THE POLITICAL ECONOMY OF FISHERIES POLICY REFORM: A REVIEW OF KEY ISSUES[a]

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ABSTRACT

Why are fisheries policies so hard to reform? While there are many examples of successful policy reform in the sector, these tend to be restricted to a few countries or individual fisheries. There remains significant scope for further reform to address pressing economic, environmental and social issues in the sector. The fisheries economics profession has identified the goals of fisheries management over the past few decades and there is now a well-developed body of literatures on the ingredients for successful management. These include clearly defined access rights, catch limits set with respect to ecological indicators, constraints on effort expansion, technical measures to deal with bycatch, and so on.

However, relatively little attention has been paid to the actual process of policy reform. Reform attempts are often hampered by political issues and so it is necessary to examine the political economy of the reform process to better understand and address constraints to sustainable fisheries management. This paper provides a review of the key issues in the political economy of fisheries policy reform, with particular reference to OECD countries. While the specifics of the reform process will differ from country to country, there are some general insights that can be obtained from the large body on political economy. These include institutional design, governance arrangements, the distributional implications of policy change, and the role and power of stakeholders in decision making.

Keywords: political economy, policy reform

INTRODUCTION

Over the past decades, a broad consensus has developed on the key features that characterise sustainable and responsible fisheries in the OECD countries. Well-defined access and use rights, a sound scientific basis for decisions of catch and effort levels, effective enforcement, and stakeholder involvement in decision-making form the core attributes of effective fisheries management regimes. Manifestation of this consensus can be found in the FAO Code of Conduct for Responsible Fisheries and associated technical guidelines, and the OECD's reports on sustainable fisheries, the transition to responsible fisheries and the use of market mechanisms [1, 2, 3, 4, 5].

There has also been a broad consensus that reform in the sector is crucial to respond to the problems of over-fishing, excess capitalisation and poor economic performance that persist in many parts of the sector. Reform, in this context, can be defined as a change from the status quo and is assumed to involve a social welfare-enhancing change in policy settings where the magnitude of gains and the magnitude of losses from a policy change are such that the gainers can fully compensate the losers for the losses and still be better off themselves (the Kaldor-Hicks criterion). The reform process is also a multidimensional process and can occur at different levels within an economy (national, sectoral, sub-sectoral, regional, firm levels).

This consensus for reform is reflected in the domestic reform agendas for the fisheries sector in many OECD countries (such as the ongoing reform of the EU's Common Fisheries Policy) and at international levels (for example, the commitments to restore fish stocks by 2015 and discipline fisheries subsidies under the WSSD Plan of Implementation and Doha Declaration, respectively). While much has been done across OECD countries, the scope, depth and timing of reform towards sustainable fisheries have differed considerably across countries. These cross-country differences generally reflect two distinct factors. First, the reforms that have been undertaken reflect different national starting points and national preferences. Second, they reflect political difficulties in creating the necessary consensus for reform in the electorate and overcoming strong opposition to reform by distinct groups within the electorate.

This paper focuses on this latter set of issues and presents a political economy framework for analysing the factors that may hinder or assist consensus around reform in the fisheries sector. The paper is intended to provide an analytical foundation for an ongoing project in the OECD Committee for Fisheries on the process of policy reform which is seen as critical to overall improvements in fisheries sustainability.

THE POLITICAL ECONOMY FRAMEWORK

Since government policies are ultimately a consequence of political choices, it is necessary to examine the political incentives and motives of policy makers and other agents in the economy in order to better understand the influences on particular policy choices. The political economy literature provides a general framework that captures the key tensions and conflicts that are likely to influence policy making in a democratic system. The literature begins with the general presumption that self interest is the basic behavioural driver for individuals (including politicians) [6]. This does not preclude altruistic motives or enlightened leadership by policy makers. It is recognised that individuals care about the well-being of their fellow citizens and the environment, and that politicians derive satisfaction from pursuing socially beneficial policies. The self interest assumption therefore captures the concept that behaviour is governed by attempts to maximise well-defined objectives, which may include both altruistic and egoistic motives.

