

Individual Transferable Quotas

The other side

Chile's experience with fisheries management is a journey from the overexploitation of a common property resource to its privatization

With a coastline of 4,200 km and an Exclusive Economic Zone (EEZ) of 3.5 million sq km in the Southeast Pacific, Chile has, during the last 25 years, developed an extraordinary multi-species industrial fishery and expanded its intensive aquaculture in what is considered to be one of the five most productive marine areas of the world, where the cool, nutrient-rich upwelling Humboldt current supports large fish populations.

During the last 26 years of export-oriented, neoliberal economic policies, over 107 million tonnes of marine resources, with an export value of US\$16,000 million, have been caught mainly from coastal waters. Most of the exports go to the Asian, European Union and US markets.

The neoliberal policy, established in the mid-1970s by the military junta, and continued by successive civilian governments, has reinforced a pattern characteristic of the Chilean economy: 87 per cent of exports are based on the exploitation of natural resources, with little value added.

During the 1980s and early 1990s, the fishing industry and aquaculture were the most dynamic sectors of the economy, with average annual growth rates of 8.6 per cent. Today both sectors together generate US\$2,000 million per year, which represents 12 per cent of the total value of Chilean exports.

Macroeconomic indicators show that in the Chilean fisheries, production peaked midway through the decade of the 1990s, when annual landings of 7.8 million tonnes per year elevated the country to third place amongst the major fishing nations, and to second place amongst the

main producers and exporters in both fishmeal and salmon aquaculture.

Today, however, Chilean fisheries are under growing threats from both overfishing by, and overinvestment in, the industrial fishing fleet. In the 1998 season, when landings fell by 47 per cent over the previous year and 4,000 jobs were lost in the industrial fishing sector, we began to see the other side of the production and financial indicators—the environmental and social costs.

Virtually all the Chilean fisheries are under severe fishing pressure: 95 per cent of them are fully exploited, overexploited or slowly recovering. The industrial fleet has a potential fishing capacity of 35 million tonnes per year, and is mainly responsible for overfishing and the destruction of marine biodiversity in Chilean waters.

This situation has led to growing conflicts between the 60,000 artisanal fishermen and the industrial fleet, particularly over the illegal and destructive fishing operations of purse-seiners and trawler fleets along the entire length of the Chilean coast.

This has also led, since 1992, to an active transfer of the overcapacity of the industrial fleet from the Southern fishery to the Atlantic and Indian oceans. There, a long-liner fleet, owned by Spanish companies under Chilean flags, are developing illegal deep-sea fishing operations in the sub Antarctic waters.

Domestic consumption

While 89 per cent of Chilean fish resources are transformed into fishmeal and fish oil for industrial use, domestic consumption has decreased over the last 25 years. At present, with an annual average per capita

consumption of 4.2 kg of marine products, 22 per cent of the Chilean population of 3.2 million people is under 'nutritional risk', mainly in those areas richest in marine resources: Iquique, San Antonio, Talcahuano, Coronel, Lota, Chiloe and Aysen.

Since the middle of the 1990s, encouraged by the UN Fish Stocks Agreement process, the different sections of Chilean society, particularly the artisanal fishworkers, the trade union organizations of crew members in the industrial fleet, and environmental organizations, have increasingly criticized the lack of transparency, participation and social equity both in the government fisheries institutions and in their policies.

It is significant that radical modifications are now being proposed to the Chilean General Law on Fisheries and Aquaculture (LGPA), adopted in 1991 (see box). There is now a proposal to privatize fishery resources through the application of Individual Transferable Quotas (ITQs) to fully exploited fisheries.

Notably, the 1991 law does not recognize any right of ownership or control over fish resources. Use rights are considered purely administrative in nature. The 'Special Fishing Licences' given are administrative concessions for individual

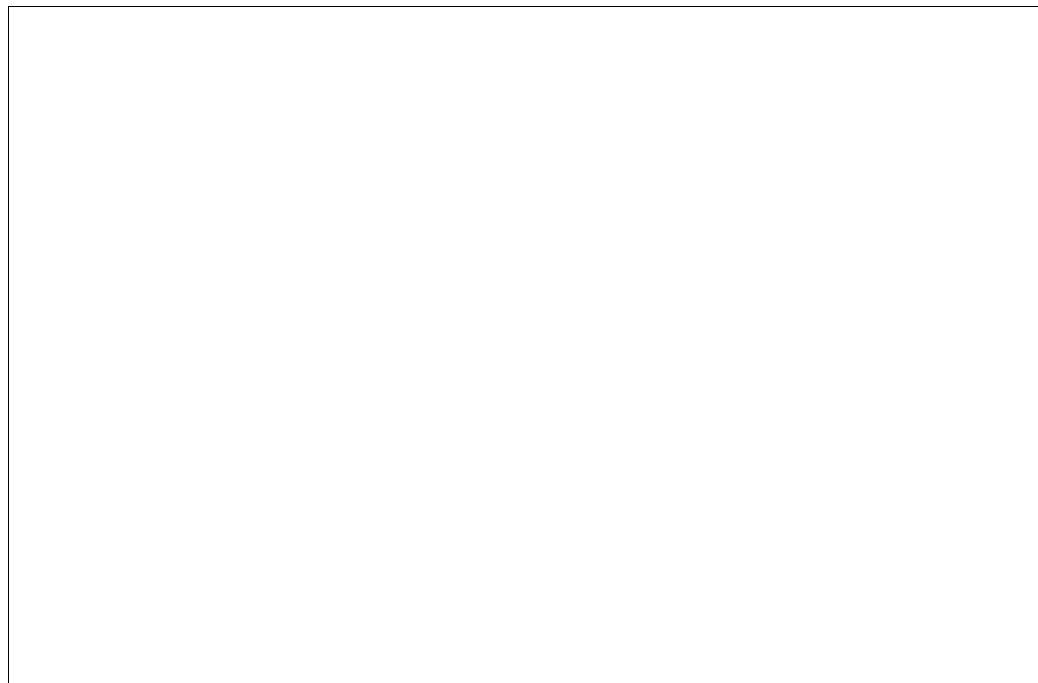
quotas, sold through public auctions, for a fixed term of 10 years.

