

The  
Economist

## Fishing in Chile

# Net profits

### A paradise for anglers but a headache for regulators

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WITH over 4,000km (2,500 miles) of coastline, it is no surprise that fishing is one of Chile's leading industries. Its commercial catch is the world's seventh-largest. Following a period of brutal overfishing, Chile set up a quota system in 2001, which helped stocks stabilise. However, that law expires at the end of 2012. The government has yet to devise a new system that satisfies everyone.

Although companies are free to sell their quotas, they were originally allocated on the

basis of the historical division of the catch among firms. That gave established operators, which got free quotas, an advantage over new entrants, which had to buy them from rivals. A series of mergers have put 91% of the total industrial quota for jack mackerel, sardines, pilchards and hake in the hands of just four companies. As a result, Lota Protein, a Norwegian-owned firm set up in 1995 in the port of Lota, is calling for future quotas to be auctioned instead, to make the industry more competitive.



A captive market

This argument persuaded Sebastián Piñera, Chile's entrepreneurial president, who included an auction system in a fishing bill he sent to the legislature. However, some auctions elsewhere have gone badly—Russia's and Estonia's were plagued by boycotts and allegations that they encouraged illegal fishing—and last month, Congress passed the bill but removed the auctions. The Senate is now deciding whether to reinstate them.

Another affected group is Chile's army of 86,000 independent fishermen. They ply the waters close to shore in 13,000 vessels, ranging from semi-industrial ships to rowing boats. Because industrial quotas have fallen with stocks, the independents have jointly gained importance: their share of the catch rose from 22% in 2000 to 52% in 2010.

The government wants to require the biggest of them to buy fishing licences, certify the size of their catches and, in some cases, deploy on-board satellite navigation systems to let the authorities keep an eye on them. Meanwhile, it promises to grant the owners of the very smallest boats exclusive access to "the first mile"—the stretch of water closest to the coast, which is rich in sea urchins and shellfish—and increase the independent fishermen's share of the overall quotas for each species. Over the next 20 years, this would transfer an estimated \$34m a year from big operators to small ones.

The final sticking point is taxation. Mr Piñera wants the owners of industrial and larger independent ships to pay a 3.3% royalty on their quotas' value. The firms counter that a levy on profits, like the mining industry's, would be fairer.

All these disputes must be settled soon in order to protect Chile's fragile fishery. From 1995 to 2011, the jack mackerel catch fell by 94%. Some scientists say the stock will need a century to recover.

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