

North Pacific Fishery

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Appendix S

APRIL 1977 MEETING

IF YOU WISH TO TESTIFY BEFORE THE COUNCIL, PLEASE
SIGN BELOW. YOU WILL BE ALLOWED 10 MINUTES.

NAME	ADDRESS	SUBJECT
Harold Sparck	Nunam Kitlutsisti Corp. P.O. Box 267, Bethel, Ak. 99559	
Thomas A. Casey	Kodiak	
R.C. Ely	Anchorage	
H. Clay Cook	11 DuPont Circle Washington, D.C. Cadwalader, Wickersham & Taft	
Bob Davenny		
E.W. Furia	Seattle, Wash.	

Testimony delivered to the
North Pacific Fisheries
Management Council hearings
August 24, 1977.

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9.

Thank you, Mr. Chairman.

My name is Edward Naughton. I am a consultant to the Korea Marine Industry Development Corporation of Seoul, Korea.

I appreciate the opportunity to speak before you today.

The United States has a mixed economy in which the public and private sectors interact in a number of ways. The government buys and sells goods and services, collects taxes, implements monetary policy and directly intervenes in the workings of the private sector.

This direct intervention developed along two paths. On the one hand, the government attempts to bolster competition among firms through the federal laws designed to eliminate restraint of trade. On the other hand, the government directly regulates certain activities, thus substituting government decision making for the normal workings of the market place. It is well to remember that government regulation is like catsup, when you start shaking the bottle, you never know how much you'll get.

Care must be taken in arriving at a policy vis-a-vis the sale of fish to foreign vessels by U.S. fishermen, lest we lose sight of the purpose of the Fisheries Conservation and Management Act of 1976 (FCMA). Succinctly, the purpose of the FCMA is conservation and management of fish. Nowhere in the act is the processing segment of the fishing industry nor the fishermen released from federal laws enjoining the restraint of trade. The Act states at Section 2(c):

POLICY. It is further declared to be the policy of the Congress in this act. . . .(2) to authorize no impediment to, or interference with, recognized legitimate uses of the high seas, except as necessary for the conservation and management of fishery resources, as provided for in this Act."

The sale of fish on the high seas is a recognized legitimate use of the high seas, commonly known as trade. Yet the processors argue that to permit fishermen to sell fish to one of their potential competitors violates the "spirit" of the FCMA.

When such questions arise, a useful tool that best reveals the "spirit" or legislative intent is to look to the legislative findings or purposes sections of the act. Another very useful tool is to read the committee on conference report that accompanied the bill to the floor of the respective houses of Congress.

For instance, §302, h, (3) spelled out one of the functions of the regional councils: "Each Council shall, in accordance with the provisions of this Act--(3) conduct public hearings, at appropriate times and in appropriate locations in the geographical area concerned, so as to allow all interested persons an opportunity to be heard in the development of fishery management plans and amendments to such plans, and with respect to the administration and implementation of the provisions of this act;". That seems understandable enough.

But in order to discover the "spirit" of that provision we looked at the joint explanatory statement of the Committee of Conference in Report No. 94-711, Senate, entitled "Report of the Committee of Conference on H.R. 200". In the section-by-section discussion, §302, p.51, we find this elucidation: "Each council shall conduct all meetings and hearings within the geographical area of concern. In the case of the North Pacific Council "in the geographic area of concern" means within the State of Alaska."

Thus we have a clearer idea of the congressional intent as regards meetings and hearings and their locations. Therefore, the hearing held in Seattle was outside the intent of P.L. 94-265 and all testimony taken there should be stricken from the record and be disregarded. Similarly, in the section-by-section discussion of §2, Findings, Purposes and Policy the following is provided: "This section follows the analogous provisions of both the house bill and the senate amendment with modifications to reflect more precisely the provisions of the conference substitute."