The ITQ proposal originally came up in the context of the overexploitation of the *jurel* (*Trachurus murphyi*, commonly called jack mackerel or scad) fishery, caused by a combination of factors, including overfishing and the impact of the recent El Niño. This species represents half of Chile's total catch. The proposal was later extended to all Chilean fisheries legally defined as fully exploited, such as sardine, anchovy, common hake, southern hake, golden conger and swordfish.

A 12-member subcommission of the National Fishery Council, composed mainly of representatives or advisers from large fishmeal companies, transnational corporations and bureaucrats, was set up in August 1998. This body worked for just 55 hours to develop—without any public consultations—a proposal to privatize Chilean fisheries through the system of ITQs. This was approved on 1 September 1998 by the National Fishery Council itself, despite strong opposition from the artisanal fishermen and representatives of the industrial fleet's skippers.

Proposal supported

The proposal was subsequently supported by the President and sent to the Parliament for discussion in March 1999. To justify the proposal to privatize





Chile

The Chilean General Law on Fisheries

The Chilean General Law on Fisheries and Aquaculture (LGPA), adopted in 1991, was one of the first laws developed by the civil government after 18 years of military dictatorship. It categorizes four types of fishery regimes.

General Access regime characterized by free access. This applies to all fisheries which do not fall in any of the other categories defined by the law.

Fully Exploited Fisheries: This applies to all fisheries where fishing is at a level equivalent to the maximum catch that each species is capable of supporting, without jeopardizing its long-term conservation. Total Allowable Catch (TAC) levels are set annually for these fisheries, and are applied within a system referred to as 'Special Fishing Licences'. These fisheries are closed to new entrants-be they from the industrial or artisanal fleet-while prohibiting any increase in the size of the fishing fleet. Ninety-five per cent of Chile's most important fisheries have been placed in this category.

Fisheries under Recovery: This applies to fisheries which have been overexploited and subjected to prolonged closures, as a result of which there has been a significant recovery in stock, sufficient to allow their return to commercial extraction. This is restricted through a system of 'Special Fishing Licences', where Individual Non-Transferable Fish Quotas with a 10-year old validity are auctioned.

Incipient fisheries: This applies to fisheries where fish catches amount to less than 10 per cent of the TAC. In these fisheries, 100 per cent of the TAC is auctioned of an Individual Non-Transferable Quotas.

There is also a provision for a special category of fisheries classified as 'Fisheries Under Investigation'.

Management measures for the fishery and the TAC are established annually by the Subsecretary of Fisheries, based on technical reports and political negotiations.

Chilean fisheries, it is being claimed that the LGPA provisions are inadequate to prevent overinvestment and overexploitation in the fisheries, and that the application of ITQs will improve the economic efficiency of the fishery.

The proposal is based on the logic that only individual ownership of fisheries resources will ensure that owners conserve and manage them rationally in the long term, increasing the economic efficiency of the fisheries.

It is proposed to establish a new administrative regime, titled 'The Special Fisheries Regime', which will modify the LGPA by incorporating the ITQ system. The proposal has some basic features:

- It recognizes and assigns fishing rights *free* and *in perpetuity* to boatowners who are currently operating in fully exploited fisheries;
- It uses catch history as the basic criterion to allocate the percentage share of the TAC to fishing rights. The owner, in perpetuity, of this

individual fishing quota can divide, sell, lease, remove, or inherit it, converting it into a commodity to be commercialized in the national or international markets. No single quota owner may accumulate more than 35 per cent of the TAC for a particular fishery.

- For fisheries not previously subject to a TAC, as in the case of *jurel*, Article 40c, Paragraph 2, establishes that a fixed coefficient be used to calculate the proportion of the total fishing rights (the Total Fishing Effort) assigned to each vessel, which is based on a mathematical relationship between the size of the vessel's fish-hold multiplied by a coefficient particular to each geographic region. The use of this coefficient will enable the largest fishmeal companies in the Bio-Bio and Concepcion region, which own the greater part of the 135,000 cu m hold capacity of the purse-seine fleet, to acquire 50 per cent more quota than any other

company in the whole of the country.