In a political economy framework citizens or stakeholder groups and government interact in a hypothetical political market. Governments are likely to be motivated by a number of factors such as ideological objectives, social welfare, the pursuit of economic efficiency, and the desire to retain office, and government policy decisions will reflect these complex objectives. Citizens (or stakeholders groups) signal their policy demand or preferences through various channels such as lobbying or voting choices. The higher the costs involved in signalling this demand the lower the level of effective demand. Likewise the government's willingness to supply the policy favour will increase with increasing political benefits that would accrue to the government. Equilibrium is found at the point where the demand for a concession matches the willingness to supply it given the respective perceptions of costs and benefits. Political, legal and economic institutions will determine the limits and effectiveness of each party in achieving its objectives. This is illustrated in Figure 1 where the equilibrium level of policy concessions is depicted by the intersection of the policy supply and demand curves (point C*).

The real world political market is, of course, a lot more complex than the relatively simple framework outlined here. Political, legal and economic institutions will determine the limits and effectiveness of each group in achieving its desired objectives within the political market. Well organised and cohesive political pressure groups are usually more successful in translating their policy preferences into political demands than unorganised individuals. Similarly, in democracies, voter resistance may act as a constraint on the ability of a government to deliver narrowly targeted policy concessions. Nevertheless, this simple framework can go a long way towards explaining the difficulties in moving from the status quo and how those difficulties might be addressed.

FACTORS INHIBITING POLICY REFORM

At a general level, resistance to reform is reflected in a tendency toward the status quo and can be ascribed to a number of factors: perceived unequal distribution in the potential gains and losses from reform; the differential organisational ability between groups; the timing of cost and benefits of reform;

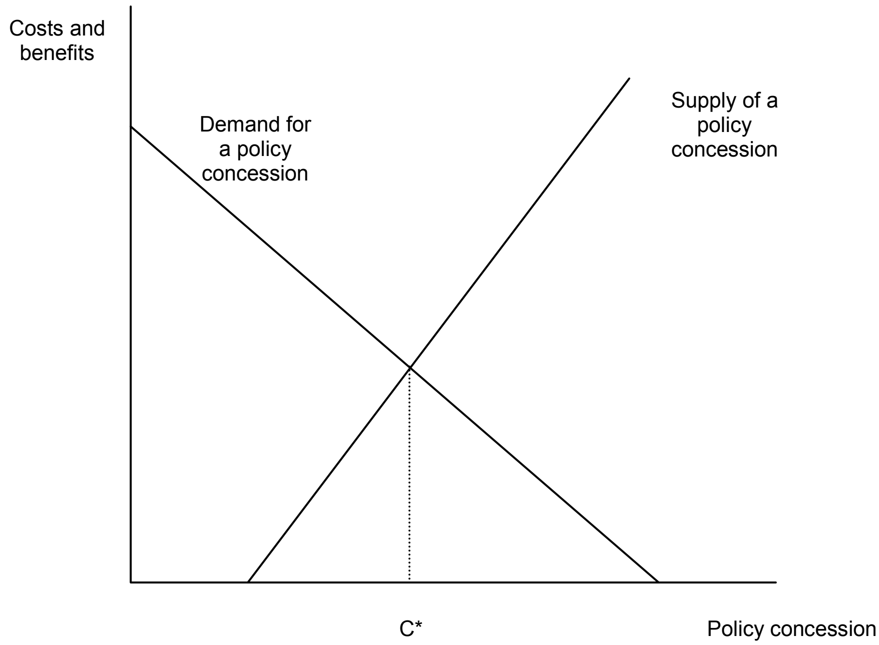

Figure 1. A hypothetical market for a policy concession

and uncertainty regarding the gains and losses from reform. The political economy literature also highlights theproblems of sustaining policy reform in the face of pressure from social actors to reverse some or all of the policy changes once they have been implemented.

Distribution of gains and losses from change

It is well recognised that the implementation of government programs can result in different groups in society gaining or losing from the change [7]. Government programmes can be broadly or narrowly targeted. Education and health are examples of broadly targeted programmes. They provide goods, generally public goods, which cannot be easily tailored to specific groups. As they concern a large portion of society they are usually intensively debated in the political process (in particular, in electoral contests) and the gains and losses tend to be relatively evenly distributed across society.

Fisheries programmes are different in that they are narrowly targeted to a specific group within society. This means that while the losses are thinly spread over society as a whole, the gains are concentrated in a relatively small section of society. This difference between broadly and narrowly targeted programmes is important as the latter give the beneficiaries much higher stakes in defending a policy that a member of the broader community considers largely irrelevant. As a result, the group which gains from the status quo is seen as politically “strong” while the losers are regarded as politically “weak”. This unequal distribution of gains and losses from change serves to prevent the adoption of reform and reinforce the status quo. In addition, distributional consequences across individuals may mean that the median voter may prefer the status quo to a reform that would increase aggregate real income [8].