So that when we read §2(b) Purposes, "it is therefore declared to be the purposes of the Congress in this Act--(6) to encourage the development of fisheries which are currently underutilized or not utilized by United States fishermen including bottom fish off Alaska" we know that Congress chose those words deliberately and consciously so as to precisely reflect their intention. They did not talk about fisheries underutilized or not utilized by United States processors. They talk about fisheries and fishermen. In the definition in §3 they spell out that fishery means a stock of fish or any fishing for such stocks. In defining fishing we find this meaning:

- "(A) The catching, taking or harvesting of fish;
- (B) The attempted catching, taking or harvesting of fish;
- (C) Any other activity which can reasonably be expected to result in the catching, taking, or harvesting of fish, or

- (D) Any operations at sea in support of, or in preparation for, any activity described in subparagraph A-C."

Thus we know that Congress said precisely what it intends, that regarding bottom fish off Alaska the intention is to encourage development of the catching, taking or harvesting of fish. No mention, even, of processing. In fact, the sale of pollock by Alaskan fishermen to whomever, is precisely what Congress intends to encourage. The attempt to prevent such sales is in controvention of the FCMA, violates the intent of Congress or suggests that Congress wrote the law capriciously.

What will be the Effect on Resource?

- * Bring closer balance to inshore ecology as fishermen put pressure on inshore stocks of pollock which feed on shrimp and salmon stocks there.
- * Increase and stabilize the biomass by taking the larger fish for fillets, thus reducing the cannibalistic predation that results in highly fluctuating populations.
- * Halibut by-catch would be better monitored by placing American halibut fishermen as observers on processors or doing the actual catching.
- * More accurate and reliable reporting of total catch as a result of U.S. take-over of harvesting.
- * Crab by-catch would be better monitored than is being accomplished with foreign catching activity.

What are the Advantages to the Harvestors?

- * Offers an opportunity to participate in an unutilized fishery of considerable value. 1.1 million ton TAC of pollock at KMIDC's price of 5-1/2 cents per pound represents \$133,342,000 in raw fish sales per year. KMIDC's offer contemplates \$20,000,000 per year for 5 years.
- * Brings stability to industry in that additional nations will participate in U.S. fishery industry. We all recall that Alaska's fishing economy went into a serious slump following the collapse of the Tanaka government which subsequently caused a serious recession in Japan. Some opponents to our project argue that there is a danger that the advent of Korean processors offshore will lead to the demise of shorebased Japanese plants and then if the Koreans withdraw from the field, the American fishermen will be without markets.

I think that is a narrow view. When NEFCO boarded the southbound aircraft and left the Cordova fishermen without markets for their salmon in 1964, it was the foreign offshore fleets that provided the salvation for our fishermen. Since that day, none of the companies have attempted to freeze out the American fishermen. As long as the resource is there, there will be competition for it. I believe that as American fishermen increase their catch, and the TALFF is reduced, the Japanese, Russians, Poles, Taiwanese, as well as the Koreans will compete for American caught bottom fish, in order to maintain their protein requirements. By increasing the market base the harvestors will bring more stability to the industry. Indeed, if a single foreign flag control of our markets represents a threat, then we need the Koreans in, to counterbalance the Japanese single domination of our fisheries.

- * By increasing the market base, the harvestor will realize the best possible price for his product because of the increased competition for raw fish. An example of this is the price paid in the North East United States for the same species of shrimp we catch here in Alaska. The price in Maine rose to 60¢ per pound raw weight last spring, because the shrimp boats were out fishing bottomfish, and had to be lured back to shrimp by increasing ex-vessel prices. As a contrast the current Kodiak price for shrimp is 13.5¢/lb.
- * Gives the harvestor the opportunity to deal with markets that are very different from those to which he is presently accustomed. The species processed onshore in American/Japanese plants in Alaska are peculiar to the North Pacific, and the markets of those species are malleable to the desires of the American/Japanese companies. Whereas, pollock is a multinational product and the efficiency of the producer and processor determines their viability in it.
- * Give harvestor the market that makes possible the upgrading of vessels to trawl bottomfish which will lead to modifications that make possible the onboard semi-processing that increases efficiency of the fleet.
- * Experienced captains and Fishing Masters will be made available to help American fishermen learn the skills and techniques that the foreign fishery have acquired through expensive experience. The plan calls for fishery and net technicians to be on hand for consultation, as to design and deployment strategies of trawls, stock concentrations, etc.
- * By delivering to processing vessels at sea, the U.S. harvestor is realizing the higher efficiency in the

utilization of his vessel, capital and crew. See attached analysis by North by North Pacific Vessel Owners Association. The net boat share, at 22 MT daily catch is three times as great delivering at sea as opposed to delivery to a shore plant.

