MULTINATIONAL CORPORATIONS IN THE PACIFIC TUNA INDUSTRY

BY

DAVID J. DOULMAN, Ph.D.
PROJECT DIRECTOR

A PROGRESS REPORT PREPARED FOR THE PACIFIC ISLANDS CONFERENCE
RAROTONGA, COOK ISLANDS 1985
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Purpose

The purpose of this report is to brief the Pacific Islands Conference with respect to the status of the Multinational Corporations in the Pacific Tuna Industry project (commonly known as the tuna project) being undertaken by the Pacific Islands Development Program.

Background

In 1981 the Pacific Islands Development Program was directed by the Standing Committee of the Pacific Islands Conference to evaluate the potential beneficial roles of multinational corporations in the Pacific islands region. The minutes of the Pacific Islands Conference Standing Committee meeting of April 21, 1981, noted in part:

a. Role of Multinationals

In discussing this issue, the Committee felt there should be a better understanding of the role of multinationals in the Pacific islands, in terms of their objectives, organization and know-how, as well as their role in development. At present there is a tendency to react with some hostility towards multinationals, which has effectively kept governments and multinationals at arms length. At the same time many governments have tried to develop cooperatives and local companies to achieve the same purpose as the multinationals, and in many cases these schemes have run into difficulties. Furthermore, the new developers tend to try to attain monopolies for themselves when in effect competition may be more beneficial for the countries and people of the islands.

The Committee felt that there should be a study of multinationals and more specifically as to why they succeed, how they succeed and in what areas. With a better understanding of the role of multinationals, perhaps systems could be developed for joint or cooperative efforts between governments and multinationals which will be beneficial for both parties.

The Committee therefore resolved that:

(a) a study of multinationals and their roles should be made;

(b) the study should indicate clearly how they succeed, why they succeed and in what areas;
(c) the study should also provide alternative approaches for government-multinational dialogue leading to cooperation for the benefit of both parties.

The Standing Committee addressed the question of multinational corporations again in 1984 and resolved that evaluation of the role of these corporations be undertaken on a sectoral basis, with the tuna industry being the first sector to be examined. The minutes of the Pacific Islands Conference Standing Committee meeting of February 1-2, 1984, noted:

(g) **Multinational Corporations**

The directions as given in the last meeting of the Standing Committee has been given further impetus by the appointment of staff for this project. The head of the project will also be responsible for the Indigenous Business study programs.

The Committee noted that action areas have been identified and that the three main focal points approved in the last meeting is given emphasis in the planned output of this project.

The research coordinator noted that a sectoral approach to this project would be advisable given the diversity of MNC involvement in the region. PIDP recommended that the first sector to be studied should be tuna fisheries and that PIDP had discussions with FFA on cooperation on the project. The Committee approved the sectoral approach and urged collaboration between FFA and PIDP.

Staff for the tuna project were appointed in late 1984 and the project commenced in January 1985. Provided adequate funding for the project is forthcoming in the near future it is anticipated that the project will be completed by 1986 or early 1987.

**Project Objectives**

In line with the directions given by the Standing Committee in 1981 and 1984, the objectives of the tuna project are essentially to:

(a) analyze the current and future role of multinational corporations in the tuna industry in the Pacific islands region; and

(b) evaluate the potential contribution these corporations would make to industry development in the region.

The project will also assess the relative importance of the region's tuna fishery/industry in the context of the international tuna industry. On the basis of country experiences and trends in the region's tuna industry, potential development options for Pacific Island countries may be outlined.
Research Areas

The project will be divided into five major areas of research.

1. Overview: The Pacific Tuna Industry

The first step in studying the tuna industry in the Pacific islands region will be a profile of tuna resources and an assessment of their potential for development. This work will draw on the stock assessment research conducted by the South Pacific Commission and other agencies. It will be followed by a review of traditional tuna fishing in the region and an analysis of potential conflicts that do or might arise from commercial development of the fishery.

The major emphasis of this project area will focus on the commercial development of the tuna industry, national fishing industries, and distant-water fishing operations in the region. Activities in the industry will be analyzed in light of changes which have occurred and continue to occur in the international tuna industry. Estimates will be made to determine the quality of tuna from the region vis-a-vis tuna from other areas of the world and to examine what effect this had on its market value. The importance of the region's fishery to the distant-water fishing nations will also be assessed together with an analysis of where the region's fish is traded, processed, and marketed.