Differential organising ability

If the gains from the status quo are concentrated in a small number of individuals and the losses are diffuse, the two groups will have significantly different abilities to organise resistance to policy reform. This “collective action” problem in generating consensus for reform reflects the fact that, when the benefits are thinly spread over a larger and less organised electorate, free-riding hampers the lobbying ability of the second group to significant extent [9]. This will be particularly the case where the losses from status quo are so thinly spread across the electorate, that they may have difficulties in even observing the losses.

Timing of costs and benefits

The costs of implementing policy reform tend to be upfront, while the associated benefits may take time to materialise. Therefore, politicians are hesitant to implement reforms where there is a risk that the electorate will not benefit from the policy reform, but may only experience the costs of reform during the term of the political legislature. A good example is the implementation of stock rebuilding programs, such as those being undertaken in the EU for cod and hake. Such programs impose short term costs on the fishing fleets but are intended to provide long term gains in terms of a sounder resource base for the industry in the future. Moreover, the individuals who gain from the investment in stock rebuilding may not necessarily be the same who bore the initial costs as some are likely to have left the industry in the intervening period.

Uncertainty regarding the distribution of gains and losses

The uncertainty surrounding the benefits of reforms is often larger than the uncertainty surrounding their costs, even when the expected aggregate gains are substantially larger than the expected aggregate losses. It has been demonstrated that there is a bias towards the status quo (and hence against efficiency-enhancing reforms) whenever some (or all) of the individual gainers or losers from reform cannot be identified beforehand [10]. It has also been shown that once the reform has been implemented, the pattern of beneficiaries becomes clear and there may be support for the new status quo, despite initial opposition due to the uncertainty surrounding the distribution of benefits (see next section) [11].

Some evidence suggests that people care more about changes in consumption or wealth rather than the levels of consumption or wealth, and that they care more about losses than gains [12]. Empirical estimates of such loss aversion find that losses are weighted about twice as strongly as gains [13]. Loss aversion can therefore help to create a status quo bias, making it difficult both to introduce a policy (and also to reverse a policy once it is adopted).

Sustaining policy reform

The previous discussion assumes a static policy world whereas in reality there is the prospect of reforms, once introduced, being altered or reversed over time. However, the long term durability of reforms cannot be taken for granted. In a dynamic policy environment, it is possible that the losers from reform can organise to lobby for beneficial changes, especially if the losers are relatively concentrated and if the losers are joined by other groups who might benefit from the reforms' unraveling. This is more likely to be the case when general-interest reforms are introduced, where policy changes eliminate or curb existing special interest benefits in order to promote economic efficiency or equity objectives [14]. There is some evidence of a tradeoff between the cost of a policy and its permanence. Opposition to a policy will likely be lower the less costly the policy. However, a policy change that induced investment by some economic agents would make reversal of the policy impose large capital losses on those who made the investment, and may result in ongoing political support for the policy.

There may also be concerns among economic agents about the credibility of policy, as current decisions of economic agents depend, in part, on their expectations of future policy. Indeed, [15] suggests that measures such as compensation schemes and side payments may undermine the credibility of the policy by making special interests sceptical that the policy will continue. While such payments are often advocated to smooth the initial introduction of reforms, they may be counterproductive if they are not tied to the reforms' future maintenance [16]. It should also be noted that policy making is not done from a blank slate, but is actually a process of policy succession: the replacement of an existing policy, program or organisation by another [17]. This paper also points to the need to design policies for succession not for permanence, but highlight a number of political economy problems that may arise (such as concerns over policy credibility and the development of a rolling coalition of special interests who may oppose continued change).

FACTORS INFLUENCING THE IMPLEMENTATION OF POLICY REFORM

From a theoretical perspective, there is a wide range of factors that might influence the implementation of policy reform in the fisheries sector. The political economy literature is replete with the theory underlying these factors (see [18] for a survey). There is also a well-developed body of empirical analysis focusing on economy-wide structural reform, agricultural reform, trade liberalisation, airline deregulation, tax reform, to name but a few. In contrast, relatively little work has been done in relation to the fisheries sector. This section seeks to summarise the key insights from the literature illustrated with examples from the fisheries sector.

