

**PUBLIC COMMENT**  
**U.S. OCEAN POLICY**

At the May 14, 2002 meeting in Honolulu on Ocean Policy, I made a brief statement on the need to better manage the tuna resources in the Western Pacific. I was then requested to submit a more detailed statement to the Commission via Email.

Therefore, I respectfully submit herewith a brief for a project that is of great importance to the United States, its Pacific island territories, and other island nations. This project is required to develop the economic and social welfare of all islanders in the Western Pacific by developing the tuna resources they jointly own and which are being heavily exploited by foreign fishing interests at the expense of the Pacific Island Nations.

Virtually all of the islands in the region, including our island territories, are experiencing rapidly failing economies as they have been unable to establish meaningful industries that can provide sustainable jobs for their people. This failure has been a direct result of their inability to plan and develop their enormous tuna resources.

As no real development has occurred during the past 15 years, my associates and I are convinced there is an urgent need to launch a major effort to help Pacific island nations establish their own tuna fishing and processing industries. Our continued failure to help this region establish viable industries will ensure foreign interests will eventually take over their economies and this will most certainly displace our presence in the region and create an open door for terrorism.

In addition, the Asia Pacific Group on Money Laundering has warned international terrorist organizations could use several Pacific nations to finance their operations. Further, an editorial in the May 2002 issue of Pacific Magazine stated that discounting what it is reluctantly contracted to pay its Micronesian vassal states for the privilege of retaining military control over them, U.S. "engagement" with Oceania's independent island states is a crumb compared with what is delivered by the European Union, Japan, Australia, New Zealand and now China. It went on to say that clearly, the possibility of the use of such airports as Nadi, Rarotonga or Apia as portals for the seizure of a U.S. bound aircraft cannot be ignored. Such a seizure could convert an airliner to become a guided missile for a ghastly assault on targets on the U.S. West Coast or Honolulu.

We fought a terrible war through this entire region that cost us thousands of lives and billions of dollars to free the island nations from foreign dominance. The islanders are now facing a similar and very real threat to their ability to retain control of their way of life, their

independence and their ability to provide jobs and a future at home for their growing populations.

If we fail to take a strong and active role to help the islanders establish economies that will ensure their economic independence and lifestyle, we will have thrown away everything we fought for in the war and all the aid and efforts we have expended in the region since that time. And, we will have lost our strategic strength and position in one of the most important areas of the world.

This region, which covers an area larger than the United States, produces over 60 percent of the world supply of tuna, yet there are virtually no jobs that utilize this enormous renewable resource. Foreign companies fish throughout the region and, for a nominal license fee, haul the tuna many thousands of miles away to some 85 processing plants around the world.

If this trend is allowed to continue, islanders will not be able to obtain the full financial benefits their greatest natural and renewable resource has to offer. Instead, they will receive what the foreign fishing companies deem appropriate – marginal income from license fees.

Activities to date ensure the Asian nations will gain control of this enormous resource and thereby the economy of this vital area, unless strong corrective action is taken. Lack of action on our part will virtually ensure our presence in the region is virtually eliminated and encourage the establishment of foreign controlled economies.

What is urgently required to prevent this is the preparation of a detailed business plan for several key island sites that is prepared by independent industry experts. To date, efforts to get the island nations to prepare such a plan have failed as they have relied on their own inexperienced personnel, or foreign fishing and processing companies, to make such plans.

Therefore, if the island nations are to establish viable economies, detailed business plans must be prepared that will demonstrate such industries can be established and operated profitably. Independent industry experts with extensive experience in the region must be used to prepare the plans.

In the past, development banks have called upon Economists to prepare such plans for various fisheries projects. Virtually, all of these plans have failed as the economists have lacked the expertise to prepare them properly. However, such plans that have been prepared by experienced fisheries personnel have done very well. A good example is the establishment of the World Bank Financed Maldives Tuna Industry. Their first consultant was a captain of a Hawaiian pole and line fishing vessel that went to the Maldives several times to evaluate their production potential. A Hawaii based company, Global Ocean Consultants was then selected

from four other international companies as they demonstrated their ability to utilize staff that were independent and experienced tuna industry personnel to train the Maldivians.

Past experience in the region has clearly demonstrated that Hawaii has the most experienced people in the tropical tuna fishing and processing industries to prepare such plans. Therefore, in order to create these industries throughout the Pacific, I strongly believe a Hawaiian Corporate Entity should be established to prepare the detailed business plans that are required proceed with the establishment of viable ventures in several key locations in the Western Pacific.

To accomplish this a Hawaii based Corporate Entity should be established that includes such personnel as Jon Van Dyke, a lawyer with extensive experience with such legal matters as the Law of the Sea, the United Nations Treaty on the Management of Straddling Stocks and other related matters. Jim Cook, the President of Pacific Ocean Products, a major fishing company as well as the largest supplier of longline fishing equipment in the Pacific should be included as well as myself as I have spent many years directing fisheries operations in Micronesia and Papua New Guineas as well as establishing a successful tuna processing industry on a remote atoll in the Indian Ocean.