What are the ADVANTAGES TO PROCESSORS?

- * Stability of supply of product is more assured. Processors of pollock blocks such as Mrs. Pauls, Certifresh and Van de Camp need to have assurance of high quality, marketable fish. By furnishing their present supplier with raw product we make it possible for U.S. pollock processors to have access to reliable, proven quality material.
- * By interjecting American fishermen who have proven efficiency in harvesting seafood, and continuing to use experienced, proven, efficient foreign labor to do the semi-processing, we cause the least disruption to the market. As other processors, for instance shore based processors not utilizing pollock, learn the techniques and develop the skills and efficiency needed to compete, they too, will enter this market chain.
- * Provides opportunity for future processors to build the necessary fleet of vessels which will have catch and process capability. These individuals, who are now catcher vessel operators, will then be able to land semi-processed product. The cash flow generated by sales to foreign vessels will make possible the acquisition of skills and techniques in a more orderly manner, in addition to the necessary financing for upgrading and modifications.

DISADVANTAGES TO PROCESSORS.

- * No United States processing company is now producing pollock blocks in the world market so there is no direct impact on U.S. companies from the standpoint of competition or unfair practices.
- * Offered opportunity to All Alaskan Fisheries Company, the only processor capable of the requisite efficiency of immediate processing. Too busy, declined to process pollock.
- * Those future processors who cannot meet the cost efficiency requirements in their phase of the market will have to make a capital and personnel commitment to innovate their process so that they do meet the competition.

However, this problem has to be met whether the policy of allowing American fishermen to sell to foreign vessels is permitted or not.

What happens to the pollock market if NMFS policy is to prevent sales to foreign vessels? The total allowable catch for pollock off Alaska is 1.1 million metric tons (2,424,400,000 lbs.). Of that amount, 836,400 metric tons (1,843,426,000 lbs) are allocated to Japan as a quota, based upon their prior use of the resources. Ironic, isn't it, that FCMA was passed to stop the over-fishing within our 200-mile zone and then the nation or nations that over-fished get the quotas while Korea, who operated outside our zone, is required to go without fish in the quantities they need or buy them from Americans.

Because Japan has 76% of our pollock under quota, she can harvest them with Japanese fishermen, process them with Japanese labor and use her existing gigantic marketing system to sell the product. As long as Japan has the quotas, she is the player to beat in the Alaska pollock game. How will any American company meet that competition? Especially when one considers that the American company will be starting out small, and thus lose the economies of scale enjoyed by the Japanese and other fish-block export nations, such as Canada, Iceland, Denmark, Norway and Korea.

With high production costs that are typical in America, even if our processors had priority on stocks of pollock, they will find it extremely difficult to meet that competition in the markets.

As long as Japan has the quotas she can outstrip the competition in the market place. The only way to reduce her quotas is to get Americans fishing pollock. The American fisherman cannot fish unless he has a market. That is where the Korean offer comes in. By their ability to market pollock in the round and to realize savings in reduced labor costs for the finish processing of the semi-fillets, the Koreans are able to compete in the pollock world market. They can absorb some of the higher costs involved in having American fishermen do the catching. As an example of the competition that must be met on the world market, we know from the National Marine Fishery Service yellow sheet dealing with foreign fisheries that the Soviet Union's fishermen are presently selling pollock to the Japanese on the high seas in the codend at 3.6 cents per pound. The Japanese then process that fish and market it in their domestic and their international markets.

If American fishermen are foreclosed from selling pollock to the Korean purchasers, the American fish block market will in all likelihood be supplied with Alaska pollock from that very source. We have had reports from some of the larger purchasers of pollock blocks to the effect that they have been offered pollock that is Russian caught and Japanese processed.