The Fisheries Subsecretary will issue Special Fishing Licences to industries authorized to fish in fully exploited fisheries, allocating proportions of the TAC determined annually for the industrial sector. These licences will be issued for an indefinite period, and will be divisible, transferable, or leasable.

Each owner will decide the number and type of vessels to be used in the fishery. The vessels must be registered in the Chilean registry of fishing vessels and must comply with the laws governing fisheries and navigation.

If approved, the ITQ proposal will radically modify the LGPA, by privatizing indefinitely the common property resources of the Chilean people, without any form of social or economic compensation.

While the 200,000 people who depend directly or indirectly on marine resources in Chile have seen their livelihood threatened by overexploitation and overinvestment, no more than 13 of the largest companies (who are directly responsible for the marine resources crisis) will be the direct beneficiaries of this new law.

One of these is the Angelini Group, which now controls about 40 per cent of the fishmeal exports, using mainly *jurel*/South American pilchard (*Sardinops sagax*), *anchoveta* (*Engraulis ringens*) and *cabal/a* or mackerel (*Scomber japonicus peruaius*) resources. In turn, two other companies control 80 per cent of common hake (*Merizceccins guyi*) catches, the most popular fish consumed in Chile.

A similar situation can be observed in the processing and export of fish from the southern fishery, which is based on austral hake, pink cusk eel, patagonian toothfish, southern blue whiting and hoki.

Multinationals' control

This fishery is controlled by just three transnationals: Pesca Chile (a subsidiary of Spain's Pescanova, the world largest hake producer), Endepes Ltd. (a subsidiary of Nippon Suissan Kaisha) and Frio Sur (associated with Icelander). They control 70 per cent of austral hake exports, while just two companies control over 80 per cent of patagonian toothfish (*Lissas dcli us eleginoides*) exports.

The principal long-term beneficiary of the ITQ proposal in Chile is perhaps the financial sector. It has backed the ITQ proposal as a means of obtaining legal guarantees for the 640 million loans decade of 1990s to finance overinvestment in the industrial fleet fishing for fishmeal.

The ITQ system will privatize fish resources by allocating exclusive quota rights to vessel owners on the basis of the vessel's historical percentage share of the catch, based on catch records over the past three years. In this way, artisanal fishermen, and small- and medium-sized owners will be excluded from most fisheries due to their scant financial means and lower percentage share of the catch in the past. In the case of Chile, the industrial fleet officially controls 87 per cent of total fish catches.

Moreover, under the proposed ITQ system, resources classified as 'associated' species will also become part of the quota allocated. 'Associated' species refer to a large number of white-fish species, such as *reineta* (*Brama australis*), *machuelo* (*Ethmidium maculatum*) and *sierra* (*Thyrsites atun*).

Currently, associated species are the principal catch of the artisanal sector, and are the main species eaten locally and nationally. They form the basis of the artisanal fishery and are destined for human consumption. It is, therefore, of particular concern that for most of the principal species for which quotas will be allocated, there are more than 30 associated species. For example, there are 32 species associated with the *juirel* fishery, 33 with the southern hake and 30 with the golden conger or cusk eel.

It is doubtful whether ITQs will do anything other than concentrate ownership in the hands of a few industrial fishing enterprises. Since the criteria for allocating quotas under the new system will be based on "historical catch records", there will be no reduction in the overcapitalized industrial fleet, and the artisanal sector will effectively be pushed out and excluded from the fishery. The artisanal sector, which provides the greatest number of jobs and is closely linked to the regional economy, will end up with a smaller share of the fishing quota. This is likely to herald their eventual removal from the Chilean fishery.


The experience with ITQs in New Zealand, Iceland and Canada demonstrate that ITQs do not simply involve a change in the

ownership of marine resources. They involve a radical political, social and cultural change, where the role, responsibilities, priorities and authority of the State are profoundly modified, removing public control, by allowing the forces of the market to ultimately decide who will be allowed to fish.

At the same time, ITQs provide enormous social, economic and environmental incentives to large fishmeal companies and to European and Asian transnationals, allowing them to continue consolidating their control over the Southern fisheries.

People's hopes now rest on the negotiations being carried out by the under-secretary, who is trying to insert some changes into the ITQ project. These will hopefully include the allocation of a 'collective quota' to the artisanal sector, and will not link the associated species to the principal quotas.

Dark future

Faced with this dark future, citizens organizations are demanding that democratic control be exercised over the national natural resources and marine ecosystem, through strengthening people's participation, not only in the access to these resources, but also in the decision making processes, so that it will be possible to build an alternative model for fishery development, based on environmental sustainability and social equity. 

This article is by Juan Carlos Cardenas and Patricio Igor Melillanca of Centro Ecoceanos, Chile. E-mail: ecoceano@entelchile.net