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"From Bait to Plate — How Forced Labor in China Taints America's Seafood Supply Chain"

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Representative Smith, Senator Merkley, and members of the Commission, thank you for the opportunity to testify today.

My name is Sally Yozell, and I am the Director of the Environmental Security Program at the Stimson Center, a nonprofit, nonpartisan research institution based here in Washington, D.C. Our program employs a research-to-action model that supports innovative policy actions to create durable global change for good. A central focus of our work is combatting illegal, unreported, and unregulated (IUU) fishing.

IMPACTS OF IUU FISHING

IUU fishing can take many forms – from local, small-scale boats misreporting catch, to large-scale, industrial foreign-flagged vessels under-reporting their catch. Beyond this there are also coordinated efforts supported by flag state governments or transnational crime syndicates. IUU fishing is a "crime of convergence," and has been linked to other criminal and illicit activities such as the smuggling of guns, drugs, and wildlife; human trafficking and forced labor; as well as money laundering and tax fraud.[i]

In all its forms, IUU fishing directly contributes to overfishing, threatening the sustainability of fish stocks and damaging marine ecosystems. The consequences of IUU fishing ripple throughout increasingly complex supply chains, far beyond the point of harvest. It harms the economic, food, and environmental security of coastal communities. IUU fishing destabilizes the security of maritime states, supports organized criminal networks, fuels corruption, destabilizes good governance, distorts markets, and drives human trafficking and labor and human rights abuses in the fishing industry.

I saw this firsthand on a recent research trip to the Gulf of Guinea to better understand the impacts of foreign-flagged fishing on coastal communities. Chinese-owned operations have expanded their presence in West Africa through industrial fleets, fish meal operations, and bases. All these enterprises deepen partnerships with West African governments and increase access fish in West African waters. This rapid expansion is occurring in developing nations that lack the financial, technical, and operational capacity to manage and enforce their fisheries. There is often a lack of political will to manage these distant water fleets, which can be linked to corruption or influenced by other Chinese foreign investments. The degradation of these fisheries can lead to food insecurity, unemployment, and environmental degradation and has the potential to drive civil unrest and destabilize the security of these maritime states.[ii] It is imperative that the Chinese fleets consider investing in sustainable fisheries management as part of its expansive fisheries access agreements.

It is estimated that IUU fishing accounts for up to a third of the world's total fisheries harvests and is valued at more than $30 billion annually, but due to its clandestine nature the number in fact could be higher.[iii] Ultimately, IUU fishing occurs because it remains profitable, loopholes persist, and the opaqueness and complexities of the global seafood supply chain have made it largely invisible to governments, businesses, and consumers.

That is, until last week.

Mr. Urbina's reporting has blown the lid off one of the most traded food commodities in the world, revealing a dark side that has flourished undetected.

COMPLEXITIES OF THE GLOBAL SEAFOOD SUPPLY CHAIN

Seafood accounts for more than $140 billion in trade each year.[iv] Commercial fishing is big business, with a complex global seafood supply chain and over 56 million people working on vessels to support it.[v] The demand for seafood is greater than ever; in 2022, the United States imported 340,000 metric tons of seafood, valued at just over $30 billion.[vi]

Fueling this demand are distant water fishing (DWF) fleets. The details of their operations are largely obscured as they fish far from shore, often with little oversight from their home countries or accountability in the regions where they fish. The five largest DWF fleets – from China, Taiwan, Japan, South Korea, and Spain – target four main regions of the ocean: the Pacific, West Africa, East Africa, and South America.[vii] With regard to China, which has by far the largest global DWF fleet, there is little insight into vessel ownership -- and the Chinese-owned enterprises that support these vessels, the conditions aboard these vessels, nor the fisheries access agreements these fleets use. The challenges these fleets pose to coastal countries' marine resources will persist unless there is measurable shift towards improved fisheries management,

accountability of flag-state responsibilities, and overall transparency throughout the seafood industry and supply chain. As the largest distant water fleet China has the opportunity to improve transparency by providing more detailed information about the beneficial ownership of its fishing enterprises.

Against this complicated backdrop, we know one simple truth: U.S. consumers – and consumers around the world – do not want to eat seafood that is caught illegally or that is the product of forced labor. In fact, 72% of U.S. consumers support increased traceability for seafood; they want all parts of the industry to be fair and equitable, especially for the harvesters, processors, and merchants who follow the rules.[viii]

But how can they know?

The seafood supply chain is complex. Seafood is harvested all around the world in nearshore coastal waters, in territorial seas and Exclusive Economic Zones, and on the high seas. Depending on the fish, the seafood supply chain looks different. It is often transshipped and processed at sea, or processed in major centers often located in China where seafood can be commingled with other global catches, and altered making it difficult to distinguish, while also opening up the potential for mislabeling, all before it moves by air or sea to various wholesale suppliers, stores, and restaurants. At each point in the supply chain, new and different risks emerge.

