Trade in Fishing Services

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Introduction

- While the importance of international trade in fish and fish products has long been recognized, little attention has been given to trade in fishing services involving harvesting, processing, marketing and others.
- The trade is seen to arise from so called foreign fishing arrangements established by coastal states . Fully one half of the world's EEZs involve such arrangements.
- No one knows for certain the magnitude of these fishing services, but we hazard the guess that they could be as large as US$ 50 billion per year – they are of particular importance to developing coastal states.

World Bank Report

- The World Bank has taken a first step towards building understanding of this trade through the publication of the report: *Trade in Fishing Services (TIFS).*
- In our paper, we discuss some of the key findings of the report, and discuss further initial attempts to implement some of the report recommendations.
- The basic economics of international trade in fishing services was, in fact, developed many years ago, but was then allowed to lie dormant. The World Bank report has revived interest in the economics.
- Much, much more research on the issue remains to be done.

TRADE IN FISHING SERVICES

Emerging Perspectives on Foreign Fishing Arrangements

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Foreign Fishing Arrangements

- Foreign fishing arrangements arise from the 1982 UN Convention on the Law of the Sea
- Under the 1982 UN Convention, the coastal state is to set allowable catches for fish resources within its EEZ, and then determine whether its harvesting capacity is great enough to take these allowable catches. Where the answer is no, a “surplus” is deemed to exist. “Other” states – DWFSs in particular, are to be given access to the EEZ to harvest the surpluses, under foreign fishing arrangements.
- BUT, the coastal state is called upon to give nothing away for free. It is granted the power to impose a wide range of conditions on the “other” states, certainly including a demand for remuneration.

Implications of the 1982 UN Convention

- There is considerable controversy over the coastal state's obligations regarding fish surpluses. What is uncontroversial, however, is the fact that a coastal state could, in time, eliminate any such surplus simply by increasing its harvesting capacity.
- This raises the question of whether it would ever be in a coastal state's economic interests **not** to eliminate, over time, all such surpluses.
- The answer is **YES**, if the coastal state's fishery resource management objective is to maximize the resource rent from these resources through time, for the benefit of the coastal state as a whole (not just the domestic fishing industry, or a certain region).

“Other” States as Agents

- The basic argument in the report is that “other” states granted access to the coastal state EEZ to harvest and/or process the fish are to be viewed as itinerant harvesters/processors, and thus as agents of the coastal state. Since the “other” states, from the coastal state’s perspective, are by definition foreign, the coastal state is to be seen as importing foreign harvesting/processing services – hence the trade -*TIFS*.
- Thus, the economic argument for importing, or not importing, these services, is essentially the argument for free trade, resting upon the Doctrine of Comparative Advantage. We apply international economics to fisheries management.
  - since the “other” states are to be seen as agents, we have to blend international economics with Principal-Agent analysis. The existing P-A analysis on this subject is at a very basic level

“Fee Fishing” Arrangements

- A common form of foreign fishing arrangements consists of “fee fishing” where, let us say, a DWFS enters a EEZ, harvests the fish and takes the fish off all for an access fee.
  - the comparative advantage argument is most difficult to see in this case. How, on earth is the exporter of services paid?
  - answer: the payment is implicit
- A simple intuitive example (we have a much more sophisticated example in the paper): assume that all the harvested fish goes into the fresh market
  - amount of surplus 10,000 tonnes; world price US$400 per tonnes
  - gross revenue US$ 4 million
  - domestic fleet’s costs- US$300 per tonne; but foreign fleet’s costs – US$100 per tonne, obvious gains from trade
  - if foreign fleet enters in under a fee fishing arrangement, fee must be sufficiently below US$4 million to cover fleet costs. Foreign fleet will bargain for more. Suppose that the fee is US$2million – foreign fleet more than covers its costs. The foreign fleet is “paid”
  - what about the coastal state? Its return from the fishery is US$1 million greater than it would be, if it had used its domestic fleet – it shares in the gains from trade.

Up the Value Chain

- Our paper (and the report) demonstrates that, if we drop our assumption that all harvested fish goes into the fresh market, the coastal state has a legitimate –indeed essential – interest in the harvested “surplus” fish all the way up the value chain.
- The “received” view is that, in fee fishing arrangements, the coastal state is simply “selling” harvesting rights, which can lead to the conclusion that the coastal state’s legitimate interest in harvested “surplus” fish, ceases after harvesting.
  - this view, we argue, will serve to minimize the coastal state’s share of the gains from trade.