Other experienced personnel would include Don Chapman, an Architect and Planner with wide experience in Asia and the Pacific. Other specialists to include would be a local dock construction engineer, tuna products broker with global markets, a refrigeration engineer, power plant engineer, a Pacific banker and economist, a fuel operations manager, a shipyard manager, and a CPA.

In order to demonstrate the planning activities would not be prejudicial to their island objectives, this Entity would offer its services on a non-committal basis to key island nations to assist their leaders and key businessmen with the planning, funding and development of their fishing and processing industries.

The Entity would then visit key sites in the Western Pacific that would, with the proper infrastructure, be able to provide full vessel support and processing services. The support infrastructure required would include large bulk fuel storage tanks to take direct tanker shipments of fuel from Singapore in order to provide low cost fuel. Large cold storage plants to hold bait for longliners, provisions for the crews, frozen tuna for export and ice plants for the longliners. A fishmeal plant would also be required to turn the waste products into a valuable commodity

In addition, tuna canning operations would enable seiners to sell and offload their catches close to the fishing grounds. This would be a big advantage as the island plants could acquire the tuna for much less than those canneries thousands of miles away that have to pay the cost of delivering or transshipping the tuna to those plants. This would also allow the island plants to pay more for the fish than those distant canneries and as the seiners could also turn around faster they could get in an additional trip year thus greatly increase their cash flow.

When the potential sites have been evaluated, a detailed business plan would then be prepared for each site that demonstrated development potential. With these plans, funding would be sought from development banks to build the infrastructure required to support the industries; e.g., deep water docks, power and water plants, refrigeration and ice plant facilities, access roads, etc.

Development banks have recently stated island nations need to provide the infrastructure required to support viable industries. They have gone on to say that they will provide soft loans for such industrial development provided business plans demonstrate such ventures can be commercially profitable. This would allow a large percentage of the developmental costs to be repaid over extended periods via user-fees. This, based on previous business plans, would increase the rate of return from 18 percent to an estimated 24 percent.

There are many advantages to establishing tuna industries in the Western Pacific. First, they have the fish, and together can control and protect the world's richest tuna resource from being over-fished, by ensuring it is properly managed. Next, providing vessel support services can also create many jobs and substantial earnings. For example, a purse seiner spends nearly \$500,000 outfitting for a trip and they make five trips a year. As there are now some 150 seiners operating in the region, they spend over \$300 million a year for such services, yet practically all such services are currently provided outside the region as suitable docks to support such services are sadly lacking despite our infusion of billions of dollars to help the islanders establish viable economies.

Other island nations have also requested financial assistance from Japan to provide assistance with the establishment of Ocean Thermal Energy Conversion facilities to help with the development of desalination plants, trans-Pacific fiber optic branch, etc.

Cheaper fish is the most important advantage island plants would have over Asian processors. The cost of tuna is 60% of the total cost of a case of tuna; cans, cartons and labels take up 24% and labor 6% to 8%. The cost of cans cartons and labels is a price all plants have to

pay and labor becomes the second most critical cost factor. As labor costs in the Pacific region are low, this puts them in the most favorable position possible for long-term tuna processing.

Island based plants could purchase the tuna for about \$120 a ton cheaper than the Asian processors as that is what it cost the vessels to deliver the fish to those distant ports. Island plants could then pay the vessels some \$60 a ton more for their fish than they would receive in the Asian ports and this would not only ensure the vessels came to the plant, it would also increase their income by some \$60,000 a trip or \$300,000 a year. Add another trip because of the more rapid turn around and a vessel could make an additional trip a year, thus increasing their earnings by some \$900,000.

When the operational capital is acquired, the facilities will be constructed in the most cost effective manner that provides the proper equipment for the area and operation. Training of island personnel will start once construction is underway and it will be carried out in the same manner utilized by my company, Global Ocean Consultants, when it established a locally owned and managed tuna processing industry for the Republic of Maldives on an atoll that had no harbor, or any other support facilities when started. Today that plant is operating profitably and is owned and operated by the Maldivians.

When the plant is constructed, Plant Managers will be brought in to train islanders to take their place. Experienced Supervisors and Foremen will also be hired to train their replacements. Marketing of the finished product will be via a commission basis with full transparency in the markets where quality and demand is high.

As the island nations lack the experience and know-how to establish such industries, professional guidance and training is absolutely essential to create such industries. To illustrate, according to the Asian Development Bank and other publications, the fishing and processing operations established in Micronesia have never made a profit and have lost over \$100 million in badly planned and managed ventures.

Existing operations are polluting the lagoons and reefs on those islands where foreign fishing activities are based. This is having an unknown but deadly impact on local fishing activities and the surrounding reefs. Such facilities if built under the direction and management of our proposed Entity would meet all sanitary standards and would not have a negative impact on the local environment.

