

# Implications of new economic policy instruments for tuna management in the Western and Central Pacific

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## ABSTRACT

Tuna management in the Western and Central Pacific is complicated by the conflicting interests of countries and agents exploiting tuna resources in the region. Historically, regulatory attempts by Pacific Island Countries to control fishing effort within their Exclusive Economic Zones (EEZs) have met with limited success. The introduction of new economic policy instruments by the Parties to the Nauru Agreement (PNA), such as the Vessel Day Scheme (VDS) and Marine Stewardship Council (MSC) certification, has supported and complemented existing conservation and management measures. By bringing in new incentives for the PNA states, greater control over fishing effort and the formulation of perceptibly new sustainable fishing practices have emerged. Using a new institutional economic framework, this paper analyses the shift from regulatory policy to new economic policy instruments through the lens of New Institutional Economics. The results show how the adoption of the VDS and MSC certification program has brought new changes and improvements to tuna negotiations, to agreements, and to outcomes amongst parties. Investing in these new instruments has elucidated ways in which new economic institutions strengthen de jure political control over transboundary fish resources and fishing fleets.

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## 1. Introduction

The impact of the skipjack tuna purse seine fishery on the more vulnerable yellowfin and bigeye tuna stocks in the Western and Central Pacific Ocean (WCPO) has become increasingly controversial in recent years [1]. Stock assessments from the WCPO consistently report that bigeye is overfished while yellowfin remains fully exploited [2,3]. The impetus to continue (over)exploiting these more vulnerable stocks comes from the economic importance of skipjack to coastal states—who rely on revenues from licensing arrangements with mixed fishing vessels ranging from distant water fishing nations to locally owned and joint-venture fishing vessels. Pacific coastal states' revenue from licensing arrangements ranges from 2% to almost 60% of their GDP [4–6]. Developing management arrangements that balance the ongoing exploitation of skipjack tuna stocks, while reducing pressure on yellowfin and bigeye tuna, is therefore largely dependent on cooperation for balancing conservation and economic goals between the 16 coastal states of the Pacific including the eight

Parties to the Nauru Agreement (PNA) states.

Despite continued recognition of the conservation and economic benefits that can be derived from improved cooperation around tuna management in the region [7], examples of effective cooperative international regimes remain scarce [8–12]. It is also apparent that past access arrangements governing the WCPO tuna fisheries have not led to significant increases in economic returns to coastal states, until the recent implementation of the Vessel Day Scheme in 2012 [4,12]. Inappropriate incentives, inadequate knowledge, a high demand for limited resources, and ineffective governance are noted among the main contributing factors that undermine cooperation [13,14]. As Hanich and colleagues [15,16] noted, cooperative measures that deliver on both effective management and equitable distribution of wealth from these resources have therefore remained a central development policy objective for the region.

Contrary to this trend, the Parties to the Nauru Agreement (PNA), a sub-regional group of eight tuna rich countries, have strengthened the coordination of tuna fishery management across their joint jurisdictions. The PNA members have adopted two new economic policy instruments—the Vessel Day Scheme (VDS) in 2005 and the Marine Stewardship Council (MSC) certification program in 2011—in an attempt to strengthen and complement existing regulatory conservation and management measures for

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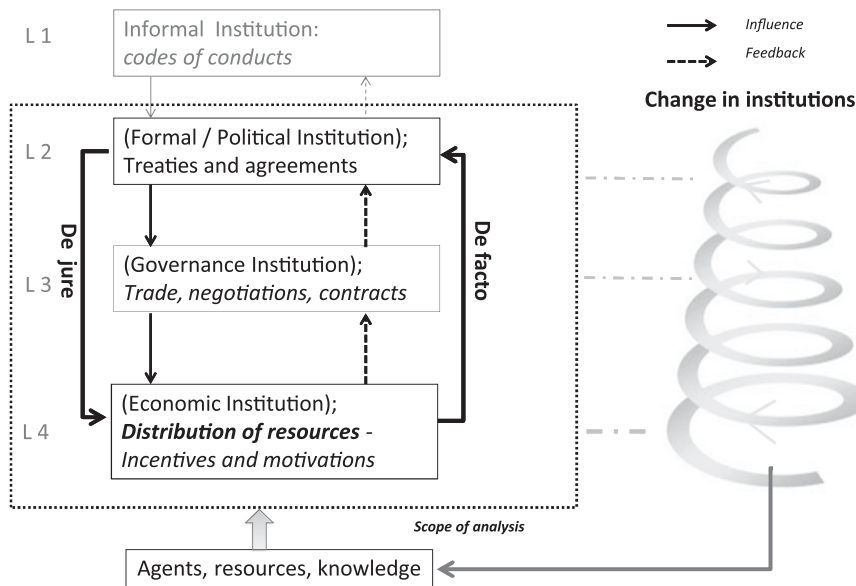


