

Challenges to domestic tuna industry development in the Pacific

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While some issues and constraints to domestic tuna industry development in the Pacific Islands region are generic, each country has a unique set of circumstances that affect the degree to which development can take place.

Each fishing method, such as purse-seine or longline, has specific problems and issues. In recent years, the skipjack purse-seine industry has thrived while the longline industry has languished somewhat, with prices for large tunas remaining static.

There has been minimal domestic tuna fisheries development in much of the Pacific, although this has not been the case in the more established Pacific fishing nations such as Fiji, Papua New Guinea, Solomon Islands, and more recently, Vanuatu whose fishing fleet has expanded rapidly. Conversely, remote Pacific Island countries (PICs) tend to rely on fishing access fees from distant water fishing nations (DWFNs) as the main source of income generated from their fishery resources. This option provides the best return for geographically isolated and sparsely populated PICs.

Some PICs have concentrated their efforts on developing onshore infrastructure while others have concentrated on expanding their domestic fleets (or a combination of both). While each country is different, all have two things in common: 1) they lie within a region where it is extremely costly to operate, and 2) they are totally reliant on distant world markets, without which there would be no fishery at all.

Cost of doing business

Operating costs — both at sea and onshore — are high within the region. Transport costs for imported goods such as fuel, bait, processing materials and fishing gear comprise a large component of operating costs. Approximately 65% of the operating costs of a Pacific Islands-based longline vessel are for imported goods. The cost of these inputs is further increased by import duties. Because PICs have a low “pay-as-you-earn” revenue stream (i.e. an income tax on wages), they apply a high rate of duty and taxes on consumable goods. Depreciation allowances (for tax purposes) are inadequate. The net result is that a domestic-flagged vessel is fiscally penalised compared with a DWFN vessel based out of the same port.

Labour issues

Fishing vessels that are crewed by Pacific Islanders, whether domestic or foreign flagged, provide a large employment opportunity within the region. The Pacific Island Maritime Codes are outdated and have not followed changes adopted by other maritime nations or

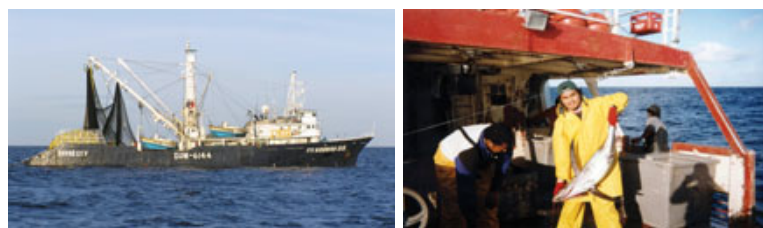
DWFNs. As a consequence, domestic-flagged vessels are disadvantaged, and more importantly, the advancement of Pacific Islanders to senior level positions is restricted by sea time requirements and extremely lengthy courses at Pacific Island maritime schools.

There is also a cultural difference with regard to working habits that needs to be addressed if PICs are to compete in the world labour market. Properly trained workers are in short supply and their understanding of the expectations of international customers is poor.

Investment and finance

Almost without exception the major recent investments within the Pacific for shore processing and vessels have been initiated by private sector foreign investors. These investments have been in conjunction with local shareholders who hold varying percentages in the equity as required by the coastal state. Finance for these ventures has typically been provided almost in total by the foreign investor. While some may criticise the concept, it is a consequence of limited or no financing being available locally. A very positive advantage is that the foreign investor brings with them the expertise and knowledge of this complex and difficult industry. Foreign investment, through joint venture partnerships, “fast tracks” technology transfer from willing partners to PIC nationals.