2. World Tuna Markets

Success in the fishing industry depends not only on catching fish but also on knowing where and how to market the fish. In the international tuna industry particularly, this requires complete, up-to-date information on marketing opportunities, buyers' product specifications, prevailing market requirements, and price fluctuations. It also requires a thorough understanding of the structure and dynamics of world tuna markets for frozen and processed products. Lack of this kind of information puts producers and exporters in developing countries such as the Pacific island countries at a disadvantage in their dealings with established traders.

This project area will address these information needs by reviewing past and present conditions in the major tuna markets—Japan, the United States, and Western Europe. The research will take advantage of ongoing work at the Forum Fisheries Agency and at Food and Agriculture Organization's INFOFISH Project in Kuala Lumpur.

Issues to be specifically covered in this area of the project will include:

(a) a description of the structure of the markets in Europe, Japan, and the United States;

(b) an overview of international market trends and outlooks for fresh, frozen, and processed tuna products;

(c) a description of marketing networks of multinational tuna corporations;
(d) an outline of the determinants and perceptions of quality in each of the tuna markets concerned;

(e) an assessment of obstacles to and potential for increasing trade in tuna products; and

(f) an evaluation of the potential advantages to Pacific island governments under the Lane Convention and other relevant trade agreements and national legislation (for example, the United States' legislation entitled Headnote III A).

3. **International Business and Foreign Investment in the Tuna Industry**

The international tuna industry is dominated by a relatively small number of companies, but information on their activities and operations is not easily available. Research in this project area will begin by addressing this concern and by identifying and profiling each of the major companies involved in the world's tuna industry. Particular emphasis will be placed on those involved in the tuna industry in the Pacific islands region. Data will be presented on the level of their investment, the nature of their activities, the extent of their operations, and their cooperation and involvement with other companies in the tuna industry. There are two important objectives in this phase of the research:

(a) to provide a better understanding of the operations and strategies of, and linkages among, the major Multinational Corporations involved in the tuna industry; and

(b) to identify those areas where MNC operations in the western and central Pacific are affected—or could potentially be affected—by their involvement in tuna activities in different regions of the world.

Another important aspect of research in this project area concerns the role of foreign investment and joint-venture operations. These arrangements have played an important role in fisheries development in many parts of the world, particularly in the Pacific and Asian regions. They are generally viewed as mutually beneficial. In exchange for access to a host country's fishery resources and for the opportunity to benefit financially, the foreign investor provides capital, technology, expertise, and access to overseas markets. In the host country, these inputs are expected to:

(a) accelerate development of the fishing industry and the economy overall;

(b) harvest unexploited and underexploited resources;

(c) promote technology transfer;

(d) generate employment;

(e) increase foreign exchange earnings; and

(f) generate government revenue.
The objective of the research is to examine the potential and problems of foreign investment and joint-venture operations in relation to the tuna industry in the Pacific islands region. This research will be supplemented by reviewing the Asian experience with joint-ventures, but the analysis will not be strictly comparative because of the uniqueness of the Pacific islands region. Based on the findings, an approach will be developed for assessing tuna joint-ventures in the region. This will be applied in the following section to specific case studies. It will be designed in such a way that it can be used by countries in the region contemplating the establishment of joint-ventures or other arrangements involving foreign investors.

4. Case Studies

Subject to the approval of Pacific island governments, tuna joint-ventures in the region will be analyzed. These joint-ventures represent a cross section of different types of activities with varying levels of foreign equity participation.

Case studies undertaken at the request of governments will be confidentially reported to respective governments. However, it is proposed to request governments to edit the reports on these case studies for material considered sensitive so that the case studies can be incorporated into the final report for the project.

5. Development Options and Issues

On the basis of experience in the Pacific islands region, and drawing on relevant experiences in Asia, project staff will objectively assess the costs and benefits of different types of multinational corporation involvement in tuna operations. Alternative arrangements for developing and participating in the tuna industry will be outlined and assessed. Specific components that will be considered include:

(a) an overview of the Pacific island joint-venture experience;
(b) potentials and problems of different types of joint-ventures;
(c) loan guarantees by government;
(d) treatment of infrastructure costs and development;
(e) fiscal and other concessions;
(f) the capitalization of aid into projects; and
(g) environmental and social impacts.