Pacific Island Countries

- Trade in fishing services is, as we have noted, of great importance to developing coastal states. These states vary enormously in their ability to manage foreign fishing arrangements.
- The World Bank report makes it clear that the group of such states achieving the greatest success, consists of the Pacific Island Countries of the western and central Pacific. Collectively, they have control over immense tropical tuna resource, with harvests having an annual gross value in the order of US$3 billion+.
- The bulk of the harvests in the PIC EEZs (up to 80%) are taken by DWFS fleets, under foreign fishing arrangements.

Boundary representation is not necessarily authoritative.

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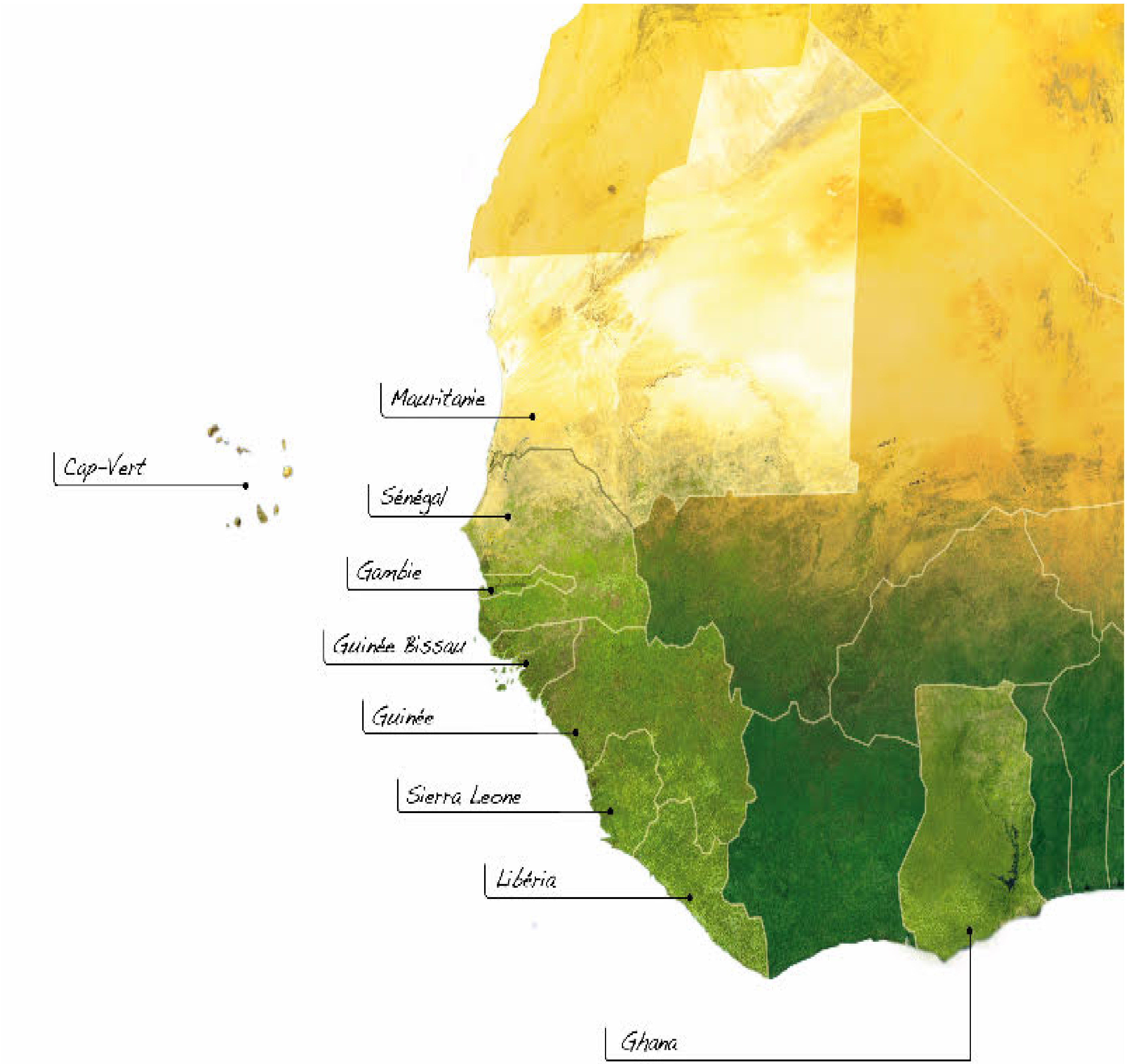
South South Cooperation