Fig. 1. Theoretical framework of political and economic institutions (Source: Adapted and modified from Williamson [26] and Acemoglu et al. [29]).

tuna fisheries. The new policy instruments have been adopted by the PNA group to ensure both the ecological objectives of the Western and Central Pacific Fisheries Commission (WCPFC) and the economic goals of its member countries are achieved. These new approaches are intended to influence individual countries' choices around securing collective welfare in the fishery, thereby improving not only cooperation and tuna governance in the Pacific [12], but also to meet Pacific island countries' aspirations of gaining greater benefits from tuna [17].

This paper examines the design and implementation of these new economic policy instruments through the lens of New Institutional Economics (NIE); an approach designed to integrate approaches from economics, law and social and political sciences to explain and address complex societal (and fisheries environmental) problems [18]. The paper describes the reasons for the shift to these new economic instruments and analyses how they influence the political (de jure) and economic (de facto) control over fishing resources in the waters of the PNA. In doing so we analyse how this shift has come about and the institutional changes that have been implemented by the PNA as a result. The paper begins by introducing the NIE framework before providing an overview of regional tuna treaties and regimes and the conditions under which the PNA has shifted from a regulatory approach to new economic policy framework. Finally, we examine how these policy instruments affect the de jure and de facto power over fishing resources in the PNA.

Data and information were gathered through literature and document review, as well as interviews and observations at regional and sub-regional tuna management meetings from December 2013 to December 2014. These meetings included the 10th and 11th regular meeting of the WCPFC, 19th meeting of the Parties to the Palau Agreement, 19th meeting of the Parties to the Federated States of Micronesia (FSM) Arrangement, and 33rd annual meeting of the PNA. In addition, 14 in depth interviews were conducted with senior officials and delegations from each of the PNA countries, officials and consultants from the regional organisations in particular Fisheries Forum Agency and PNA Office, and fishers or vessels operators, observers and NGO representatives.

## 2. New Institutional Economic (NIE) framework

The complexity of balancing the interests of multiple

conflicting states, has led to the emergence of international regimes that seek to combine both regulatory and market logics into finding solutions for global environmental problems through international cooperation [19,21]. As a result, the perceived ineffectiveness of command and control approaches have led to questions about how states and other actors try to achieve desired outcomes. Creating the right incentives then becomes central to the effectiveness of institutions. As regimes evolve in response to the emergence of new issues, they reframe old issues, allow for the entrance of new agents, and/or the changing interests of existing agents, leading to new knowledge and/or a redistribution of power [22]. Understanding such a dynamic institutional environment is essential in determining the conditions under which public and private interests can enable rather than constrain effective resource management and allocation.

A conceptual understanding of this evolving process can be derived from New Institutional Economics (NIE). NIE is relevant for understanding how dynamic political interests influence decisions over the (environmental) governance of trans-boundary and common resources, by focusing on the processes that lead to inefficient policy outcomes and the design of innovative policy solutions. To this end, NIE offers an interdisciplinary approach to analyse the form and function of institutions in allocating rights and responsibilities for efficient resource use and stewardship [18,23–25].

Williamson [26] provides a hierarchical NIE framework consisting of four institutional levels, each with a different pace of change (see Fig. 1). The first two levels refer to informal and formal institutions. Informal or social institutions include socially embedded norms customs, traditions and codes that often hold slow change but pervasive influence over societal conduct. Formal or political institutions constitute the institutional environment within which “executive, legislative, judicial, and bureaucratic functions of government, as well as the distribution of powers across different levels of government” are located (p. 598). Level three of Williamson's hierarchy refers to institutions of governance, constituted by rules for mitigating conflict and creating mutual gains by ‘crafting order’ through contracts and enforcement mechanisms. Finally, level four refers to economic institutions that structure incentives and motivations for ‘day-to-day’ transactions and decisions making. The dynamic nature of agents, resources and knowledge encompassed by economic institutions

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