

# Internationalization of Oman Fisheries Firms After the European Union Ban

L. Zaibet<sup>1</sup>, H. Boughanmi<sup>2\*</sup>, T. Al-Hinai<sup>3</sup> and A. Al-Marshudi<sup>2</sup>

<sup>1</sup>Ecole Supérieure d'Agriculture de Mograne, Tunisia, <sup>2</sup>Department of Agricultural Economics and Rural Studies, College of Agricultural and Marine Sciences, Sultan Qaboos University, P.O. Box 34, Al-Khod 123, Muscat, Sultanate of Oman,

<sup>3</sup>College of Education, Sultan Qaboos University, P.O. Box 32, Al-Khod 123, Muscat, Sultanate of Oman.

عولمة شركات الأسماك العمانية بعد فرض حظر الاتحاد الأوروبي على الصادرات

لقمان زعيبط وحسين بوغانمي وطالب الهنائي وأحمد المرشودي

**خلاصة:** تبحث هذه الدراسة في تأثيرات الحظر الذي فرضه الاتحاد الأوروبي سنة 1998 على صادرات الأسماك العمانية إلى الأسواق الأوروبية. يتير هذا الحظر سؤالين ستحاول هذه الدراسة الإجابة عنهما: السؤال الأول هو كيف تجاوزت شركات تصدير الأسماك العمانية مع الحظر الأوروبي والسؤال الثاني يخص الإستراتيجيات الأكثر فعالية للتواجد في الأسواق العالمية. حددت الدراسة ثلاثة محاور من الأفعال التي يمكن القيام بها: أفعال حينية في فترة الحظر وأفعال على المدى القصير وأخرى على المدى الطويل. وإضافة إلى الدعم الحكومي للالتزام بالمقاييس العالمية للجودة وحفظ الصحة، فإن الشركات تجاوزت بصفة فردية مع الحظر الأوروبي. ويمكن تحديد رد فعل الشركات إلى: (1) إيجاد أسواق أخرى خارج الاتحاد الأوروبي، (2) تنفيذ المقاييس والإجراءات اللازمة لمواصلة التصدير إلى الأسواق التقليدية الأوروبية، (3) إيجاد إستراتيجيات تسويقية على المدى الطويل. هذه الأفعال تمثل طرقا للدخول في العولمة اتبعتها شركات تصدير الأسماك العمانية. وقد اتخذت كل هذه الأفعال بعد فرض الحظر مما يعث على القول أن الحظر كان حافزا للدخول في العولمة واتخاذ الإجراءات اللازمة للتأقلم مع الأسواق العالمية.

**ABSTRACT:** This paper examines the impacts of the 1998 ban on Oman fish exports to the EU markets and ensuing the internationalization of Oman fish companies. The ban raises two concerns that the paper intends to answer: (i) how firms have responded to surmount the ban, and (ii) which strategies are more effective in the process of internationalization. The paper distinguishes three sets of actions: during the ban and immediate actions; short term actions; and long term actions. Besides government support for the implementation of international norms of quality and safety control, firms have responded individually to the EU ban. The actions subsequently undertaken by firms in response to the ban were selected: identification of new markets (alternatives); implementation of the required regulations and needed support to continue exporting to traditional European markets (competence); and long term business and marketing strategies (strategic thinking). These actions or steps represent the internationalization process or approach followed by the fisheries firms in Oman. All these actions have been undertaken after the EU ban, which leads to the conclusion that the ban has indeed worked as a driving force to internationalize, i.e. to develop the requisites of international markets.

**Keywords:** Internationalization, EU ban, fish export, market.

**E**xport development or internationalization depends on domestic factors such as a firm's characteristics and government policies, as well as international factors, namely the development of international regulations and the formulation of multi-lateral trade agreements under WTO. In the last five years, two related events have significantly affected the internationalization of Oman's fishing industry. The first event is the ban on fish exports imposed in 1998

by the European Union (EU), because of a perceived lack of quality control measures, and a delay in implementing EU directives in fish processing and handling. This event was considered one of the biggest challenges that the Oman fisheries sector had recently faced (Zaibet, 2001). The second event was the accession of Oman to WTO membership in October 2000, which required adjustment of national policies, mainly trade policies, to WTO rules.



