



What's in it for Africa? European Union fishing access agreements and fishery exports from developing countries

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ABSTRACT

Fishing access agreements have been widely criticized but there is little quantitative evidence of their effects on the economies of developing countries. The aim of this paper is to investigate the influence of the European Union's fishing access agreements on 15 African countries' fish exports to the OECD. More specifically, we investigate the effects on the extensive and intensive margins of trade, i.e. the probability and volume of trade, when fishing access agreements that have previously been active become inactive. Using the gravity model of trade and detailed data on exports of fishery products for the period 1992–2010 we show that trade with the OECD is negatively affected when EU fishing access agreements are inactive. Export volumes as well as the probability to trade with OECD countries are affected. We look at effects of mixed agreements (with many different species) as well as tuna agreements (tuna and tuna-like species) and find that mixed agreements affect both margins whereas tuna agreements only affect the intensive margin. We conclude that EU fishing access agreements could be a channel through which developing countries gain from trade but that the gains hinge on proper redistribution of benefits and proper management of resources.

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1. Introduction

The European Union's (EU) fishing access agreements with developing countries give EU vessels the right to fish in partner countries' waters in exchange for financial compensation. The motivation behind selling fishing rights has been that developing countries without access to large-scale fleets get compensations that are often important parts of their government budgets. However, the agreements have also been seen as means to develop domestic fishery sectors including plans to improve national fleets by learning from foreign fishermen, strategies to facilitate landings from foreign fleets in national ports and the building of infrastructure to improve conditions for processing, marketing and exporting of fishery products.

So far, there is little evidence of the economic effects of fishing access agreements on national fisheries sectors in developing countries. Although the agreements have been heavily criticized and are often associated with poor transparency, inequitable benefit

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sharing, conflicts with small-scale fishermen and depletion of fish stocks (World Bank, 2014), there are, to our knowledge, few studies using more than basic statistics and literature reviews to approach the subject. For example, Kaczynski and Fluharty (2002) use a literature review and a case study of Guinea-Bissau for analyzing whether a continuation of the fishing access agreements between the EU and Sub-Saharan countries is against the long-term interests of the partner countries. Alder and Sumaila (2004) use data on catches, imports, exports and domestic supply provided by i.a. FAO to discuss the benefits of foreign fleets in developing countries. Similarly, Kalaidjian (2010), Nagel and Gray (2012), and Gagern and van den Bergh (2013) discuss fishing access agreements using literature reviews and statistics on i.a. access fees, catches and fish prices. The main conclusion from the above mentioned studies is that fishing access agreements pose a threat to economic development as well as environmental sustainability in partner countries. Although discussion papers are important to shed light on potential problems with fishing access agreements, there is a need for more rigorous analysis in order to find out how the agreements affect the economy of the partner countries.

The aim of this paper is to contribute to the knowledge of the effects of the fishing access agreements by empirically estimating how the EU fishing access agreements affect African countries' exports to the OECD. More specifically, we investigate the effects

on the intensive, i.e. the volume of trade, and extensive, i.e. the probability to trade, margins of trade when fishing access agreements that have previously been active become inactive. We use panel data for the 1992–2010 period and estimate a gravity-type model where we take unobserved heterogeneity and zero trade flows into account. From a trade theoretical perspective, trade gives efficiency gains and increased total income. Hence, fish exports are potentially very important for developing countries as they give incomes that could contribute to economic growth and increase welfare. Knowing whether fishing access agreements have trade effects is thus interesting when deciding whether to sign or terminate agreements. To our knowledge, there are no previous studies approaching the subject of fishery access agreements using a statistical model.

Potentially, fishing access agreements could facilitate technology and skill transfers, and create value added from fish processing and marketing if catches from the foreign fleets are landed locally. Examples of activities that might arise because of the agreements are ship and net repair, handling of ship supplies (e.g. ice) and canning or other processing activities. An agreement might also give rise to control activities such as monitoring, control of catches, surveillance and research activities that keep fishing activities at sustainable levels. A range of different strategies have been used to develop domestic fisheries within the framework of the fishing agreements, including requirements for foreign fleets to land a specific amount of fish in the host country, demanding a certain percentage of the crew to be of the host country nationality and using parts of the compensation from the access agreements to the development of port facilities and marketing networks (Iheduru, 1995; European Commission, 2015; NFDS, MRAG, COFREPECHE, & POSEIDON, 2013; World Bank, 2014). Although it is possible that fishing access agreements have positive effects on host countries the opposite could also occur. An access agreement could have a negative effect on the domestic fishery sector if domestic fisheries and landings are replaced with foreign fisheries and landings abroad. In previous literature, fishery agreements are criticized for preventing host countries from developing their own fishing industries (Alder & Sumaila, 2004; Gagern & van den Bergh, 2013; Kaczynski & Fluharty, 2002). For example, Gagern and van den Bergh argue that countries that sell fishing rights “capture far less of overall wealth than would be possible if processing, wholesale and possibly even retailing was integrated into the national economy” (Gagern & van den Bergh, 2013, p 384). There have also been numerous occasions where domestic, often small-scale fisheries, are competing with large-scale foreign fleets for fishery resources that are overexploited (Corten, 2014; UNEP, 2002). Finally, the monetary compensation has been criticized for providing limited contribution to the development of domestic fishery sectors and for not being spent as intended (Gagern & van den Bergh, 2013; Nagel & Gray, 2012; World Bank, 2014).