The question of foreclosing United States processors from this market raises the question as to the feasibility of any shore based U.S. company ever penetrating and persevering in the pollock market due to price structure and the nature of pollock.

Perhaps a distinction should be made at the outset that KMIDC is producing for the world market where the competition from Iceland, Norway, Canada and Japan are significant factors in considering feasibility. This is completely different from the New England Fish Company project whose subsidy agreement with the State of Alaska provides for development, primarily, of cod fillets. The production of pollock fillets and other groundfish products is only required 'as conditions permit.' We are not discussing any of the small, local markets that exist in a few areas, which are essentially fresh fish markets.

Our last report is that the price of pollock blocks in California was \$.65 per pound, four weeks ago. That is an all time high. The price ranges from 40, 50 and occasionally to the 60 cent level. The price is expected to settle back down to or near its previous level once the questions regarding sources of supply have been worked out.

We know from experience that U.S. land based processors have additional costs that other nations do not necessarily have. OSHA, EPA, AND ESC on top of higher hourly rates are factors which make it difficult for Americans to compete on a worldwide basis. EPA regulations and such are facts of life in America. Those decisions were made some time ago. Consideration was given to the fact that those regulations would shift costs. Some industries have shut down, some industries are foreclosed to U.S. manufacturers. That was the understood price of the National Environmental Policy Act.

Much concern has been voiced over the substantial costs involved in complying with regulatory requirements. The cost argument is quite often raised with respect to the standards of EPA and OSHA. Many of these costs are not, in fact, new; they appear new because they have gained visibility only as a consequence of regulation. These costs have been shifted from a type of cost that is not normally recognized to one which is highly visible.

Compliance with OSHA regulations involves the shift of a cost of production from the worker (the expected loss from injury or illness) to the firm (the cost of removing the hazard). The compliance with EPA standards involves the shift of a cost of production from society (the loss due to environmental degradation) to the firm (the cost of pollution control equipment). Much of the cost shifting that takes place is beneficial, at least in the sense of promoting economic efficiency, because the prices of products are increased to reflect the full cost of production and, consequently, overall efficiency improves.

I would hope that the litany of groans and gripes about EPA and OSHA recited by nearly all those shore based processors speaking in opposition to sales to foreign vessels is only their way of straining under the burden of no longer being permitted to shift costs onto society, their hired help or their fishermen.

I would suggest that competition with a foreign processor that uses the entire fish and therefore does not violate the environment with waste, is the healthiest remedy for their attitudes.

The best information we have been able to develop, shows that the cost of processing shrimp in 1975 was from \$.90 to \$1.09 per pound, not including the price of raw product nor depreciation cost. Shrimp is a perishable product as is pollock. Shrimp yields 15 to 20% recovery which compares with the 18% recovery of finished pollock fillets. Shrimp is peeled by machines. Pollock is filleted by machine. How will any land based plant produce pollock fillets that sell for \$.65 per pound when their shrimp processing costs are near \$1.00 per pound?

Tiny shrimp is now going for \$3.18 per pound in the 4-1/2 ounce tin. That's a wholesale price. If those companies can produce pollock profitably at \$.65, they are making a staggering profit on shrimp.

Related to the price of pollock is the quality of the product. The 65¢ price only applies to top quality product. Factors in the quality of pollock fillets are coloration, decomposition, bones and infestation of parasites, such as worms and cysts.

The pollock fillet must be white. One of the problems involved in attaining that end is the period of time that exists between catching and processing. The NMFS study entitled "Preservation and Quality Characteristics of Alaska Bottom Fish" by Richard W. Nelson and David Miyauchi (1976) points out the need for rapid earliest possible handling of the fish.

I quote, "The handling and storage properties of pollock were of major interest because of pollock's reputation for poor keeping quality. Pollock were held on ice, in refrigerated sea water, in slush ice to evaluate the merits of each method in maintaining quality for periods up to 6 days. Storage characteristics were poor regardless of the method of holding. The first significant indication of degradation was usually autolysis (belly-burn) in the visceral cavity. Frequently, the adjacent flesh became discolored and soft as enzymatic breakdown proceeded through the belly wall.