Fish processing companies in Oman are established as exporting companies at the date of inception or, in Oviatt and McDougall's words, are "international-at-founding" (1994). Although some of them sell part of their products on the local market, the largest proportion of production is exported to as many as 40 markets in Europe, USA and Asia. It is recognized that fish products from Oman have gained a reputation in these markets for good quality. Over the last two decades, fishing companies have succeeded in establishing partnerships to sell fresh and frozen products. Only a few companies have developed joint ventures to produce canned tuna, but in most cases tuna is exported whole to be processed and canned in the importing countries.

This "natural internationalization" seems to be fragile if not backed up with rigorous export strategies. As in other developing countries, exports of raw products require neither technological innovations nor sophisticated marketing strategies. But with the current international competition, these latter factors have become more important than the availability of cheap raw material or labor (Singh, 1996). Internationalization of small firms requires first the development of export strategies as a primary foreign-market entry mode (Leonidou and Katsikeas, 1996).

This paper examines the impacts of the EU ban on the internationalization of Oman's fish companies. Key questions are: (i) how firms have responded to surmount the ban, and (ii) which strategies are more effective in the process of internationalization. We posit that the EU ban would act as a driving force to modernize and internationalize the fisheries business in Oman. This paper looks into the interaction between the aforementioned events, business strategies and internationalization of fisheries firms. It identifies not only the actions undertaken by the fisheries firms but also the government effort in support of the industry to surmount these challenges.

### **The Fisheries Business in Oman**

Fishing has provided sustenance to a majority of the Omani population for centuries. Fish is the base of the Omani diet with a monthly consumption of 11.5 kg per family on average (Ministry of National Economy, 2001). Fisheries activities employ a large number of Omanis in fishing, processing, and related activities. Oman has 3000 km of coastline where fisheries activities take place. The total number of traditional fishermen is almost 26, 000 in a population of 2 million. Besides these traditional fishermen, there are about five commercial companies running modern fleets, and more than 30 processing companies in the country. Over 106 thousand tons of fish were brought ashore in 1998 (Ministry of National Economy, 2001). The quantity of fish landed has enabled self-sufficiency

in fish products for the local population, with a surplus for export.

Fisheries products represent the second largest export product after oil, although their share (with agriculture) in the GDP remains as low as 3 percent. Fish was exported from Oman to more than 40 countries in Europe, USA, Far East and Africa. The percentage of exports to total landing has increased from 24 percent in 1989 to 42 percent in 1995. Exports, however, have declined slightly in the late 90s because of a decline in fish landing and also due to difficulties in exporting. It is expected, however, that this share will increase with the implementation of a new government supported program to introduce modern large boats run by Oman youth. This project is expected to increase the catch and provide the fishing industry with the required quality of fish supplies.

So far, the fisheries sector has performed quite well in international markets. The demand is very high for Omani fish, as witnessed by most fish processing companies operating mainly in high value markets in Europe and USA. Competition is also getting very high, mainly after the EU ban that has touched many countries in Africa and Asia. Oman seems to have lost some markets, mainly in Europe, because of the ban. But other markets have been identified. The other major source of competition is the current custom duties scheme maintained by European countries favoring some countries in the region or in other parts of the world because of preferential status principles of the WTO. Although Oman continues to export to major markets in the World, marketing efforts and strategies are minimal. The last EU ban, however, has shown that no markets are secure or stable, which necessitates continuous marketing development and research.

The history of the ban is that in 1997 after the EU laid down the safety and quality standards for all countries, Oman was given one year to comply with the required quality conditions. However, the deadline was not met and the ban was imposed. The government and the business community then moved in to make the necessary changes in terms of physical and human investments in order to have a modern fishing industry. By the end of 1998 a team of European union quality control observers visited Oman to assess the conditions of processing plants and the implementations of quality control measures. Based on that visit and further guarantees to meet the requirements, the ban was lifted.