The EU fishing access agreements do not explicitly aim to affect trade but it is plausible that they do through one or several of the channels just mentioned. First, if part of the financial compensation is used for investments in the local fishing industry, for example port infrastructure and marketing networks, trade costs could decrease. Better port infrastructure makes shipping faster and reduces the price per shipment, i.e. variable trade costs, which could affect the volume of traded goods. Investments in marketing networks make it easier to find contacts in exporting markets, i.e. affecting the sunk costs of starting to export, which could influence the probability to trade with new partners.¹ Second, if agreements affect landings in domestic ports trade volumes could be affected

either way. If the agreements increase local landings by foreign fleets, local exportable supply increases which could have a positive effect on trade volumes. On the other hand, it is also possible that fishing access agreements make foreign fleets land fish abroad, replacing previous domestic catches. The agreements may thus have a negative effect on trade volumes through a reduction of domestic supply. Lastly, if foreign fleets mainly catch fish that otherwise would not have been caught and do not land it domestically, the effect on trade volumes of the foreign catches may be insignificant. The direction, and existence, of a possible trade effect is, hence, an empirical question that deserves attention.

There is a current debate on the merits of fish trade for developing countries (see for example Alder and Sumaila, 2004; Béné et al., 2009; Asche, Bellemare, Roheim, Smith, & Tveterås, 2015). Fish exports of overfished resources could reduce long-term incomes and the returns from exports could be unevenly distributed and hence not be beneficial for all parts of the population. Although these issues are important, we do not aim to answer whether fish trade is good or bad for developing countries in this paper. Our focus is on identifying a possible effect of EU fishing access agreements on trade. We believe that although the aspects of food security and the distribution of gains from trade are interesting it is also of interest to investigate institutional arrangements that could promote or hinder trade. Finding the direction of the trade effect could then help in formulating further goals to increase the benefits of trade.

Our results show that exports from African partner countries to the OECD are negatively affected when EU fishing access agreements are inactive, i.e. when an agreement has no valid protocol and/or has been terminated there is a negative effect on the intensive margin of trade. This indicates that an inactive agreement increases the variable costs of trade. Our results also show that African partner countries' probability to trade with the OECD is negatively affected when EU fishing access agreements become inactive. Hence, when agreements are inactive the sunk costs of exporting are higher which results in fewer trade partners, i.e. the agreements have an effect on the extensive margin of trade. We also suggest that partner country exports are mainly affected by the monetary compensations provided for within the agreements rather than changes in catches from domestic or foreign fleets in partner country fishing waters. Further, we find that the trade effects of the two types of EU fishing access agreements, mixed and tuna, differ. A trade volume effect is found for both types of agreements whereas an effect on the probability to trade is only found for mixed agreements. Finally, we do not find that the agreements affect exports to the EU differently than exports to the OECD in general. Our results hold for controls for unobserved heterogeneity and zero trade flows, different measures of an inactive agreement, and different econometric methods used.

The rest of the paper is structured as follows. Section 2 presents a background to the EU fishing agreements while Section 3 describes our model specification. Section 4 reports the estimation results and, finally, Section 5 concludes the paper.

2. EU fishing access agreements and fishery exports

Historically, the resources of the open seas have been considered common property. As fishing pressure increased in the 20th century the need to regulate the open seas became more urgent. In 1982, the UN Convention of the Law of the Sea (UNCLOS) was established stating that coastal states have exclusive economic zones (EEZs) reaching 200 nautical miles from the coast (United Nations, 1982). Within the EEZs, fishing activities are subject to national jurisdiction. In practice, the convention made it necessary for foreign fishing fleets to sign contracts with coastal states and

¹ Sunk costs cannot be recovered but must be incurred to start exporting. Examples of sunk costs are costs associated with learning customs procedures, searching for foreign distributors, marketing, adapting products, and negotiating contracts.

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