Statistics show that if ten canneries, each of which processed 40,000 tons of tuna a year and employed over a thousand workers were established, they would not use half of the tuna being caught in the region each year. They would employ over 10,000 workers directly and

another 5,000 indirectly. The local industries could also expand to process more tuna as their labor force grows.

As has already been demonstrated by existing ventures, the construction of such facilities by foreign companies will have a negative impact on the inshore and offshore environment. Further, they would provide only a small part of the full benefits the resources can provide.

The lack of jobs throughout the region has caused a migration of islanders to Guam, Hawaii, the United States and Australia. This outward migration has been a brain drain and inflicted huge unbudgeted costs in the U.S. for education, medical and unemployment expenses.

Failure to assist island nations establish viable economies will most certainly lead to their economies being controlled by foreign interests. This will lead to the loss of United States influence in the region with a resulting growth in crime and terrorism.

As there are over a thousand foreign fishing vessels operating in the region, it stands to reason terrorists would utilize these vessels to enter the region and then move on into our waters.

The establishment of U.S. managed fishing industries in the region that will train the locals to manage their jointly owned tuna resources would need to utilize translators to be in contact with these foreign vessels at sea as well as when they come into port. These services would certainly make it possible for us to monitor on-going activities in a very cost effective manner.

Our assistance will not only greatly strengthen the economy of the Pacific island Nations, but will also be a stabilizing influence on the ocean's ecology and, in addition, create a favorable U.S. trade balance.

Therefore, if we are to move this program ahead quickly we will need to obtain a grant that will make it possible for us to get started immediately. One of the finest sites would be on the island of Manus in Papua New Guinea where we had a base during the war. AusAID is now funding extensions and improvements to the Momote airport so longline caught tuna can be flown directly from Manus to Japan. Sanko Bussan Company of Japan is managing the new project and this would compliment the establishment of a tuna processing operation utilizing purse seine caught tuna caught by Chinese, Korean, Taiwanese, and Japanese vessels.

Setting up an operation in this and similar sites would ensure we had the personnel to monitor what is going on in key island sites as well as onboard the numerous vessels operating in the region as our translators would be monitoring radio calls and talking with crew members while they are in port.

Or, if a grant to set up the entire operation is out of the question, we would then require funding to prepare a regional tuna industry development plan with which we can obtain soft loans from development banks to build the infrastructure required to support a viable industry. This would reduce the capital required by \$11 million per plant so all we would then to raise would be an \$20 million to purchase the equipment and materials to go into operation. This could best be obtained via another grant or if necessary via venture capitalists because of the demonstrated high rate of return.

It is of great importance to note that the island nations of Palau, Papua New Guinea, the Federated States of Micronesia, Marshall Islands, Nauru and Kiribati can control the world's richest tuna resource under the authority granted via the Law of the Sea and the United Nations Treaty on the management of straddling stocks.

However, over the past fifteen years they have demonstrated they lack the expertise in the establishment of commercial fishing and processing activities to create viable industries that will fully utilize their enormous *natural and renewable* resource – the tunas.

Therefore, it appears to us that the U.S. government agencies that should be concerned and assist with this program are:

1. **U.S. State Department:** They have already given some \$2.6 Billion dollars to the Federated States of Micronesia and the Marshall Islands with little if any resulting economic development. In addition, the Marshall Islands and FSM are now requesting additional funds to support their economies for another 15 years.
2. **U.S. Military:** A controlling foreign presence in an ocean area larger than the United States is not in the best interest of our country. The islands will also become a haven for terrorists and poise a real threat to our nation.
3. **Department of Commerce:** Tuna processed in the Micronesian islands could be imported into the U.S. markets duty free; thus giving these islands a marketing advantage over Asian processors of some 22% when the cheaper cost of fish and the duty free market advantages are considered. Tuna processed in Papua New Guinea, the Solomon Islands, Tonga, and other island nations that are EEC members will be able to market their tuna duty free into the EEC markets, a marketing advantage of at least 24 % over Asian processors plus an additional advantage in lower cost fish.
4. **Environmental Protection Agency:** Virtually all islands where foreign fishing vessels enter have had serious pollution problems. Majuro, which has a tuna loining plant and

receives tuna from foreign purse seiners, has serious pollution problems within its lagoon and fringing reefs. Similar problems have been reported in Papua New Guinea, Palau and elsewhere.

5. **Overseas Private Investment Corporation:** OPIC has long been interested in assisting with the development of viable industries in foreign countries.

Our group is business and island oriented. We are extremely concerned about the problems facing the people of the South Pacific and we know what can and must be done to provide them a secure future. Failure to take strong action to develop the economy of the entire region can have disastrous consequences for our nation as well as for all of the Pacific islanders.

I am attaching a brief on my background for your consideration. We trust you will recognize the seriousness of this situation and do all you can to help us make the Pacific a better place for the present and future generations of island people.

Sincerely,

Peter Wilson

President, Global Ocean Consultants

Attachment: Background of Peter Wilson