### **Oman's Quality Assurance Programs and EU Fish Regulations**

In Oman, the quality of fish has been the focus of the national fisheries development plan. Early efforts concentrated on modernization of the sector through acquisition of better equipment and aimed at the



improvement of distribution networks and the marketing system as a whole. Quality of exported fish, mainly to neighboring countries, was assured by refrigerated transportation in boxes approved by the Government, and by quality control by border inspection when fish was transported to the largest export market, the United Arab Emirates (Hock, 1998).

In the 1990s, driven by the expansion of fish exports and the increased attention to quality and food safety, the Sultanate has put greater emphasis on quality control to ensure continuous acceptance of its products in international markets. The Ministry of Agriculture and Fisheries (MAF) subsequently established a Quality Control Centre (QCC) to develop quality control measures for processing plants exporting to international markets. This effort resulted in the current Quality Control Act (QCA) for seafood exports issued first in 1997.

The QCA, developed in collaboration with experts from the United States (Slavin *et al.*, 1993), aimed at enhancing Oman's fish exports by laying down general procedures and standards for export plants. The QCA covers hygienic regulations for plants and their personnel, including buildings, equipment, transport, labeling, inspection and sample testing. Finally, it sets specifications for fresh and frozen fish for export. The QCC enforces these regulations through on-site inspections. Fish processing companies complying with these regulations obtain a quality control number allowing them to export fish.

The European Union issues regulations that lay down conditions for products produced within the Union, and also for fish imported from third countries. To approve imports from a third country, "inspections may be carried out on the spot (where fish is processed) by experts from the Commission and the Member States." (OJ-EU, 1991). Currently the EU directives require the Hazard Analysis of Critical Control Points (HACCP) approach as a basis for food safety (93/43/EEC).

The discrepancy between the EU regulations, based on the HACCP plan, and Oman's regulations, which until before the ban was based on inspections carried out by government inspectors, has led to the 1998 ban on Oman's fish exports to the EU markets. After the ban was lifted a year later, fish companies became not only aware of the requirement to implement the EU regulations, but also the need to implement further export strategies to engage in the process of internationalization.

### **Internationalization and Export Performance**

There is an extensive literature on the internationalization of firms in general. However, small firms have received greater attention perhaps because of the complexity of export activity patterns. Two theories

have attempted to explain such a process, namely the stage-theory and the resource-based theory (Wolff and Pett, 2000). Leonidou and Katsikeas (1996) identified three phases: the pre-engagement step, where companies are active in the domestic market but not yet engaged in exporting; the initial phase, where firms start evaluating future export markets; and the advanced phase, i.e. firms are actively and consistently engaged in exports. The resource-based theory proposes that firms develop requisite skills and know-how to succeed in international markets. However, firms need not always progress through all of the stages (Oviatt and McDougall, 1994). The work of Wolff and Pett (2000) has shown different activity patterns leading companies to internationalize and achieve higher export performance. The main export competitive patterns identified by these authors are: (i) the customer service pattern; (ii) the marketing pattern; and (iii) the operations pattern.

Singh (1996) used both the functional approach and the institutional approach to international marketing to explain the export performance of agro-food companies. The functional approach refers to those activities undertaken by the firm to obtain and service the demand for a particular product. The work of Wolff and Pett (2000) is in line with this approach. The institutional approach, on the other hand, involves the existing institutions and organizations that are part of, or facilitate, the chain from the producer to the customer. The latter approach is mostly affected by public or macro policies, referred to as external factors (the environment). Macro policies may play an important role in promoting competitiveness but distinctive firm-level (internal) factors, including superior product quality, design innovation, and robust delivery performance, matter more in export markets (Singh, 1996).