The United States imports about 85% of if its seafood.[ix] Just under 40% of U.S. seafood imports are caught in U.S. waters, processed in China, and then imported back into the United States.[x] After being processed, it is imported back into the United States.

An illustrative example of this is pollock and salmon. As a result of Russia's invasion of Ukraine, Russian-caught seafood is currently banned from the United States. Yet despite this, Russian pollock and salmon still enters U.S. commerce today.[xi] Since 2014, Russian seafood exports to the U.S. have grown by 173%.[xii] In 2021 Russia exported $1.2 billion worth of crab, cod, pollock, salmon, and other fish to the United States.

Under the U.S. Country of Origin Labeling (COOL) Act, seafood products are labeled as products of the processing country. Russian-caught fish that is processed in China becomes a product of China – essentially hiding its real origin. Russian catch is processed alongside U.S. harvested fish, where it can be co-mingled and processed into fish blocks, fish sticks, canned salmon, or frozen fillets, and sent back to U.S. grocery stores, restaurants, and even school lunch programs for unwitting American consumers.[xiii]

Stopping the importation of "Putin's pollock" through China is an easy fix. If the United States government implemented a comprehensive traceability system that tracked all seafood through the supply chain, IUU fish products could not be masked.

TOWARDS TRACEABILITY

In 2015, the Obama Administration's Task Force on Combating IUU Fishing and Seafood Fraud created the Seafood Import Monitoring Program, which is managed by NOAA Fisheries. As a former co-chair of the Task Force, I can say with certainty that it was originally envisioned to be a cornerstone of a comprehensive risk-based seafood traceability system. It was meant to effectively and efficiently track imported seafood from the point of harvest to its initial entry into the U.S. market – from bait to gate.

Our goal was to initially start with a limited number of 13 species groups at risk of IUU fishing and seafood fraud and eventually ramp up to cover all species. Now in operation for six years, the Seafood Import Monitoring Program covers about 45% of U.S. seafood imports. But it does not cover several high-risk species like pollock, salmon, blue swimming crab, and squid.

This is a pivotal time for the Seafood Import Monitoring Program. Per its rulemaking last year (0648-BK85), NOAA Fisheries is considering adding new species, increasing the use of electronic catch verification, applying artificial intelligence to the process, and increasing enforcement and auditing. Expanding the Seafood Import Monitoring Program to include all species is a good next step to provide greater confidence to consumers that the seafood they buy is not illegally harvested.

As NOAA Fisheries looks to improve its program, they must consider the fact that, rather than a true traceability system, the Seafood Import Monitoring Program is a single narrow program. It is siloed from other, relevant trade monitoring programs that exist within NOAA Fisheries and across other federal agencies. It is hamstrung by its reliance on a paper-based framework, which opens the door for falsification, and which altogether prevents the use of advanced risk analytics. The program is further constrained by inadequate enforcement capacity and limited interagency communication.

Unlike the European Union's IUU fishing law, which uses a red-yellow-green card system, which relies on a government-to-government certification process, the Seafood Import Monitoring Program places the burden of proof on the importer of record. Without digitization and electronic catch certification, importers of record lack the ability see across the full length of seafood supply chain to verify that each unit of seafood entering U.S. commerce has been safely, legally, and sustainably harvested.

As a leading market state, the United States has tremendous power – and responsibility – to transform global fishing practices and improve monitoring, control, and surveillance. Together with Japan and the European Union, we import more than 60% of all internationally traded seafood. This is a powerful market block. The United States

can do so much more to improve fishery resources globally and provide consumers with the confidence that the seafood they consume is safe, legal, and sustainable.

We cannot fail.

OPPORTUNITIES FOR IMPROVEMENT

As more seafood tracking and traceability systems are implemented around the world, other countries are looking to the United States as a global leader in this space, with a functional and effective seafood traceability system that is **standardized**, **streamlined**, and **synchronized**.

Importers, harvesters, and businesses in the seafood supply chain are well aware, data and information about seafood is collected and stored by numerous U.S. agencies. NOAA Fisheries examines seafood data from the point of harvest to when it enters the U.S. market; the U.S. Coast Guard uses automatic information systems (AIS) and radar to track fishing vessels at sea; the Department of Labor monitors forced labor allegations and evidence of human rights abuses; the Food and Drug Administration collects seafood data relating to human health and food safety; and the Treasury Department follows the money, which could provide insights into beneficial ownership of IUU fishing enterprises. I could go on.

Despite all of this data and all of these programs, the International Trade Commission estimated that $2.4 billion worth of IUU-caught products entered the U.S. market in 2019 alone.[xiv]

Regulators, advocates, and industry agree; more can be done.

