

# The exclusive economic zone and economic development in the Pacific island countries<sup>☆</sup>

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## Abstract

The exclusive economic zone (EEZ) became accepted internationally in the 1970s. This transferred resource wealth to the coastal states establishing such zones. The history of the EEZ is reviewed, and its impact on the economic development of the Pacific island states considered. The growth performance and the tuna fishery development of these states are reviewed and possible causes of limited success discussed. The use of trust funds to increase the resource wealth of the Pacific island states is briefly considered.

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## 1. Introduction

The so-called exclusive economic zones (EEZs) that became accepted in the 1970s were a major institutional development and fundamentally changed the jurisdictional framework for fisheries worldwide. Access to fish stocks, which used to be free to anyone outside of a narrow belt of territorial sea, became the prerogative of the nearest state, usually called the coastal state. This enabled coastal states to control access to fish stocks off their shores for their own benefit, either individually or in cooperation where stocks are shared among two or more states. This arrangement has made possible institutional innovations such as limits on total catches and individual transferable quotas, which have become widespread even if often controversial.

The establishment of the EEZs meant that some countries were excluded from their traditional fishing grounds. The EEZs thus amounted to a transfer of wealth from distant water fishing nations to the coastal states. But they also provide incentives to generate wealth by a better

management of fish stocks. Either way we look at it, we would expect to see positive effects by the EEZs on the economic growth and development of coastal states, especially those whose fish resources are a large part of their resource wealth.

The Pacific island states certainly belong to that category. Many of them are tiny and have little resource wealth apart from the fish in the immense EEZs around them. Traditionally these nations hardly utilized these resources at all, but the EEZs empowered them to control the access to these resources within their zones, at least in principle. That does not mean that they have to utilize these resources themselves; it is indeed still the case that most of the fish is taken by fleets from distant water nations, but the formal jurisdiction of the coastal states makes them entitled to compensation for granting access, just as a landowner can charge a fee for allowing someone else to use his land.

Not only are most of the Pacific island countries tiny and with a small population, they are also among the poorest countries in the world. What effect has the EEZ had on their economic development and growth? Several authors have looked at this and generally reached rather pessimistic conclusions; recent contributions are Petersen [1] and Parris and Grafton [2]. The Asian Development Bank has over the years commissioned several reports on the

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development of the Pacific island nations and how it could be promoted by the resources of the EEZ ([3,4], see also [19]). About 10 years ago Schurman [5] investigated how successful the EEZs had been in redistributing incomes from the fishing industry in favour of the Pacific island nations, concluding that little had happened, neither by developing tuna industries in the countries concerned nor by licence fees paid by distant water fishing nations to the Pacific island states.

Ten years later there is little reason to overturn Schurman's conclusion, except perhaps that some of the Pacific island states have increased their share of the tuna catches. Some of this is, however, just the effect of distant water fishing nations reflagging their vessels and not due to the development of an indigenous tuna fishery (see Ref. [6], p. 15).

The absence of an income redistribution effect of the EEZs for the Pacific island countries may, however, have more to do with the specific conditions of these states than with the redistribution mechanisms inherent in the EEZ as an institution. They are not necessarily "an excellent 'test case' for analysing the redistributive effects of the [new] Law of the Sea" (cf. [5], p. 108). In contrast to the Pacific island states, many coastal states had already developed their own, often export-oriented fishing industries in the 1970s, and the EEZs further promoted that development.

We begin by discussing the historical background for the EEZs and the effect of these on fish resource wealth. This is followed by a short description of the Pacific island countries. We then look at the growth of their GDP and tuna fisheries since 1970, well before the EEZs arrived on the scene. Thereafter, the options of the Pacific island states are discussed. Their lack of success in developing their own tuna fisheries, despite proximity to the fishing areas, indicates that they may not have a comparative advantage in this. That leaves the option of renting out fishing rights to distant water fleets. We briefly discuss the role of trust funds in that connection. Finally, the prospects of the tuna fisheries in the west central Pacific are reviewed.

## 2. The historical background

A little over a hundred years ago even the experts could argue that fishing had no appreciable effect on the fecundity of fish stocks. This view was famously put forward by Thomas Huxley, an eminent British biologist, in the late 19th Century. He did not do so without a reason. The growth and especially the recruitment of fish are influenced by environmental factors that vary so enormously that the effect of fishing, up to a point, drowns in the noise. Fishing technology was not advanced enough to have a discernable effect until late in the 1800s, and then only in those areas of the world which were most heavily fished, such as the North Sea.

Gradually fishing pressure increased worldwide, partly because of advances in fishing technology and partly because of a rising demand from a growing and increasingly

affluent world population. The signs of overfishing became clearer in an increasing number of places. The increasing fishing pressure coming from fleets from various nations ultimately led to deteriorating profits and declining fish stocks. This generated a scramble for exclusive fishing rights, so that the demands of fleets of certain nationalities could be satisfied by excluding others. The coastal states took the lead in this development and claimed exclusive fishing rights within a certain area off their shores. In the beginning these claims were rather moderate, at least compared to what happened later. In the 1930s, Norway claimed a right to a 4-mile fisheries zone from lines that closed off fiords and bays, against the then prevailing 3-mile territorial limit measured from the coastline. The United Kingdom, whose fleet at the time fished in distant waters, objected to this, and the case went to the international court of justice in the Haag where it was resolved in 1951 in favour of Norway. This prompted Iceland to raise a similar claim, which also landed her in trouble with the British.

It was perhaps unavoidable that exclusive rights to fish stocks would be based on some kind of a geographical proximity principle. It may seem natural, but was in any case given a tremendous boost by claims by the United States to mineral resources—in practice, oil—underneath the ocean bottom on the continental shelf. Countries with interests in fish drew the inevitable analogy; why should the fish swimming in the sea above the continental shelf not be subject to the same kind of regime as the minerals? The United States put forward her claim by a presidential proclamation in 1945, and it did not take long until some states with interests in fishing came forward with similar claims about fish. Iceland claimed the waters of the continental shelf, and so did some Latin American states like Mexico and Argentina with their concept of the "patrimonial sea." The states on the west coast of South America—Chile, Peru, and Ecuador—claimed 200 nautical miles. These states have a narrow continental shelf and exploit fish that live high up in the water column and are not restricted to the waters of the continental shelf (anchovies, sardines, tunas).

The claims by the coastal states were grounded in an ability to exploit the fish resources which they were claiming. More distant nations may have developed the fisheries—the English pioneered the trawl fisheries at Iceland, and the development of the Peruvian anchovy fishery took off after the collapse of the California sardine, with some equipment and boats moved from California to Peru—but over time the coastal nations came to master the technology themselves and created export-oriented fisheries, which in turn became engines of economic development.

The development towards extended exclusive coastal states rights occurred by leaps and bounds in the latter part of the 20th Century. In 1958, the United Nations held its first conference on the law of the sea. This conference codified the rights to minerals on and underneath the continental shelf and came close to establishing a 12-mile

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