Initial conditions

The initial conditions within an economy or a sector will determine the scope for reform to enhance economic performance. The wider the potential for economic improvements for some or all actors, the more likely that there will be pressure for reform and consensus for reform may develop. However, it may also serve to strengthen the resolve of beneficiaries from the status quo to resist reform. The outcome will depend primarily on the distribution of gains from policy change. Recent empirical work by the OECD and IMF suggests that the starting point hardly affects labour market reforms, but is significant in the case of product market reforms [19, 20].

In the fisheries sector, scope for reform may be wider in those fisheries where there is currently very low or zero resource rent being earned by participants. Such fisheries are generally characterised by overfishing, excess capital and an over-abundance of fishers and their prevalence in OECD countries is well-documented [21, 22]. The gap between current and potential resource rent can provide fishing industry groups with sufficient to push for sectoral reforms in order to reap the benefits. [23] highlights the role of the fishing vessel owners in pushing for the introduction of an individual vessel quota program in the Canadian Pacific halibut fishery in the early 1990s. The fishery had suffered from excess capitalisation and low returns under the open access (olympic-style) fishery prior to the reform, and fishers' expectations about the prospect for increasing the profitability of the fishery played a major role in the push for reform.[b] The success of the Canadian reform provided the neighbouring US Pacific halibut fishery with a demonstration of the potential for earning increased rents from the fishery under a system of individual quotas and, in 1995, Alaska adopted an Individual Fishing Quota system for the fishery.

Determining the scope for reform is probably more easily achieved in fisheries with fewer numbers of participants and where the biological and fishing interactions are less complex, such as single species fisheries. A good example is the Australian southern bluefin tuna fishery where the introduction of individual transferable quotas was made considerably easier because the fishery was a single species fishery with a single breeding stock and had been the subject of many years of intensive research [24]. There were also a relatively small and concentrated number of fishers located in South Australia, and a small number of market outlets from which to monitor catch information. These features made the introduction of reform much easier as the fishers were able to more accurately assess the potential gains from the reform and could identify with the post-reform fishery.

Economic or environmental crises

Economic crises can promote reforms because poor economic conditions make it clearer to the constituency that the existing policies are no longer sustainable for either individuals or the economy as a whole. This introduces a degree of urgency in the decision making process, weakening opposition to reform, and raising the costs of continuing existing policies [25]. It has been observed that sever economic crises appear to weaken strong redistributional coalitions, which were up to that time able to block fundamental reforms [9]. There is some empirical evidence that poor economic performance tends to induce market-oriented structural reforms [26, 27] although [28] remarks that poor economic performance is not enough; conditions have to become really bad to encourage a market-friendly policy change.[c]

The crises-induce-reform hypothesis is certainly reflected in the reforms to the New Zealand fishing sector which were largely a response to the economy-wide financial crisis in the country in the 1980s [29, 30, 31]. Poor profitability and excess capitalisation in the sector also played a significant role in the push for reform, but can be regarded as a facilitating factor in garnering consensus amongst industry participants rather than the key driving force [32].

Environmental crises are also often seen as a factor influencing the momentum and consensus for reform [33]. As with economic crises, the costs associated with the environmental policy under the status quo may grow sufficiently large to provide a groundswell of support for change, reshape the political landscape and allow governments to undertake reforms that would have been politically difficult to enact without such an event. The classic example of such a crisis in the fisheries sector is the closure of the Newfoundland cod fisheries in 1992, which forced the Canadian government into a complete overhaul of their fisheries management approach [34].

In other cases, however, the presence or prospect of an environmental crisis has not necessarily been sufficient to galvanise consensus for reform, particularly where government policy towards the fisheries sector encompasses other objectives in addition to resource sustainability. This may reflect the environmental corollary to the observation from [28] noted above: poor environmental performance may not be enough; things have to get really bad to induce policy change. In the EU, for example, repeated warnings from the International Council for Exploration of the Sea about the state of cod and hake stocks in the North Sea have not been matched by significant cuts in the total allowable catches of the species at risk [35]. [36] point to a sudden change in ICES advice in 1998 which introduced precautionary reference points coupled with poor communication with parts of the fisheries sector as the main factors behind the inability of the EU to build a consensus around the benefits of adopting new management strategies.