Research Activities

Despite the lack of funding for the project, research in several areas has been initiated. Staff have made several field trips to the United States' mainland and within the Pacific islands region. The purpose of these trips has been to liaise with representatives of island governments.
concerning the project and to discuss particular aspects relating to the case studies. The project director was in Rarotonga in May 1985 at the time of the Forum Fisheries Committee meeting. While he was not invited to attend the meeting, the project director was requested by the Committee to provide a briefing on the tuna project. The project director's presence in Rarotonga enabled him to meet informally with delegations from the region to discuss the project.

Research activities currently underway include:

(a) drafting of a brief statement concerning inconsistencies in the U.S. tuna policy from a legal point of view;
(b) preparation of profiles of the tuna industries in Thailand and Mexico;
(c) the documentation of locational changes in United States' tuna processing and the implications this has for Pacific island countries;
(d) preparation of a bibliography concerning the Pacific tuna industry;
(e) preparation of a survey that will attempt to quantify fiscal and other differences in Pacific island countries that affect the establishment or maintenance of tuna industries;
(f) preparation of the overview for the project; and
(g) in consultation with the territorial administrations of American Samoa and Guam, terms of reference for the case studies proposed for these territories are being prepared.

As research findings are documented they will be distributed to island governments for their information. Feedback from the governments to the Pacific Islands Development Program will serve as the basis for revision of documents prior to their being incorporated into the final project report.

Documents/Reports Prepared

The following list shows the documents and reports prepared by project staff as of June 1, 1985.

1. Research and Related Documents

1984

October  Project Abstract: The Role of Multinational Corporations in the Pacific Tuna Industry (6p).
A project abstract prepared for distribution to countries/organizations describing the project.
A proposal prepared for project funding for the Australian Development Assistance Bureau, Canberra, Australia.

1985

January  Tuna Industry Study Underway in Hawaii (2p).
A press release prepared for international journals and newspapers.

A brief prepared for Dr. Victor H. Li, East-West Center, president, for a meeting of the Task Force on Agriculture and Renewable Resource Goods, San Francisco.

The Role of Multinational Corporations in the Pacific Tuna Industry (9p).
A brief prepared for Mr. F. N. Bole, Pacific Islands Development Program, director, for the Winter Meeting of the Pacific Basin Development Council, Washington, D.C.

A funding document prepared to secure funding for the market component of the tuna project for Program Director, South Pacific Regional Development Program, United Nations Development Program, Suva, Fiji.

A report prepared for Mr. F. N. Bole, Pacific Islands Development Program, director, for the 10th Forum Fisheries Committee Meeting, Rarotonga, Cook Islands, April 29-May 3, 1985.

April  Import Regulations in the United States: A Focus on Tuna Commodities From the Pacific Islands Region (20p).
A project report prepared by Mr. Jesse M. Floyd for distribution to Pacific island countries.

The Tuna Industry in the Pacific Islands Region: Opportunities for Foreign Investment (34p).
A project paper prepared by Dr. David J. Doulman for presentation at the Pacific Islands Association meeting, Hana, Maui, Hawaii, April 22-23, 1985.

May  Tuna Fisheries in the Philippines (25p).
A project paper prepared by Mr. Jesse M. Floyd for presentation at the 36th Annual Tuna Conference, Lake Arrowhead, California.
2. **Field Trip/Back to Office Reports**

1985

**TP1**

Preliminary Searches/Discussions in Fiji and Western Samoa (4p): Iosefa Maiava (January 5-10).

**TP2**

Trip Report to American Samoa (8p): Jesse M. Floyd (March 3-10).

**TP3**

Trip Report to San Diego (10p): David J. Doulman (March 6-9).

**TP4**


**TP5**

Trip Report to Australia, Cook Islands (FPC 10), Western Samoa, American Samoa (52p): David J. Doulman (April 25 - May 11).

