

CHAPTER 6 : CONCLUSION

Fish and fishery products are the world's most widely traded food items. Fishery trade has continued to grow at an increasing rate in recent years due mainly to the expansion of the world's economies and the increase in aquaculture production. The most prominent fishery product in the world market is shrimp. Shrimp trade has grown substantially since the early nineties as a result of increasing aquaculture production and trade liberalisation.

The shrimp industry is by far the most important fishery industry in Malaysia. Besides earning valuable foreign exchange for the country, it also caters to the increasing domestic demand. Malaysia's food import bill has been continuously increasing. With an annual import bill of some US\$3 billion, the country has been experiencing negative balance in its food trade. Fishery, however, is one of the few food sectors that registered a surplus in its external trade and the bulk of this surplus is from the export of frozen shrimps.

The liberalisation of trade in ASEAN with the implementation of the AFTA-CEPT scheme has promoted more regional trade in shrimp among the ASEAN countries. Since many countries in the ASEAN region are also the world's major producers of shrimp, trade with countries outside the region has also grown significantly in recent years. Far East Asian countries, especially Japan, serve as important markets for the region.

Though Malaysia and many ASEAN countries have benefited from the liberalisation of trade in terms of market access, competition among shrimp industries in the region will intensify as a result of liberalisation. The increased competition will strengthen industries with comparative advantage but will force uncompetitive and inefficient industries to shrink and adjust.

This study analyses the export performance and competitiveness of Malaysian frozen shrimp against three other ASEAN countries, that is Indonesia, the Philippines and Thailand, to Japan over a ten-year period from 1989 to 1998. The export performance of these countries and the degree of competition among them for the export of frozen shrimp are examined by using four different methods, which are constant-market-share analysis, shift-share analysis, revealed comparative advantage indices and price competitiveness indices.

The results from these analyses show that the Indonesian and Malaysian frozen shrimp exports were very competitive in the Japanese market during the period of study. These two countries were also efficient in the production of cultured shrimps. Although the Thai shrimp industry has developed considerable comparative advantage and has the lowest cost of production, its frozen shrimp exports to Japan were not as competitive as compared to the Indonesian and Malaysian exports during the last period of study. From the results of the study, it is also obvious that the prices of Thai shrimps were relatively high and were not as competitive as the other three ASEAN countries in the Japanese market. Unlike

the other ASEAN countries whose main market are in Japan, Thai shrimps are mainly exported to the US market. The Philippines, which experienced the greatest percentage reduction in shrimp exports to Japan from 1989 to 1998, were losing in competitiveness during the period of study. Among the four ASEAN countries, the cost of cultured shrimp production was also the highest in the Philippines.

While trade liberalisation offers more opportunities for Malaysian exporters to expand into the international markets, it also provides challenges to the industry since competition in these markets will get more intense in the future. From the study, it is evident that although Malaysia is a small exporter, its shrimp products in the Japanese market are very competitive among the ASEAN exporters. However, to survive in the global market, the Malaysian shrimp industry will still have to increase its competitiveness and productivity. With increasing liberalisation, there is also a tendency for the developed countries, especially those in the west, to introduce more protectionist measures to safeguard their domestic industry and to some extent the environment and the consumers' health. Increasing environmental concerns and stringent import regulations imposed by these developed countries will make it more difficult for Malaysian exporters to export to these markets in the future. Thus, the Malaysian shrimp industry is facing the arduous task of increasing production through the adoption of efficient and environmental friendly technologies. At the same time it has to upgrade its facilities to meet the requirements of these markets by assuring safe and quality

products through better raw materials, good processing, proper grading and improved packaging. On top of that, it has to ensure that the products are affordable and price-competitive in order to secure its position in the international markets. Though this may be a tall order but responsiveness to importers' needs and requirements is the key to ultimate success in the international markets nowadays.

Liberalisation, however, has also created new or alternative markets for Malaysian shrimp exports, thus reducing the pressure for sales in the developed markets. The abolition of restrictions on shrimp imports by countries such as China, Taiwan and South Korea has provided better opportunities for export into these countries. Other Asian markets such as Hong Kong and Singapore also offer good prospect, as the prices offered by these markets are often higher than those paid by the western buyers.

Shrimp has become a highly popular food commodity. However, it is expensive and is usually regarded as a luxury seafood item. Consequently, its demand will be high when times are good, and when times are bad, consumers will cut down on its consumption. The recent economic crisis saw a significant reduction in the consumption of shrimps in many Asian countries. Although the shrimp industry may be in for a few hard years due to the economic slowdown, its long-term prospect is still very promising. Once the Asian economy recovers, shrimp consumption will return to its previous level and is even expected to grow further.

With increasing demand and declining supply, the general price level for shrimp is also expected to rise in the future. Therefore, if Malaysia can efficiently increase and sustain its shrimp production, especially in the aquaculture sector, it can look forward to a bright future in this industry.