Economy-wide reforms

Economy-wide structural reform may have a flow-on effect to the fisheries sector, influencing the appetite and drive for reform within the sector. This has been particularly evident in the broad-based deregulation that has occurred in a number of OECD countries over the last two decades as a result of a combination of factors such as strong electoral mandates, fiscal crisis, and the ideological stances of some governing parties. Whatever the motivations, the flow-on effects to the fisheries sector have, in some cases, been profound and the example of New Zealand has already been noted where the broad-based changes resulted in a dramatic shift towards property rights, stakeholder involvement and cost recovery in fisheries management. Many countries have begun to outsource the provision of some government services in an effort to increase the efficiency of government service provision as budgets have come under pressure. In the case of the fisheries sector, some OECD countries are outsourcing some vessel and quota registry functions and fisheries research services as part of broader reforms in government service delivery [37].

There has also been a general trend in towards increased transparency in the availability, impacts and beneficiaries of government programs. A recent OECD report on environmentally harmful subsidies noted that improved transparency on the beneficiaries, economic costs and environmental effects of subsidies can stimulate voter opposition to subsidies, making subsidy reform less politically damaging for governments [38]. Identifying who benefits from subsidies, and highlighting their relative "bargaining power", can provide a higher degree of transparency and thus can be a particularly powerful motivating force for change.

International factors

International factors may influence domestic reform through competitive pressures and the negotiation of binding agreements or treaties. Competitive pressure resulting from trade liberalisation tends to strengthen incentives for domestic firms to seek reform of policies that put them at a competitive disadvantage compared with their foreign competitors. In the fisheries sector, this can occur through the linkages in the value chain between, for example, harvesting and processing. As the international fisheries market has become more competitive, processing companies are increasingly pressing governments to reform the management of domestic fisheries in order to improve the quality and consistency of product supply into the value chain. This was a factor in the shift towards individual vessel quotas in a number of Canada's Pacific fisheries (particularly the Pacific Halibut fishery) [39].

Sectoral reforms can also be induced by international commitments and constraints imposed by international treaties or agreements. Recent examples in the fisheries sector are the development of the FAO International Plans of Action on various issues (including the management of fishing capacity and IUU fishing) and the commitment to discipline fisheries subsidies made under the WSSD Plan of Implementation. This latter commitment is currently the subject of negotiations in the WTO. Such international obligations can push governments to undertake domestic policy changes, sometimes in the face of domestic opposition. At the regional level, the EU's Common Fisheries Policy places certain obligations on Member countries with respect to their domestic fisheries policies and has been a catalyst for policy reform in many EU countries. For example, the United Kingdom has undertaken a number of major reviews of its fisheries policy, at least partly in response to policy challenges arising from the impact of the Common Fisheries Policy on the UK sector, and is contemplating the next steps in reforming the sector [40, 41, 42].

Political institutions

The institutional features of the political decision-making system may be important for the ability to implement reform. At the broad level, there are three key results from the political economy literature that are worth highlighting [19]:

- Presidential political systems and majoritarian electoral rules often empower large and homogeneous constituencies as compared with the outcomes in parliamentarian systems and under proportional electoral rules and they should in principle be better placed to overcome resistance of small interest groups to reform.
- The political orientation of the government is perceived to determine the country's position regarding the tradeoff between equity and efficiency with left of centre governments being perceived to give a greater weight to equity.
- The government's tenure of office, and the amount of time left in office, may affect the reform process. Government's may have a "honeymoon" period when first elected during which reforms can be implemented with high short term costs in the expectation that the

benefits may be at least partly realised before the end of its mandate. Conversely, governments facing an election may be inhibited from introducing such reforms.

There are also several ways in which the effects of political competition are diminished. Special interest groups may help to elect representatives who serve their interests. Rival political parties may insulate themselves from electoral costs by allowing their policies to converge. In 1997, the adoption of a national framework law on fisheries by the French National Assembly occurred in a context of parliamentary majority change. This change influenced only very marginally the content of the law even though it had been negotiated and drafted under the previous parliamentary majority's Minister of Agriculture [35]. In Scotland, the major parties have very similar views on the state of fisheries and how they should be organised. The major difference is the manner in which this issue is used as a banner to rally support or opposition to the EU [43].

