



# Economic policy, institutions and fisheries development in the Pacific

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## Abstract

The South Pacific is home to the world's largest and most valuable tuna fishery. Despite this, the Pacific island countries have found it tremendously difficult to capture significant economic rents from the resource. It is argued in this paper that poor economic policy partly explains this. However, poor policies are preventing the implementation of strong, cost-effective institutions for the governance of the fishery which, coupled with strong institutions for broad social and economic governance, are required for development of the industry. Opportunities for policy reform that are likely to lead to significant gains from the fishery are highlighted. © 2002 Elsevier Science Ltd. All rights reserved.

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## 1. Introduction

The negotiation of the United Nations Convention on the Law of the Sea in 1982 (which was not ratified until 1994) substantially increased the responsibility of resource-adjacent governments to manage and conserve fish stocks within their exclusive economic zone, the ocean area within 200 miles of their coastline [1]. This increased responsibility is no more extreme than for the Pacific island countries, whose waters are home to the world's largest and most valuable tuna fishery, and where ocean area of jurisdiction exceeds landmass by an average factor of 300–1 [2] (see Fig. 1). The Pacific island countries, and indeed most developing countries, have found it tremendously difficult to convert these tenured rights into concrete economic gains.

It is widely understood that, unless controls are placed on fishing effort, the fishery is susceptible to the problems associated with open-access arrangements: over-exploitation and over-capitalisation [3]. At this level of use, only normal profits are made since greater than normal profits would encourage greater resource exploitation, and no resource rents are derived from the fishery. Hence, control must be placed on fishing effort.

Determining the most cost-effective institutional framework (the framework of humanly devised constraints that structure political, economic and social interaction [4]) for exercising this control is hotly debated amongst economists and other social scientists. In the governance of fishery resources and indeed the governance of all natural resources, it is helpful to consider institutions of three types: property rights (the nature of an entity holding rights of decision making within the hierarchy of resource management), entitlement systems (the basis for defining shares or parts of the fishery belonging to the right holder, e.g., input versus output controls), and mechanisms for allocating and adjusting resource entitlements (procedures of allocating and adjusting entitlements can be either market or administratively based).

The past couple of decades has been a period of intense learning for policy analysts, both within governments and within multinational organisations that have made loans contingent upon particular reforms being enacted. This learning has revealed the importance of open trade, macroeconomic balance, flexible labour markets, a limited role of government in production of goods and services, and an expanding role for the private sector in many activities long though to be the province of government. More recently, there has developed an appreciation that without the

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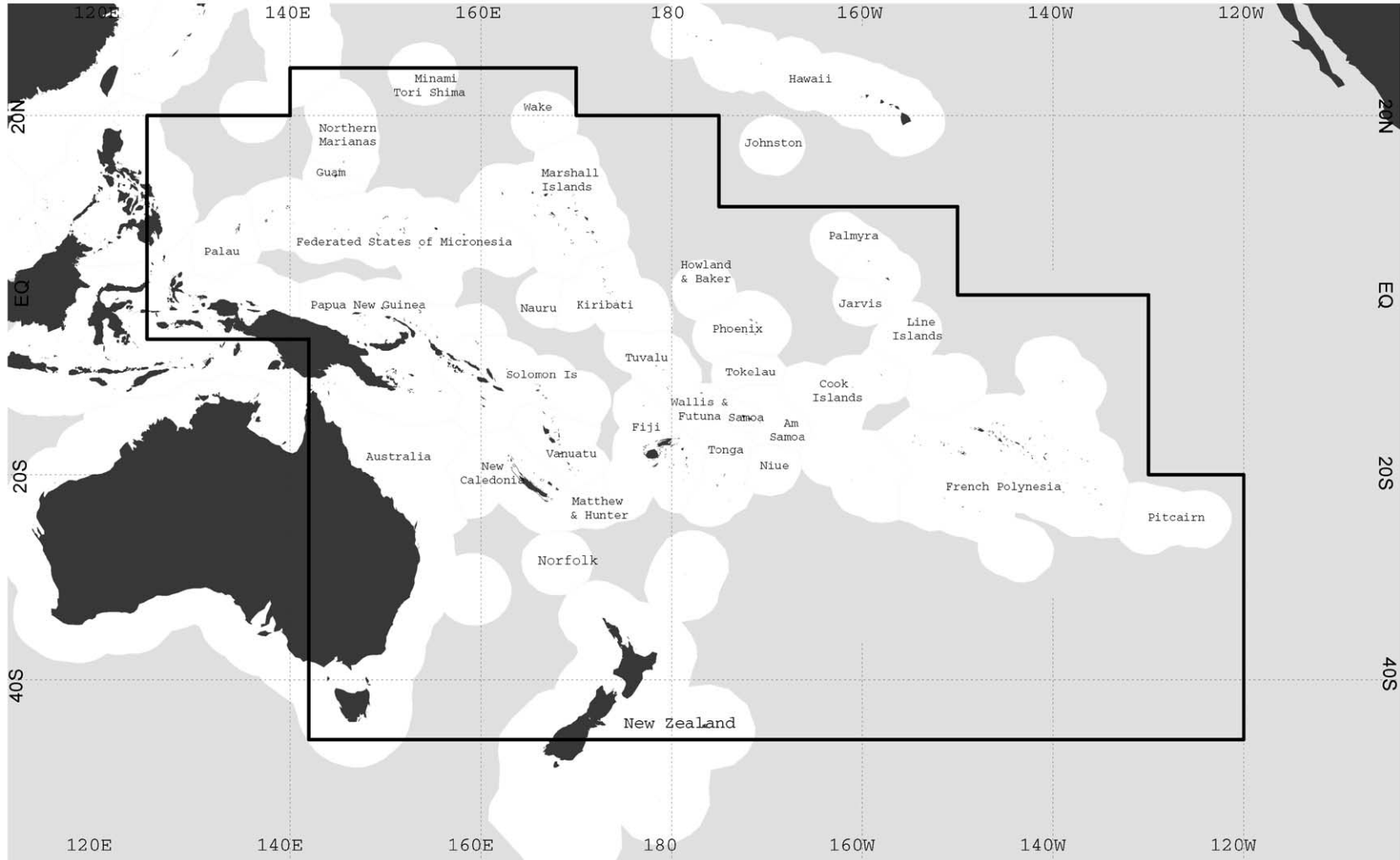


Fig. 1. The South Pacific region: exclusive economic zones (source: Secretariat of the Pacific Community).

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