One key barrier to a better system is the lack of standardization of the data the U.S. government collects. Standardized data is needed – from different points in the supply chain – that is appropriately granular and verifiable so that it can be communicated across agencies in a timely manner. Moreover, the paper-based system that exists today hinders success. In today's world, how many multi-billion-dollar industries lack digitization and rely on paper-based records?

A cohesive system requires a globally standardized list of fish species at risk for IUU fishing and mislabeling. This is critical as more international traceability programs come online. IUU fishing is inherently a global problem; illegally caught or mislabeled species entering one major market state are very likely to enter other global markets. For example, Japan's new counter-IUU fishing regulation covers pacific saury, squid, mackerel, and sardine. None of these species are included in the U.S. program and we know from Mr. Urbina's reporting that illegally and unsustainably caught squid is entering the U.S. market. On the other hand, Japan's list of species considered at risk for

IUU fishing does not include sharks and tunas, which are covered by the U.S. program. The scale of our solutions needs to match the scale of the global problem – Gaps in our collective efforts will only allow IUU fishing to continue to thrive.

As regulators work towards standardizing data, they must be cognizant of the burden these data and information requirements have on harvesters and businesses. Simplifying the data collection process is imperative and creating a digitized, interoperable system is essential. Alignment of data elements across trade tracking programs opens the door to improved interagency data sharing and collaborative enforcement, while simultaneously reducing the burden on law-abiding industry.

There is no need to reinvent the wheel. Risk analytics systems already exist and are used by other federal agencies. For example, the Food and Drug Administration screens more than 50 million imports a year for health and safety, including seafood. The FDA uses the PREDICT system, which electronically reviews trade data and targets risk screening for fraudulent and adulterated products.

The multidimensional problem of IUU fishing needs an equally multidimensional solution. Viewing risk in a more holistic way – and creating a synchronized system to communicate that risk between and among relevant agencies, businesses, and stakeholders – is exactly the path forward to gain more success.

Beyond focusing only on **species** considered at risk, the United States should widen the aperture of what is considered "risk" in the seafood supply chain. Forced labor and human rights abuses should be a priority for the U.S. government, as outlined in President Biden's 2022 National Security Memorandum on Combating IUU Fishing and Associated Labor Abuses.[xv] NOAA should follow through on its work to amend the definition of IUU fishing to include forced labor and human rights abuses in the seafood supply chain (0648-BG11).

Federal agencies also need to work together and use all their available tools to share information and reduce risks within the seafood supply chain. Risks can be linked to vessel histories, ownership information, and land- and sea-based processing. Transshipment, ports, flag state activities, the role of middlemen and intermediaries, also present risk. Armed with a more detailed understanding of these risks and how they interact, the U.S. government can better focus its resources to target and root out bad actors and prevent IUU-caught fish from entering our markets, while rewarding those who abide by the laws.

NECESSARY NEXT STEPS

No seafood trade tracking system is perfect. As technology advances there will be new opportunities for improvement. There are some incremental changes that can be made

now to achieve a broader, more holistic vision to prevent IUU-caught fish from entering our markets. Beyond providing confidence to consumers that the seafood they are buying is legally harvested, creating an effective seafood traceability system can positively impact environmental, economic, and human security around the world.

Last year, NOAA Fisheries published a draft rulemaking to update its Seafood Import Monitoring Program, but it fell short and, perhaps more importantly, lacked input from stakeholders. NOAA Fisheries and its interagency partners should begin a public and transparent process to improve the Seafood Import Monitoring Program, including:

- Include all seafood species under the Seafood Import Monitoring Program.
- Create a globally standardized list of fish species at risk for IUU fishing and mislabeling.
- Widen the aperture of what is considered "risk" in the seafood supply chain, including and especially with respect to human rights abuses and forced labor.
- Improve monitoring, control, and surveillance by requiring automatic information systems and vessel monitoring systems to be used on vessels throughout the seafood supply chain and the data shared publicly.
- All relevant agencies should implement the relevant provisions of the FY2023 National Defense Authorization Act, including harmonizing data standards.[xvi]
- Improve information sharing among the relevant government agencies.[xvii]
- Move to a fully digitized seafood traceability system.
- Use risk-based analytics to better target bad actors.
- Require electronic catch documentation that is verified by governments to accompany all seafood that enters the U.S. market.
- Require detailed beneficial ownership information to accompany harvest documents.

No single agency or organization alone can solve this challenge. IUU fishing is a global problem that requires global solutions. The United States government has the opportunity – and responsibility – to chart a path forward to move the global seafood supply chain out of the shadows. A transparent system will benefit all.

Thank you for your time and attention today. I am happy to answer any questions you may have.

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