Researchers have been interested in testing the effect of internal factors and external factors on internationalization and export performance. Internal factors include (Aaby and Slater, 1989): (i) firm competencies (e.g. export experience), (ii) firm-level characteristics (e.g. firm size), and (iii) export marketing strategy (e.g. market diversification vs. concentration). Lages (2000) also showed that export performance is influenced by internal and external factors, which in turn determine the degree of marketing program adaptation. Lages defines internal factors as (i) firm characteristics and competence, (ii) management characteristics, (iii) management perceptions of barriers to exporting and attitudes, and (iv) product characteristics. External factors are defined as (i) the industry, (ii) foreign market characteristics, and (iii) domestic market characteristics.

Mili and Zúñiga (2001) investigated export prospects for olive oil and identified strengths and



weaknesses of the Spanish olive oil industry. Although the study concentrated on the industry-level, many factors could be classified as internal or firm-level factors. Key strengths included sufficient industrial capacity to meet the needs of import demand, a long exporting tradition and a high degree of business concentration. The main weaknesses included (firm) marketing strategy, image in import markets, own distribution channels, general and brand promotion and reduction in the share of bulk products in exports and price competitiveness.

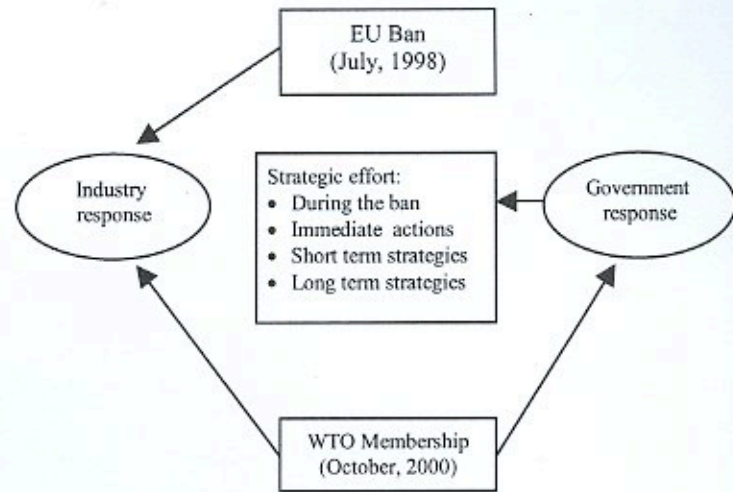
A review of the factors affecting export performance and internationalization reveals a consensus on two broad categories of predictors: external factors and internal factors. There is no consensus, however, on the effect of specific factors, namely firm-level characteristics. Empirical findings on the relationship between firm size and export intensity are mixed or conflicting (Banaccorsi, 1992). Also, the relationship between firm competencies (export experience) and export performance are controversial (Dean *et al.*, 2000).

The conclusion, however, is that any response to changes in the environment to improve export performance would come through strategic efforts (Dean *et al.* 2000), i.e. factors controlled by the firm. The government will also play a major role in the short and long term to establish the needed infrastructure. Government's efforts are only complementary. Figure 1 outlines the conceived response of the industry (companies) and the government to changes in the environment, namely the EU ban on Oman's fish exports in 1998 and the accession of Oman to WTO in 2000. It identified three categories of actions: (i) during the ban and immediate actions, (ii) short term strategies, and (iii) long term strategies.

### Response of the Government

The government responded to the EU ban on Oman's fish exports even before the ban had been into effect. As an immediate action, the Ministry of Agriculture and Fisheries (MAF) has launched an awareness program to promote the use of appropriate quality measures and has sponsored several workshops to train company level managers on the implementation of European quality regulations. The MAF has also conducted thorough inspections of fish processing companies to ensure that the new regulations are understood and implemented and to show commitment to the European Union commission, which has visited the country on several occasions.

In the short term, the government has developed quality control regulations, first published in 1997 and then updated after the ban to meet the new European requirements. The new regulations, published under



**Figure 1.** Interaction events/actions to analyze the response of the fish industry to changes in the environment.

Ministerial decree (136/98), also stress the role of quality regulations in promoting fish exports. It includes explicitly the requirement for fish processing companies to implement HACCP, the quality control system mandated by the European Union. The new regulations are more comprehensive than the previous ones and are in line with international norms.