"Pollock held at ambient temperature, usually between 40° F and 45° F in this case, showed serious belly-burn within 24 hours. Some fish were held as long as 24 hours on deck without ice, prior to delivery for processing. Although acceptable for use as either fillets or minced flesh, these fish were substantially below the level of quality necessary for turning out a good product. Belly-burn, brownish discoloration of the flesh, and unfresh odor were evidence of their lack of high quality.

"Iced Storage

"Round pollock that were well iced immediately after capture remained in excellent condition for about 3 days. On the third day some fish showed belly-burn, but the edible portion was not

seriously affected. After the third day the color, odor, and texture of the flesh were noticeably affected. By the sixth day, nearly all the fish were belly-burned. Some showed significant deterioration in the flesh. In general, ice-held pollock was of questionable value after 6 days of storage.

"In summary, pollock can be held on ice for 3 days without serious quality loss. Between the third and sixth days quality loss limits the value of the fish for most food uses. By the sixth day of iced storage the odor is metallic to fishy, the texture soft and flaccid, and the flesh is unfit for food.

"Refrigerated sea-water storage. --Pollock caught south of Usof Bay, Unalaska Island, were held in the round in refrigerated seawater (RSW) at 30° F for up to 5 days. At equal storage times they were generally superior to iced fish in appearance; eyes were bright and the flesh firm after 5 days. The odor of the flesh was excellent at that time. The flesh was a creamy-tan color compared to a lighter grey color in iced fish.

"Slush ice. --Pollock were held in slush ice made up by combining freshwater ice and seawater in a fiberglass tank. The temperature was 31° F during the entire 6 day holding period. At that time fish were equal in appearance to those held for 5 days in RSW.

"Slush ice appears to be a very practical holding method for catching vessels equipped with water-tight tanks. However, fish held in slush ice or RSW may not be suitable for processing into minced flesh due to their tendency to slough off pigmented skin particles during passage through the flesh separator."

Parasite infestation is a problem. "In all cases the visceral cavity of pollock was found to be moderately to heavily infested with parasites. Migration to the flesh may take place during prolonged holding of whole fish on deck or in iced storage; however, this seems not to be a problem when storage is only for a few days and the fish are iced or refrigerated promptly.", according to Nelson/Miyauchi. Small pollock do not present as great a problem from the standpoint of parasites, however, small pollock cannot be used for fillets. The cyst like parasites are more difficult to remove from fillets and Nelson/Miyauchi point out that the Japanese have had some difficulty with parasites, requiring the candling of fillets which is very expensive at American labor rates. Removal of pin bones is also an expensive hand labor item.

In order to have a quality product, the fish must be processed as soon as possible. The present producers of pollock begin processing immediately after catching. Mr. Yoshiya Takahashi of the Far Seas Fisheries Research Laboratory in Bulletin No. 10 June, 1974, points out that the Japanese mother ship operations require that the 10 to 30 catcher boats accompanying a pollock

mother ship are restricted to operating within 20 miles of the mother ship so that the fish are delivered as soon as possible." Unquote.

In sum, any attempt to maintain the status quo will not work in this instance. When the FCMA was passed there was much editorial comment throughout the United States hailing the opening of a new era in fisheries. We are now facing the reality that the new era means change. If we are going to change, we will have to adopt, adapt or generate the technology appropriate to the separate species we find in the new fisheries. We have to look at the new opportunities with fresh outlook. Basic concepts of American methods from the past must not stand in the way of seeking the efficiencies vital to survival in the new markets.

Old fears and prejudices will have to be set aside. For instance, the fear on the part of the west coast processors must be assuaged and they must be assured that development of Alaska's pollock will not mean that their fresh bottomfish markets will be overrun. Basic relationships will change. The most notable relationship that will pass in the development of pollock is--- who is a processor and who is a fisherman. We will see fishermen become processors and processors become fishermen---the requirements of the market will dictate it. The survivors in the industry will respond to it.