Fishers still largely benefit from a favourable public image and this plays a role in the political institutions of some countries. This is certainly the case in Spain and France where "the image of the skipper on board (who may own the ship) defying the hostile sea and bureaucrats (once national, now European) to ensure society's food security" [35] is still an aspect of the rhetoric used by the industry in its negotiations over public policy towards the sector (particularly in the small scale sector). Such a situation is probably also the case in Japan and generally in other countries where local fishing communities contribute to the preservation of local traditional culture in the form of fish-eating habits, festivals, customs and manners. It can be argued that while this is probably largely valid only for the small-scale fisheries, these points are taken on and exploited by the whole fishing industry. This debate is also entangled with national interest and sovereignty issues.

Reform strategies

From a political economy perspective, the optimal design of reform strategies will depend on the economic and social institutions and policies and these will differ from country to country, reflecting specific political factors. However, there are some broad insights from the literature (primarily dealing with labour and product market reforms) that shed some light on how countries can design strategies effectively [19]. These focus on:

- The extent to which institutions and policies are complementary in the sense that the existence of one increases the political support for another. If these complementarities are known, constituencies for reform could in principle be established by appropriately combining and sequencing reforms.
- The use of a "confrontation" strategy which attempts to directly weaken incumbents' bargaining power (through, for example, the mandatory use of secret ballots in voting on strike action in labour market reform).
- The use of an "inclusion" approach based on extending existing membership of political and decision making institutions to a greater extent so as to internalise outsider interests into insiders' behaviour. This can be seen in the trend towards the increased use of mechanisms to include stakeholders in fisheries management decision making in OECD countries [3, 37].
- Sequencing of reforms in a "wedge" strategy where governments introduce reforms that target parts of the sector that have a weaker bargaining power. This strategy tends to reinforce a duality in the polity but may also build up public support for subsequent reforms aimed at the remaining parts of the sector or fishery. This is often evident in the use of pilot schemes in fisheries management where the trial of new measures on a portion of the fishing industry provides a demonstration effect to the rest of the industry.

Sequencing strategies can be applied to different elements of the value chain or between sectors. There is some evidence that reforms are relatively easier and more successfully implemented in sectors producing intermediate inputs to other industries (as there is potentially relatively wide support for reform) [10]. This may be the case in the fisheries sector where reforms may be relatively easier to implement in the processing sector where distributional concerns may be less politically contentious compared to the harvesting sector. [44] also note that there are potential interaction and sequencing effects across markets, particularly between product and labour markets.

Compensation strategies

Compensation payments have been a central feature of the adjustment packages used by governments in driving policy reform. They have been a major element in the transfer programs of the fisheries sector in many OECD countries, with cost reducing and income enhancing transfers accounting for around 27% of total government financial transfers to the OECD fisheries sector in 2003 [45]. There are three key reasons why governments provide compensation in the pursuit of policy reform: to overcome resistance to reform; to reduce the negative impacts of reform; and to ensure the durability of reform.

First, governments may seek to overcome resistance to policy reform by providing compensation to those who lose from reform. While one of the main objectives of introducing reform is to improve overall economic efficiency, existing legal rights may be affected for some individuals or groups and rents will be reduced or eliminated in the process (for example, through a reduction in asset values, economic dislocation or loss of transfer payments). Compensating transfers can be critical in obtaining the consent of these individuals or groups and allowing the reform to take place.

Using compensation to reduce the opposition to reform is a fundamental outcome from the political economy model, in which compensation is a necessary cost to obtain welfare-improving reforms [46]. If the net welfare gains from the policy reform remain positive after compensation is provided, then this is regarded as turning a "potential Pareto-improvement" into an "actual Pareto-improvement". The amount of compensation required will depend on the political influence of the interest groups, but the costs of compensation should be minimised so as to maintain the net welfare gain (including the deadweight losses that arise from market distortion and the opportunity costs of government funds). [46] also note that compensation transfers can also be used to drive a "wedge" between sub-groups of an interest group (or groups) that may be blocking the reform (for example, differentially targeting compensation to small-scale and large-scale vessel owners). This serves to break down the homogeneity of the group's interests and can increase its coordination costs.