A period of stabilisation will be necessary before trading banks in the Pacific view the fishing industry favourably. Various government support schemes for total indigenous ventures in the region (other than artisanal fisheries) have not generally been met with great success. Too many government-led ventures have failed, but in most cases they have provided the nucleus for subsequent successful purchases and increased investment by the private sector. The creation of national fishing companies was a first step in promoting local participation, but



Foreign flagged or domestic purse seiners (left) and longliners (right), provide a large employment opportunity within the Pacific Islands region.

governments need to go further and encourage funding support either internally or from donor agencies. Some major problems are:

- Donor funds for infrastructure initiatives (onshore or at sea) appears to be unavailable or lacking;
- DWFNs still receive fishery subsidies in the form of fuel rebates, accelerated depreciation, and soft loans that are not available to PICs; and
- Interest rates throughout the Pacific are among the highest in the world.

Tenure and security of investment

A sustainable Pacific fishery is crucial to future PIC investment, yet the lack of tenure and security of licences in many PICs creates a nervous investment climate. Governments need to make investors feel confident in investing in domestic tuna fishery ventures in the region, and actively support enabling legislation that has a certain life and not subject to constant change. There is uncertainty among certain individuals and organisations about the effectiveness of the Western and Central Pacific Fisheries Commission as a regional fisheries management organisation.

Access to markets

Domestic fisheries in the Pacific can only exist with continuing access to world markets. Only three PICs are on the European Union (EU) list of third countries¹ from which imports of fishery products for human consumption are approved. Sanitary and phytosanitary rules for access to international markets such as the USA are being tightened and others will follow, yet many PICs do not have laboratory or inspection facilities to comply. This will deter investment in the more isolated PICs and mitigate against vessel registration or reflagging. Basic training in food hygiene is necessary — starting at the most junior level position — to ensure that products originating from the Pacific Islands region meet all sanitary requirements. Continued preferential duty access to the EU for fishery products under African, Caribbean and Pacific country rules remains an important factor.

Representation at international fora

At various international fora, PICs do not always negotiate as a group, often because of their diverse interests. Yet few countries have the resources to negotiate independently. This has recently been exemplified in the US Fisheries Multilateral Treaty and European Union Economic Partnership Agreement negotiations, where PICs are often represented by one lone delegate. Foreign consultants have taken the lead with trade negotiations at the World Trade Organization (WTO), General

What is PITIA?

The Pacific Islands Tuna Industry Association is a private sector organisation that works to promote and protect the commercial interests of the Pacific Islands domestic tuna fishery. From the more northern equatorial islands to the eastern subtropical states, the interests and level of development are diverse although the issues are often common.

The association was incorporated in the Federated States of Micronesia in 2005, a direct industry reaction to the formation of the Western and Central Pacific Fisheries Commission and the multiple conservation and management measures that continue to be developed in an effort to sustain tuna stocks in the western and central Pacific Ocean.

During an industry consultative process in 2004, held specifically to discuss the impact of the Convention on the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean on domestic tuna development, it was clear that there were substantial commonalities among PICs, and representatives agreed that the most effective way of addressing the issues would be as a collective.

PITIA member countries include Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu. Representation to the organisation, where it exists, is the national association and where organisations do not exist, a prominent member of the industry takes on the role

Agreement on Tariffs and Trade, and similar organisations. While consultants have performed this task in many PICs, it does not appear that local counterparts are being trained to take over this role. In some PICs, other industry interests take precedence over fisheries in trade or access negotiations.

Only a limited number of PICs have established and effective trade organisations, and it is a primary role of PITIA to facilitate the extension of these. Well meaning government officials attend major fora that have a commercial bias without seeking the input of industry. Generally, the voice of industry is weak throughout the Pacific, and this has worked to the detriment of fisheries development.

To provide further and expanded development of the domestic tuna industry, it is necessary to ensure that both sea and onshore domestic operations in the Pacific have the opportunity to be internationally competitive. Many internal restraints and regulatory controls need to be removed or reviewed to achieve this. Access to finance for infrastructure development remains a priority, both for PITIA and the fishing industry in coming years.

PITIA is governed by a directorate that is drawn from the entire range of business enterprises described in this paper. The Secretariat manages PITIA so that directors can remain active in their businesses or associations, thus ensuring that their input to recommendations is drawn from current understanding and involvement in Pacific tuna commercial affairs.

¹ *Third countries* is the term used in EU legislation to designate countries outside the European Union.