietnam’s failure to address the structural deficiencies in its legal and administrative frameworks to fight IUU fishing that was identified during previous visits. This yellow card only signals the formalisation of the existing dialogue. The Commission continues cooperating with Vietnamese authorities to address the situation that led to the yellow card. As per the chronology outlined above, the last visit of DG MARE to Vietnam was conducted in May 2018

<sup>27</sup> Vietnam Association of Seafood Exporters and Producers [http://seafood.vasep.com.vn/whybuy/747\\_12670/decree-17-amendments-to-the-governments-decree-no-672014nd-cp-dated-july-07-2014-on-certain-fishery-development-policies.htm](http://seafood.vasep.com.vn/whybuy/747_12670/decree-17-amendments-to-the-governments-decree-no-672014nd-cp-dated-july-07-2014-on-certain-fishery-development-policies.htm)

<sup>28</sup> Information from DG Mare

and included field visits in the provinces of Kien Giang and Binh Dinh. A technical meeting with Vietnamese authorities was held in Rome in July at the margins of FAO COFI.

The main shortcomings of Vietnamese systems to fight against IUU fishing include an outdated legal framework and weak systems of control of the activities of the Vietnamese fishing fleet. While the Fisheries Bill was amended last November 2017, the legal framework still presents significant loopholes and fails to comply with international obligations, notably with regards to the two instruments that Vietnam is committed to ratify; the FAO Agreement on Port State Measures, and the UN Fish Stock Agreement. At this stage, the bilateral dialogue with Vietnamese authorities focuses on the development of implementing regulations resulting from the Fisheries Bill that will allow competent authorities to build a fully-fledged policy of control on the activities of Vietnamese fleet.

Since 2016, Vietnam has been confronted with the illegal activities of the Vietnamese 'blue boats' in the waters of neighbouring countries in South East Asia and other Pacific islands countries. 'Blue boats' are targeting sea cucumbers and other reef species with high environmental and economic values. These illegal activities are carried out several thousand miles away from Vietnam, and without the control of the Vietnamese authorities that do not authorise these fleets to operate beyond the Economic Exclusive Zone. 'Blue boats' represent a clear risk for the sustainability of marine ecosystems and are creating serious problems for small Pacific island countries that have strict bans on their fishermen regarding the harvest of these species. Representatives from the developing states of the small Pacific island have already publically called on the EU to act in relation to Vietnam's 'blue boats'. The EU Commission's DG MARE's last visit to Vietnam in May revealed that the situation of 'blue boats' has only been partially addressed since the adoption of the yellow card. While the number of arrests of Vietnamese vessels in remote areas in the Pacific has decreased (though recently there were two vessels arrested in New Caledonia), Vietnamese vessels continue pouching in waters of neighbouring countries. Another complicating factor is that, there is an uneven enforcement policy on 'blue boats' among different provinces.

The exploitation of resources is stimulated by increasing demand of the fast-developing processing sector, together with the weak control policy has displaced the fishing effort beyond the Vietnamese waters where Vietnamese authorities have no legal means or resources to control fishing activities. The situation is made worse by the lack of adequate control over the fisheries supply chain by national authorities, an issue linked to the implementation of the EU catch certification scheme for Vietnamese exports to the EU.

The Minister of Agriculture and Rural Development of Vietnam paid a visit to Commissioner Vella on 22 March 2018. Commissioner Vella emphasised the need for Vietnamese authorities to take ownership of the process and start demonstrating substantial progress in the different areas of the dialogue.

The overall assessment of the DG MARE visit to Vietnam (16-24 May), six months after the yellow card, is that while the new fisheries law enters into force in 2019, it is far from being in line with international standards, and the implementing regulations currently developed require substantial improvements. Monitoring, control, surveillance, and management of the fleet are extremely weak and fragmented at a provincial level. Traceability of fishery products is not ensured and impacts on the credibility of the catch certification scheme for exports to the EU.

At the end of the May visit the Minister acknowledged significant challenges with regards to the reforms to strengthen the control of the activities of the Vietnamese fleet. The Minister committed to continue reforms and also acknowledged that their action needed time and effort to be

successful. Since then, DG MARE services have continued cooperating with the authorities of the Department of Fisheries, with specific regard to the drafting of implementing regulations.

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Vietnam is located in Southeast Asia on the eastern Indochina Peninsula, with a population just over 93.6 million, it is the eighth-most-populous Asian country. There are four main fishing areas in Vietnam: the Gulf of Tonkin, shared with China; the Central area; the South-eastern area; and the South-western area (part of the Gulf of Thailand), shared with Cambodia and Thailand. According to the 2016 report of the Food and Agriculture Organisation of the United Nations (FAO), Vietnam is the third largest seafood exporter worldwide after China and Norway before Thailand and India.

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