The government has also introduced a program to improve fishing boats. Traditional boats were considered a major handicap to store and handle the fish properly. The small size of these boats does not allow fishermen to carry ice, which is considered to be the major reason for quality deterioration. Finally, the government has built several fishing harbors to improve the landing conditions. This program is still underway and includes building and management of commercial fishing ports in several landing sites.

In the long term, the major contribution of the government is the establishment of an ambitious research program sponsoring research on various aspects of fishing, processing, quality and high-value product development. The program also sponsors research on socio-economic conditions of fishermen along with other studies on the biology and management of fishes. Research and development are considered to be the most efficient ways to improve exports in the long term.

### Response of Private Companies

The response of the private sector to changes in the environment created by the 1998 EU ban and the accession of Oman to WTO in 2000 was assessed using a questionnaire administered to the fish processing companies that have been approved by the MAF after implementing the necessary measures since the ban. The questionnaire was administered by site visit to all



TABLE 1

*Fish export market shares (in %).*

	Local -GCC (%)	% Change	EU- USA (%)	% Change	Asia (%)	% Change
Before the ban 1996-1997	35.61		47.72		15.90	
During the ban 1998-1999*	39.16	9.97	16.68	-65.05	21.06	32.45
After the ban 2000-2001	33.15	-6.28	49.03	7.85	17.80	9.02

Source: Authors.

\*The ban started in the second half of 1998 and was lifted the second half of 1999 so part of 1998 and 1999 were taken into account in the export proportions.

companies to ensure clear understanding of the questions. Part one of the questionnaire is composed of background information about the company: firm-level characteristics, products and market destination, and time series records from 1996 to 2001 on the proportion of sales by major markets (Local, GCC, EU, USA and Asia). The remaining four parts of the questionnaire followed the framework depicted by Figure 1, i.e., immediate actions, during the ban, short term strategies and long term strategies. These actions define the strategic effort deployed by private companies to overcome the ban and take advantage of the new environment.

Except for the companies which indicated that they had shut down completely during the ban, all others have either identified new markets (2), namely in the far East, or continued exporting to non-European countries (7). Shortly after the ban was lifted most firms continued exporting to traditional markets (8), including European and USA markets, while some of them indicated they were looking for new markets (5). As a result, the proportion of exports to EU-USA markets dropped to as low as 16.68% (average 1998-1999) during the ban period and increased to about 50% shortly after the ban was lifted (Table 1). Market identification has been markedly the outcome of the ban since firms have looked for new markets during and after the ban, which is clearly reflected in the export pattern growth.

**SHORT TERM ACTIONS – CAPABILITY BUILDING:** Firms embarked on a series of actions including the implementation of hygiene and quality standards as required by export markets, hiring qualified staff and training existing staff, and acquiring new equipment to upgrade their capabilities. All these actions are needed to build the required competence to continue exporting to international markets, namely European

TABLE 2

*Actions implemented to meet EU hygiene and quality regulations.*

	Response Frequency (n=13)
HACCP (year implemented)	
1999-99	6
2000-01	3
2002	1
HACCP (reference)	
MAF	7
Consultant	6
New Hiring	12
Training	9
Equipment acquisition	12

markets. Table 2 displays the different actions. It appears that implementation of HACCP (following EU directives) started in all companies after the 1998 ban. Also, it turns out (the second item in the table) that almost half of the companies followed the Ministry (MAF) rules while half hired a consultant for this exercise. As part of HACCP implementation, almost all firms hired new staff, mostly of qualified technical staff and quality control managers. Also, most firms embarked on a training program to qualify existing staff. Part of the training was funded by the Ministry of Agriculture and Fisheries as part of the national awareness effort. All firms, however, indicated they acquired equipment needed to implement HACCP or upgrade the overall capacity of the company.

