

Marine Stewardship Council – Sourcing Green Demand

The economist's response to the argument that demand would outstrip supply if the MSC label awareness campaign succeeds is that it fundamentally misconstrues the nature of the market system: if demand outstrips supply, suppliers will meet the demand. Or so the story goes. In practice, however, the nature of transboundary fisheries management too often results in widespread government subsidization and tragedy of the commons situations. MSC has four potential solution branches in the case of excess demand: 1) do nothing (let the market respond), 2) ramp up coordination efforts with industry players, or 3) work with national governments and international organizations to secure standards enforcement and mutual treaty acceptance. I recommend a combination of approaches 2 and 3, with a particular focus on industry cooperation.

Gummer points to Earth Island Institute's (EII) enormous success in changing the tuna fishing industry almost overnight, and to the more limited success of the swordfish boycott in the late 1990s (co-organized by SeaWeb and NRDC) as indicators of the success of previous ecolabeling campaigns in fisheries. The application of broader-scale certification programs that apply to a wide range of fish types and fishery domains, however, is a far cry from mere net modifications and single-fish boycotts. (Even the dolphin-safe tuna is not a pure play; while dolphin-safe nets capture far fewer dolphins, the total mass in bycatch actually increases substantially...)

And thus the reason that it may be hard for industry groups to meet consumer demand for industry-wide MSC seafood certification programs. As the case intimates, more lessons might be learned from the Forest Stewardship Council (FSC)¹ than from the Tuna-Dolphin fracas or from the swordfish boycott. Put in the terms mentioned in the case, MSC should seek a multi-product seal (analogous to Germany's Blue Angel) rather than a single-product seal.

The range of problems faced by modern fishing fleets are too extensive to properly assess here – and many subsequent events and studies have been done since 1999, the most dramatic and disturbing of which predicts the collapse of all major fisheries by 2050 if current trends continue – but a bare-bones outline is as follows. In short, fishing technology and fishing capacity have outpaced fishing regulation. International regulatory responses include the UNCLOS convention and its various protocols and FAO-sponsored conferences.

Solution 1: Do Nothing.

The first recommendation worships at the altar of the market. If demand exists for a product cognizant of product-process methodology (PPM) distinctions—albeit a MSC-fostered demand—then a market will emerge to satisfy it. In some respects, then, the pros and cons of this response are more a matter of ideological bent than of material fact.

On the other hand, this solution overlooks: the artificial market forces at play in the form of government subsidies, the difficulty of monitoring and enforcing fishery quotas and standards for highly migratory and straddling fish stocks, and fishing

¹ The case also makes it abundantly clear, however, that the FSC, at least in 1999, was not changing the majority behavior of industry groups. Although “the FSC had certified over 16 million hectares of forest...in 1999, less than one percent of internationally traded wood products was certified by the FSC.” (p. 6)

fleets' incentives to fish out a region (before a competing fleet can do the same) for as large a profit as possible. Fish markets are also highly substitutable in consumer markets, and, as such, fall prey easily to overfishing and moving on (in effect, "slash and burn" fishing). The 'do nothing' approach would do little to solve this problem, which is of a systemic and structural rather than merely market-oriented nature.

Solution 2: Foster Industry Compliance.

On the point of profit, however, MSC has a potential avenue of greater cooperation with the fishing industries. Although price premiums on certified fish have been a hard sell in the past, a consuming public that demands sustainably sourced fish will also have a greater willingness to pay (WTP) such a premium for a certified product.

A look at the "Economics of Fishing" table (p. 11) indicates that pre-tax income between 1995 and 1997 hovered around 2% for shellfish growers and fishers and around 3-4% for finfish growers and fishers. Such tight margins are not easily amenable to large scale modification of fishing practices, creating disincentives to change towards more sustainable programs; a fisherman with tried-and-true methods that yield slim but predictable margins would probably be loath to switch to an untested new mechanism. The response, then, is to test and verify the certification scheme's profitability, and to coordinate such a scheme with interagency regulators to avoid collective action problems.

Solution 3: Strengthen Governmental and Intergovernmental Oversight.

Because ocean-going fish tend to care little about 15-mile territorial waters or broader Exclusive Economic Zones, oceanic fishing begs transboundary intergovernmental oversight. This solution invests the majority of resources in UNCLOS regional enforcement and in sponsoring events similar to FAO's conference on global

fisheries. This approach has the benefit of garnering broad-based governmental support and coalition-building measures.

Conversely, however, such developments could be seen as mere “soft law” and could be summarily ignored as such. At the other extreme, intergovernmental regulators and legislators, unaware of conditions on the ground for industry players, could draft legislation and regulations that look excellent on paper but are effectively impossible to carry out in an industry setting.

Assessment and Recommendation (Solution 4).

A combination of solutions two and three seems like the obvious choice of strategic response for optimal effect on coordinating supply with demand. The “do nothing” solution ignores the various market imperfections that render international fisheries a non-ideal market, and thus a market potentially in need of intervention. Conversely, excessive attention either to industry players or to regulatory oversight runs the risk of fostering lopsided regional industries on the one hand and ineffective and cumbersome legislative controls (a la Michael Porter) on the other.

The solution clearly needs to be somewhere in between, so the choice of emphasis is the real strategic question at hand. Although international regulatory oversight is critical to stem the tide of “slash and burn” fishing under flags of convenience, MSC’s particular niche is better suited to work with industry players in fostering the best practices that can then receive the stamp of interagency approval.

Given the U.S. preference to purchase fish and seafood products in restaurants (31 billion of a 46 billion dollar market in 1997), any consumer demand for sustainable fish must include heightened certification and information propagation at the restaurant level.

Similarly with industrial use, MSC should coordinate with industry purchasers to verify the sustainable yielding of industry oils and other products.

On the specifics of MSC's certification plan, MSC publishes a "principles and criteria for sustainable fishing" (exhibit 8, of which various updates are available on their website). This document expounds on MSC's three basic principles, which are: 1) that the fishery's actions must not lead to overfishing or depletion, 2) that the fishery's actions should not overly detract from biodiversity and ecosystem stability, and 3) that the fishery's actions respect local, national and international laws and standards.

This last point, then, demonstrates that industry cooperation with MSC goes hand in hand with legal and regulatory control by governmental and intergovernmental bodies (at least in theory). Getting the practice to best coincide with the theory to the benefit of fishers, consumers, and fish, the optimal choice is to focus on industry cooperation with a specific aim to channel a price premium paid by consumers back to the fishermen. Because of substitutability in fish purchase choice, it is important to present a united front among and between fish sellers and purchasers; this may prove to be extremely difficult. Still, presuming the success of MSC's awareness-raising campaign in the consuming public's domain, rising awareness of seafood choice should match rising WTP for a sustainably sourced dinner.