

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 BACKGROUND**

Six months ago, I was given the opportunity to look at a deep sea fishing operation that was being carried out by the Company I am working for. This Company has been involved in the fishing for tuna since 1990. It owns several vessels including two purse seiners. Based in Labuan, fishing operations are carried out in the waters within the EEZ in the South China Sea. This exposure has made me realise the tremendous business opportunities available in the tuna industry.

The tuna industry is very new in Malaysia. It is still in its infant stage. There are very few organisations involved in developing this industry. The lack of knowledge and information has kept Malaysians away from the development of this

industry. I am informed that several attempts have been made by some private organisations to invest in the tuna industry but they have not achieved any success.

## 1.2 IMPORTANCE OF TUNA

Tuna is growing in importance as a source of food in the world. Its growing importance is seen by the increasing catch and trade. The Japanese have been wise to its goodness from time immemorial. They are the only people that consume it in its raw form known as *sashimi*. Japan, US, France, Spain, Italy and West Germany consume about 90% of the world's tuna. Except for Japan, canned tuna is the most important product form in these markets, and it still accounts for over 20% of the US seafood intake. However fresh tuna is appearing more and more on restaurant menus and in retail packs. Sales of fresh loins have shown a considerable growth in most of the major markets. Tuna meat differs from the light coloured, soft flesh of most important fish species. Its texture and colour make it a seafood substitute to the traditional steak. There has been a marked increase in demand for non-canned, innovative value-added tuna products in some major markets.

### 1.3 THREATS AND OPPORTUNITIES

Our neighbours in the Region, Thailand, the Philippines and Indonesia, are all involved in one way or another in the tuna industry. They are fully aware of its benefits and potential. It is an important source of foreign exchange for them. Thailand is the world's largest canner of tuna, whilst both the Philippines and Indonesia are deeply involved in harvesting the tuna. Together they are making tremendous progress in the tuna canning industry.

Malaysia possesses the same opportunities as well. In this time and age, with increasing globalisation of trade we may lose out in capturing the opportunities that are readily available in the tuna industry. If we do not take the advantage now, some other nation will. AFTA ( ASEAN Free Trade Area ) is already in place. By the year 2003, tariffs on all manufactured goods would be reduced to 5 % or lower. ASEAN will be a free trade area. ASEAN member states shall have common effective tariffs among themselves in AFTA.

Perhaps, a good analogy is provided by the motor industry. Years ago when Malaysia first became involved in the manufacture of cars it appeared ludicrous to some people. Yet we have been successful in creating a local

automobile industry. It is the same for the tuna industry. The opportunities are there. We have the resources. It will however take commitment and determination to make it a success.

#### 1.4 APPROACH

Going after tuna in the high seas should not be our only goal. Research shows that greater profits lie in the processing that adds value. Today, there are so many ways to process tuna. With the world becoming more focussed and demanding, innovativeness in the marketing of tuna will be a crucial element to ensure success for the industry. A comprehensive approach should be taken.

The development of the industry will not only see the country earning foreign exchange but also ensures the creation of employment and help stimulate growth in certain parts of the country. Hence, contributing to the overall goal of Vision 2020.

However there are several issues, as in most new ventures, that will confront us. This does not imply that we are unable to overcome them. With

proper planning and management, we will be able to develop this industry which we as Malaysians would be proud of.

In my paper I have given a global view of the tuna industry. I am trying to show how the industry fares in the world scenario starting off with the market situation. I then introduce the tuna and describe its characteristics. This is followed by an insight into the availability of the tuna and the methods used to harvest them.

With this background in mind I then trace the existing situation of the tuna industry in Malaysia. I feel it is important to discuss the development of the tuna industry of our neighbouring countries, i.e., Thailand, the Philippines and Indonesia. Should we decide to develop the tuna industry in Malaysia, we must be aware of the competitive environment. Therefore, a good understanding of our potential competitors can be very helpful. I explore the industry in these countries and highlight areas of interest. The role of the Government in spear - heading the development of the tuna industry is discussed and emphasised.

There are two important issues pertaining to the tuna industry. These are the "dolphin-tuna" issue and the conservation of the tuna issue. Both these issues are important to the future of the tuna industry.

## 1.5 RESEARCH METHODOLOGY

My research requires secondary data. Substantial amount of information was obtained from the Info - fish library and through the Internet. However most of the information available is not up to date. I had to obtain some primary information by interviewing with several officers in the Fisheries Department to update the information. I met with them in Kuala Lumpur and in Labuan. I have found them to be extremely helpful and friendly. I also interviewed others in the private sector and they have given me an up to date insight into the industry.

## 1.6 ORGANIZATION OF STUDY

The study has 9 chapters. Chapters 2 to 5 deal with tuna in the world market, the species, production and methods used to catch the tuna. Chapter 6 focuses on the industry in Malaysia whilst Chapter 7 looks at the industry in the neighbouring countries. Chapter 8 discusses two important issues relating to tuna whilst Chapter 9 concludes with recommendations on the strategies to be taken to develop the tuna industry in Malaysia. There is an explanation of some of the terms used. To have a better understanding of the tuna Appendix 1 has the information.

## CHAPTER TWO

### GLOBAL TUNA MARKETS

During the last three decades tuna has developed into one of the most important high value fish species. Entering the channels of world trade, as an export item, it is an earner of foreign exchange for many developing countries who have these resources.

Initially, only the bigger fishing nations (Japan and the USA) were involved in the fishing and processing operation. However, with the introduction of the 200 miles Exclusive Economic Zones (EEZ), other countries and many of the developing countries took the opportunity to enter the lucrative tuna business.

Internationally, tuna is traded fresh, frozen or canned. Japan remains virtually the only major market for fresh tuna much of which is consumed as *sashimi*.. Tuna for the *sashimi* market is deep frozen to temperatures below -40

degrees C. Most of the frozen tuna internationally traded is eventually canned. Canned tuna is generally presented in the following forms : solid, chunk and others such as flakes, grated and smoked. A small quantity of tuna is traded for use as pet foods, for oil, and as tuna meal. The tuna trade has two extremes: high value *sashimi* for the Japanese market at the high end and those that do not make the grade for canning at the low end.

The world import value of tuna grew from US\$1,350 million in 1980 to US\$4,500 million in 1993. During the same period total world fish trade increased from US\$16,000 million to US\$44,600 million. The percentage growth for both figures were almost equal.

The share of tuna trade in world fish trade is around 9 percent. A relatively high percentage of tuna enters the international trade twice or more times. Tuna might be imported as raw fish into a country, processed in that country, and exported later on in canned form. This form of adding value is an important aspect of the world trade in tuna.