**TP6**


**Research Methodology**

Several research methods will be employed simultaneously to complete the project. Although comprehensive data on the volume and value of tuna production, trade, and price patterns is not readily available, some information can be obtained from published literature, American and Japanese fisheries associations, government documents, and regional and international organizations active in the region. This information will be reviewed, particularly through associations with the South Pacific Commission, the Forum Fisheries Agency, and Food and Agricultural Organization's INFOFISH Project in Kuala Lumpur. Information will also be sought from the tuna companies involved in the Pacific islands region. In addition, this information will be augmented by field research and interviews with government officials and industry leaders. Experts will be contracted to undertake studies on specific issues which require specialized knowledge and first-hand experience.

An integral component of the study will be a workshop tentatively scheduled for February 1986. One purpose of the workshop will be for project staff to present a preliminary synopsis of their findings, to disseminate information, and to provide an opportunity for representatives from island governments to assess the results to date and to critique the future directions of the projects.

**Funding**

Funding constraints for the project have delayed its implementation. Intensive efforts have been made to locate funds to support the project following Australia's decision not to provide additional funding for Pacific Islands Development Program projects, including the tuna project. While interest has been expressed in providing financial support for the
project, no concrete commitments have been forthcoming to date except for the East-West Center's contribution.

1. **East-West Center's Contribution**

The East-West Center will contribute a total of US$122,000 to the project over its two year duration. This contribution represents 36% of total project costs. The Center's contribution to the proposed workshop (US$10,000) will be in kind rather than a cash contribution through the provision of services such as secretarial and administration support.

2. **United Nations Development Program**

A request to fund the world tuna markets component of the project (US$57,000) has been submitted to the United Nations Development Program. Indications from the UNDP regional representative in Fiji in response to this request are encouraging. Provided that governments in the Pacific islands region express their support for the project it is anticipated that the world tuna markets component will be funded by the United Nations Development Program.

3. **United Nations Center for Transnational Corporations**

The chairman of the Standing Committee has sought financial assistance for the workshop from the United Nations Center for Transnational Corporations in New York. The Center has responded positively to the chairman's request and has agreed in principle to fund the workshop.

If funding from the United Nations Development Program and the United Nations Center for Transnational Corporations is forthcoming, it will be necessary to secure an additional US$100,000 in order to execute the project in its proposed form.

4. **Contributions From Governments**

The administrations of American Samoa and Guam are attempting to raise funds to support the case studies proposed for these two territories. Project staff have been assisting staff in the territories in drawing up proposals for funding agencies. It is highly encouraging that these administrations are prepared to do this and it indicates the importance with which these administrations regard the project.

**Collaboration**

1. **Institutes and Organizations**

It is established policy of the Pacific Islands Development Program to collaborate with national, regional, and international organizations in carrying out its projects to the maximum extent possible. For the tuna project it is recognized that close liaison should be maintained with the Forum Fisheries Agency as well as other organizations such as the South Pacific Commission, the United Nations Development Program, the Food and Agricultural Organization, the United Nations Center on Transnational Corporations, and the Commonwealth Secretariat. Liaison has also been
established with institutes in Australia, Canada, Japan, and the United States with a view to cooperating on research.

At the Forum Fisheries Committee meeting in Rarotonga (April 29 - May 3, 1985) the committee was briefed on the Pacific Islands Development Program's tuna project by the project director. The minutes of the meeting recorded the following points:

36. The meeting expressed its support for the project. It was noted that the project was working in an area that was important to Forum member countries. It was able to provide resources to study aspects of the tuna industry which could not be included in the Forum Fisheries Agency Work Programme at this time because of other commitments.

38. The Committee expressed the desire to see continued close co-operation between the Agency and the Pacific Islands Development Program Secretariats. Towards that end the Committee decided that the Pacific Islands Development Program staff should be invited to meetings where attendance would be of direct benefit to all of the committee member countries, and would enhance this co-operation.

To comply with the request of the Forum Fisheries Committee, the Pacific Islands Development Program will liaise and cooperate closely with the Forum Fisheries Agency on the tuna project.

2. Governments

In addition to maintaining close and cooperative links with institutes and organizations in relation to the project, it is critical that close liaison also be maintained with government representatives in the Pacific islands region. This will be done as a means of ensuring that research findings are disseminated quickly. The project director and his team are also available to assist governments in other areas if such assistance or advice is sought. For example, the project director has assisted governments in the region to advertise employment vacancies, recruit fisheries staff, and obtain background information on consultancy groups.