Second, compensation strategies can be motivated by distributional concerns and can be used to reduce the negative effects of policy change. When compensation is the policy objective, accuracy in assessing the impacts of policy reform is essential to the efficiency of the program. Providing too much or too little compensation will create market distortions, increase deadweight losses in the economy and reduce efficiency. However, it is generally very difficult to know in advance what the appropriate impact of a policy reform will be, and ex post evaluation of the impact is politically infeasible as it would delay the delivery of compensation to affected individuals. A two-step approach would divide the compensation into two parts, with an advance payment delivered up front and a second payment given after more information on individual impacts is revealed. In general, effective compensation programs should be directly targeted to affected groups, tailored to the objectives of the policy and temporary. These principles will help to minimise deadweight losses and will not unduly impede adjustment subsequent to the policy reform by distortions in input or output markets. As was noted in the OECD study on government financial transfers to the fisheries sector, the efficiency and impact of income support programs can be improved with more appropriate targeting and ensuring that the payments are decoupled from fishing activity so as to minimise distortions in the labour market and economy more generally [45].

Finally, compensation payments can play a role in ensuring the durability of policy reform by helping governments reduce or counterbalance pressures for the reforms to be fully or partially reversed after they have been implemented. An analysis of the durability of sectoral reforms in the United States concluded that the long-term durability of policy reform cannot be taken for granted: "the organised interests that bear the economic costs of policy reform do not necessarily disappear after the reforms are past" [14], even with the use of compensation schemes to smooth the passage of reform. Indeed, it has been speculated that the use of compensation schemes and side payments may actually undermine the credibility of reforms by making special interests sceptical that the reform process will continue [14, 15]. [14] noted that the long-term sustainability of any given policy reform hinges on the successful reworking of institutions and on the generation of positive policy-feedback effects (in particular, the empowerment of social groups with a stake in the reform's maintenance).

The design and implementation of vessel decommissioning schemes provides a good example of the problems associated with the credibility and durability of policy reform. Such schemes are widely used in OECD countries, accounting for 6% of total government financial transfers to the sector in 2003. However, it is widely recognised that the schemes have not been particularly effective in meeting their objectives [47, 45]. This is partly a result of the expectations of future assistance for adjustment becoming embedded in the fishers' objective function and budget constraint, so that there is little incentive to maintain the reduction in capital (that is, negative policy feedback). The general failure of the schemes is also due to them being implemented without concurrent changes to the management institutions that may serve to reinforce fishers' incentives to automatically adjust capacity.[d] In the case of northern prawn fishery in Australia, the two buyback schemes that were implemented between 1987 and 1999 successfully removed capacity, but the subsequent management of the fishery led to the erosion of many of the benefits [24]. This resulted in a need for further structural adjustment in the fishery.

CONCLUDING REMARKS

The political economy framework provides a useful analytical tool for obtaining a better understanding of the factors inhibiting and enhancing the process of policy reform in the fisheries sector. Focusing on the factors influencing the behaviour of social actors in the sector provides insight into the incentives driving that behaviour and how political and economic institutions shape those incentives. At its core, the political economy problem is fairly easily defined and well-understood. Resistance to reform is ascribed to perceived inequality in the distribution of gains and losses from reform, the organisational ability of groups, the timing of gains and losses, and uncertainty regarding the gains and losses from reform.

Overcoming the obstacles to reform is much more difficult, however. This paper has reviewed the political economy literature on the factors influencing policy reform, illustrating the key insights with examples from the OECD fisheries sector. The emphasis in the literature has been on how to first build consensus for reform, and then how to ensure the sustainability of the reform. A number of strategies for changing the incentives of groups to lobby for the maintenance of the status quo were identified, including reform sequencing and timing, compensation strategies, and alteration of the political institutions to provide a stronger voice for a wider diversity of user groups. Ensuring that the deadweight losses from policy reform are minimised is a central requirement of the reform process.

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ENDNOTES

a The views in this paper are those of the author and do not necessarily reflect the views of the OECD Committee for Fisheries or OECD Member countries.

b . The desire to improve the safety of vessels and crew also played a role in the push for reform as the race to fish had resulted in severe pressure on vessels to work for long periods within the short fishing season, with decreasing marginal returns each year.

c . However, it has also been argued that opposition to reform may be weaker during economic upswings as the costs of reform are likely to be relatively small and the distributional effects less visible when aggregate incomes are growing.

d . They also argue that, even with perfectly enforced rights based management (including individual transferable quotas), the expectations of future government assistance will reduce the expected costs of adjustment and result in a higher than optimal level of investment in fishing vessels.