

Rent dissipation in European fisheries – Management loss of Common Fisheries Policy

Extended Abstract

The objective of European Union Common Fisheries Policy (CFP) is ‘to provide for sustainable exploitation of living aquatic resources and of aquaculture in the context of sustainable development, taking account of the environmental, economic and social aspects in a balanced manner.’ (Council regulation (EC) No 2371/2002) However, fisheries management decisions in EU have been based essentially only on biological advice. Economic considerations and instruments have been introduced scantily. The state of EU fisheries today is dismal: over fishing, over capacity, poor profitability.

In his famous paper Gordon (1954) showed in a bioeconomic framework how resource rent is generated. He also proved that without any restrictions these positive profits attract capacity until resource rent is dissipated.

We evaluated the achievements of CFP within a bioeconomic framework. We estimated the resource rent generated by European fishing fleets and compared that to the potential resource rent that could have been achieved from fisheries by appropriate optimal management policy. There have been several papers estimating the potential resource rent in different fisheries. The estimates vary from 25% (Eggert et al. 2007) to 70% (Ashe et al. 2003) of total landing value. ‘Wilén’s Rule of Thumb’ indicates that optimum rent of fisheries is around 50% of the landing value. We applied these as economic reference points evaluating the performance of the EU fisheries.

According to the Annual economic report 2005 the overall landing value of European fishing fleet in 2004 was 7,100 million euros. The total amount of rent earned was reported just 500 million euros. According to the reference points above the potential resource rent should have been between 1,800 – 5,000 euros. This indicates an economic loss of fisheries management from 1,300 to 4,500 million euros a year.

The economic evaluation reveals that the cost of mismanagement is significant: on average annual cost of mismanagement is 3,000 million euros. This calls for new approach and practices in fisheries management. The management decisions should be based on bioeconomic advice that integrates economic considerations together with biological ones. Also economic instruments should be introduced to ensure economic incentives and profitability of the industry.