Staff

The project involves a core group of researchers based at the Pacific Islands Development Program. In addition, specialists from inside and outside the Pacific islands region will be engaged to contribute to specific aspects of the study.

The project director is Dr. David J. Doulman who, prior to joining the project, was chief fisheries economist in the Department of Primary Industry in Papua New Guinea. Mr. Jesse M. Floyd, formerly a marine policy Analyst with the East-West Center’s Environment and Policy Institute, has also been appointed to the project. Other staff appointed to the project
on a temporary basis include Iosefa Maiava, Kent Carpenter, and Mathilda Miria-Taiera.

Overall project management is the responsibility of Dr. Michael P. Hamnett, deputy director and research coordinator for the Pacific Islands Development Program.

Research Internships

Governments in the Pacific islands region will be invited to nominate research interns to participate in the activities of the project. Internships will normally be for a period of three months with all expenses being met by the Pacific Islands Development Program. An internship program of this type is an integral component of all projects undertaken by the Pacific Islands Development Program. In nominating persons for internships for the tuna project it is requested that consideration only be given to individuals currently working in government or industry in capacities directly related to the development and/or management of the tuna industry. This request is made with a view to ensuring that individuals nominated for the program will derive maximum benefit from their attachment to the project.

Problem Areas

The principal problem facing the tuna project at the present time is the lack of funds to support research and until funds are available this situation will not improve. The lack of funds is a source of frustration to the project director and his team and:

(a) is making forward planning for the project difficult because it is not possible to make firm commitments to governments or consultants concerning research or particular aspects of the project;

(b) is delaying the project's effective implementation. A revised completion date for the project will be required, though the extent of the revision will to some extent be off-set by the reduced number of case studies that is proposed;

(c) is preventing substantive research from being started. In lieu of research the project director is spending considerable time and effort attempting to raise funds for the project.

The tuna project has received wide press coverage in the Pacific islands region as well as internationally. Expectations of governments in the region are high and research results are being awaited with interest. Failure to secure funds for the project in the near future could prejudice the success of the project overall.
The Multinational Corporations Project will focus on the problems that island governments generally face in dealing with multinational corporations and on the benefits that can be gained from the involvement of multinational corporations in specific sectors. In carrying out the project, PIDP will cooperate with regional and international organizations. The first of a series of sectoral studies will focus on the roles of multinational corporations in tuna fishing in the Pacific region.


13
Pacific Islands Development Program


The East-West Center is a public, nonprofit educational institution with an international board of governors. Some 2,000 research fellows, graduate students, and professionals in business and government each year work with the Center's international staff in cooperative study, training, and research. They examine major issues related to population, resources and development, the environment, culture, and communication in Asia, the Pacific, and the United States. The Center was established in 1960 by the United States Congress, which provides principal funding. Support also comes from more than 20 Asian and Pacific governments, as well as private agencies and corporations.

Situated on 21 acres adjacent to the University of Hawaii's Manoa Campus, the Center's facilities include a 300-room office building housing research and administrative offices for an international staff of 250, three residence halls for participants, and a conference center with meeting rooms equipped to provide simultaneous translation and a complete range of audiovisual services.
The Pacific Islands Development Program (PIDP) at the East-West Center helps meet the special development needs of the Pacific islands region through cooperative research, education, and training. PIDP also serves as the Secretariat for the Pacific Islands Conference, a heads of government organization involving leaders from throughout the Pacific region, and for the Pacific Islands Conference Standing Committee, which was established to ensure follow-up on development problems discussed at the 1980 Conference.

PIDP’s research, education, and training activities are developed as a direct response to requests from the Standing Committee. PIDP’s projects are planned in close cooperation with the Committee to ensure that the focus and the organization of each project address the needs identified by the heads of government on the Committee, a process which is unique within the East-West Center and in other research and educational organizations serving the Pacific.

A major objective of the program has been to provide quality in-depth analytical studies on specific priority issues as identified by the Pacific island leaders and people. The aim is to provide leaders with detailed information and alternative strategies on policy issues. Each island country will make its own decision based on national goals and objectives. Since 1980, PIDP has been given the task of research in eight project areas: energy, disaster preparedness, aquaculture, government and administrative systems, nuclear waste disposal, business ventures development and management, roles of multinational corporations, and regional cooperation.