- The World Bank report, noting the success of the PICs, recommends strongly that the World Bank enable the PICs to pass on their TIFS skills and knowledge to other groups of developing coastal states – South-South cooperation.
- The World Bank has now responded. The Bank has a West Africa Regional Fisheries Program –now 8, soon to be 10, states. TIFS are very important for these states, but they are far behind the PICs.
- At a recent Program workshop in Senegal, time was devoted to TIFS, during which a key speaker was the Deputy-Director of the Pacific Islands Forum Fisheries Agency.
- It is hoped and planned that this will be the beginning of cooperation between the two regions, and that South-South cooperation, involving the TIFS, will extend to other regions.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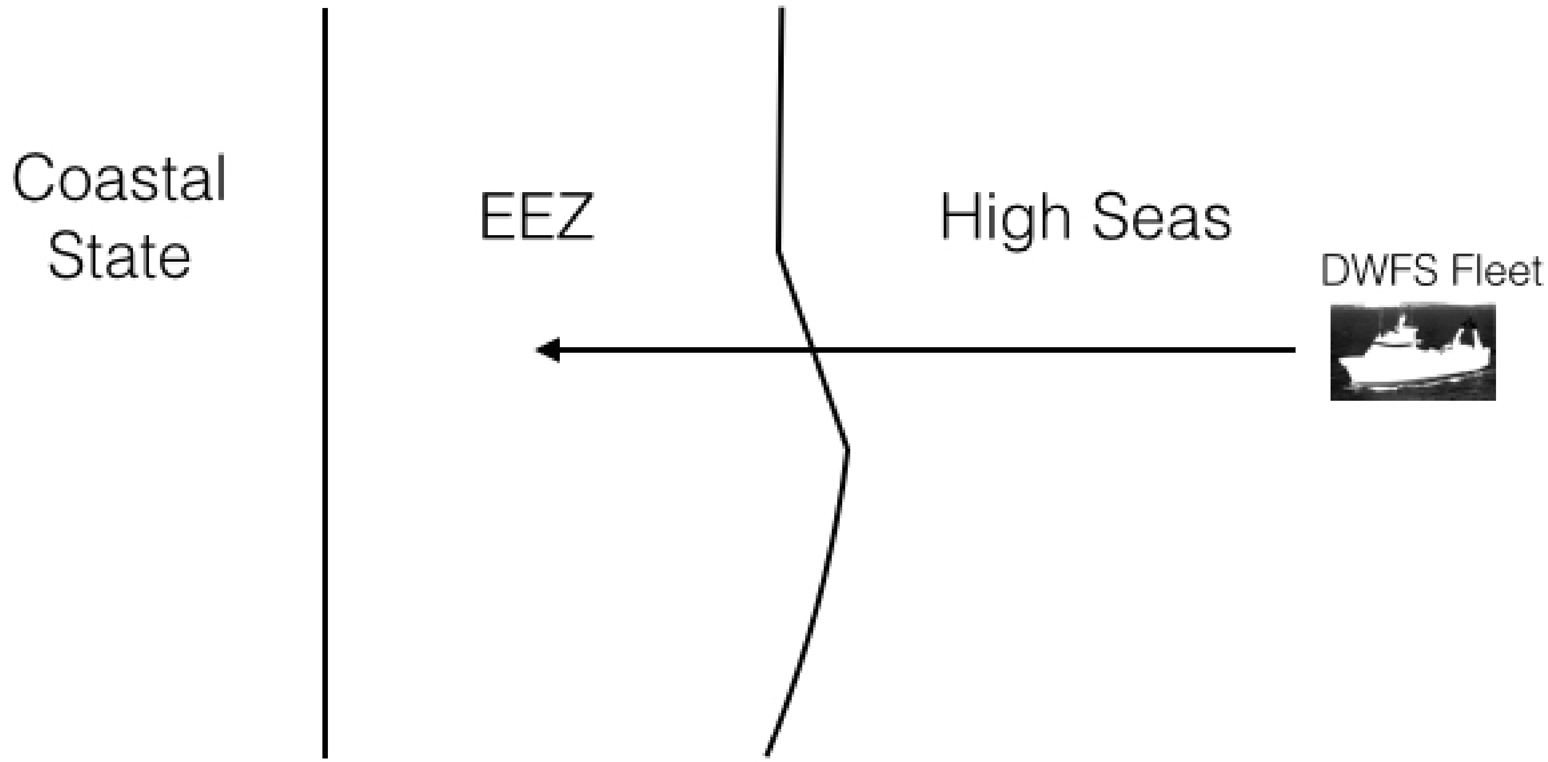
Guinée
Sierra Leone
Libéria
Ghana

A Few Conclusions

- A hitherto neglected area in world marine fisheries management consists of trade in fishing services (TIFS), arising from foreign fishing arrangements. Fully one half of the world's EEZs involve such arrangements.
- The World Bank has begun to deal with this neglect, with the publication of a report, with one consequence being the fostering of South-South cooperation on the issue.
- The economics of TIFS consists of a blend of fisheries economics, international economics and Principal-Agent analysis.
- The economics is at a basic level, with the scope for future research being immense.


Coastal State
EEZ
High Seas
DWFS Fleet