**LONG TERM ACTIONS - BUSINESS STRATEGIES:** Soon after the ban was lifted companies engaged in more ambitious marketing and business strategies to improve exports and gain access to non-traditional markets (Table 3). These strategies included marketing research, development of brands and new products, improvement of packaging, development of web sites and use of e-mail as a step to engage in electronic commerce. These elements represent also the marketing mix components (product, promotion, price and distribution) from the traditional '4 Ps' marketing strategy perspective. Although these strategies are not directly related to the adoption of HACCP, they indicate the development of business thinking which is an indirect result of the EU ban.

TABLE 3

*Business strategies adopted by fisheries firms.*

	Frequency (n=13)
Marketing research	9
Brands	9
Product development	4
Packaging	7
Web and e-mail	5



## Conclusions

Although industry, domestic and foreign market characteristics are key determinants of export performance, the paper's focus is on the role of firm characteristics and export and business strategies. Facing the challenge of a European ban the fisheries industry in Oman not only concentrated on implementing the required hygiene and quality standards but also proceeded to implement more meticulous strategies to foster the internalization process. It is our belief that the ban has indeed been a key driving force for such changes. Changes are of three kinds: changes in export patterns, changes in firms' capacity and changes in business strategies. During the ban most firms reacted initially by identifying new markets to continue exporting, which is essentially a survival strategy. Shortly after the ban most firms acquired the needed competences (short term) and engaged in more rigorous strategies (long term) to improve their export share in traditional international markets and to enter new markets.

In summary, firms responded individually and also collectively through government effort to the EU ban. The actions subsequently followed by firms in response to the ban were: (1) identification of new markets (alternatives), (2) implementation of the required regulations and needed support to continue exporting to traditional European markets (competence), and (3) long term business and marketing strategies (strategic thinking).

These actions, considered in that order, represent the internationalization process or approach followed by the fisheries firms in Oman. All of these actions have been undertaken after the EU ban, which leads to the conclusion that the ban has indeed worked as a driving force to internationalize the fishing industry in Oman.

## References

- Aaby, N.E. and F.S. Slater. 1989. Management influences on export performance: A review of the empirical literature 1918-1988. *International Marketing Review* 6:7-26.
- Banaccorsi, A. 1992. On the relationship between firm size and export intensity. *Journal of International Business Studies* 23:605-635.
- Dean, D.L., B. Mengüç and C.P. Myers. 2000. Revisiting firm characteristics, strategy, and export performance relationship: A survey of the literature and an investigation of New Zealand small manufacturing firms. *Industrial Marketing Management* 29:461-477.
- Hock, C.W. 1998. *Social-economic development in Al Sharqia region, Oman*. Nijmegen University Press, Netherlands.
- Lages, L.F. 2000. A conceptual framework of the determinants of export performance: reorganizing key variables and shifting contingencies in export marketing. *Journal of Global Marketing* 13:29-51.
- Leonidou, L.S. and C.S. Katsikeas. 1996. The export development process: an integrated review of empirical models. *Journal of International Business Studies* 27:517-551.
- Mili, S. and M. Zuniga. 2001. Exploring future development in international olive oil trade and marketing. *Agribusiness* 17:397-415.
- Ministry of National Economy. 2000. *Yearly Statistical Book*.
- Ministry of National Economy. 2001. *Household Budget Expenditure*.
- Official Journal of the European Communities (OJ-EU). 1991. Council Directive of 22 July 1991 (91/493/EEC).
- Oviatt, B.M. and P.P. McDougall. 1994. Toward a theory of international new ventures. *Journal of International Business Studies* 25:45-64.
- Singh, S. 1996. International marketing of agro-food products by developing countries firms: some conceptual issues. *Agribusiness: An International Journal*. 12:99.
- Slavin J.W. 1994. Evaluation of Oman's Quality Control and Inspection Practices. Chemonics International Consulting Division, January.
- Wolff, J.P. and T.L. Pett. 2000. Internationalization of small firms: an examination of export competitive patterns, firm size, and export performance. *Journal of Small Business Management* 38:34-47.
- Zaibet, L. 2000. Compliance to HACCP and competitiveness of Oman fish processing. *International Food and Agribusiness Management Review* 3: 311-321.

Received April 2004.

Accepted September 2004.