What are the advantages to the U.S. consumer?

* Stable, healthful and relatively inexpensive supply of protein is assured.

The Koreans have been significant suppliers of pollock blocks to the American market. The logistics have been worked out and the marketing is proceeding smoothly because the supplier knows, understands and complies with the processor's needs, providing stability to the whole process.

The FDA keeps a closer watch on imported products than on domestic production and therefore a more healthful product is assured. After hearing the shore plant processors complain of having to meet FDA standards, I called the FDA office in Seattle to learn what those specifications might be. I was told that domestic producers have only to meet good management practices and only if there is a complaint will they inspect the product. However, imported product is inspected. I would invite you to go back over your experience and think---of the incidents of seafood food poisoning in the past ten years in America - that the product was domestically produced. Since FDA has product quality standards, i.e., defect levels, with regard to worms, cycts and pus pockets for some bottom fish fillets and the present technology is such that they are best removed by "candling" and hand tweezing, that being done least expensively by Korean

labor, the most healthful and least expensive product would be available to the U.S. consumer while at the same time interjecting Americans into the system at least in the harvesting phase.

Socio-Economic Factors.

* When the Act was being considered in Congress, the American fishermen's demand that foreign vessels be removed immediately from the 200 mile zone was set aside, in part, with the argument that the foreigners had to be permitted to "phase out" of our fishery. Given the language of the Act, which provides that the TALFF is that part of the OY which is not harvested by U.S. fishermen, and U.S. fishermen cannot harvest what they cannot market, and the market is dominated by the foreigners who presently enjoy high efficiency, economies of scale, low labor costs, a capitalized fleet, existing marketing channels, and inordinate control of our shore plants, there will be no "phase out." The foreigners will remain in our zone for a long time to come. Nothing will have changed under the Act except that another layer of bureaucracy will have been set upon U.S. fishermen.

The joint venture is the best method to "phase out" the foreigners by "phasing in" the U.S. fishermen.

The argument has been advanced that if the American fishermen are allowed to sell directly to foreign processors, the United States will somehow lose control of the destination of a strategically valuable protein source.

Title 15, Chapter 3, parts 368 to 389 C.F.R., The Short Supply Control section of the Export Administration Act of 1969 as amended provides the authority for the U.S. government to curtail export of important items. If protein fell into the category of short supply the government would take charge of the decision as to where it is destined. We all recall that President Ford curtailed wheat shipments under this type of authority.

* Make money in Capital construction fund available to build vessels with trawl capability from conditional crab fishery.

Extent of NMFS Rulemaking.

We ask for:

1. Regulation to authorize purchase from U.S. fishermen.
2. Regulation change to permit purchase of fish from U.S. fishermen in any area of zone at any time of year consistent with conservation regulations on U.S. catchers.

3. Flexible system of allocating foreign quotas so that Americans can start and accelerate catching capability. With present system, phase in of American effort is cumbersome raising questions in some minds as to violability of TALFF and OY. In this regard, the Bering Sea TALFF should be flexible in case U.S. fishermen have any need to shift there.

Action on Proposals Before Region.

We recommend you approve KMIDC permits for processing, transport vessels.

Balance of Payments Argument.

In regard to the Balance of Payments problem and the relationship to sale of fish to foreign processors, one must consider that under the quota allowed to Japan, the lack of American processing capability and the question of the feasibility of American processors surviving in the market, the question really becomes: is it not better to at least have the Koreans pay the U.S. fishermen for the raw product than to have the resource taken by the Japanese and then sold in America with no American participation in the production, processing or profit from marketing? Keeping in mind that the Koreans will use a large portion of the fillets in their own domestic market, and only a portion of the fillets will be shipped to American markets.

According to the GAO Report to the Congress, The U.S. Fishing Industry -- Present Condition and Future of Marine Fisheries, December 23, 1976:

"In the United States, landings of seafood have not kept pace with population growth. Landings for edible food have stabilized around 2.4 billion pounds since 1960. An important consequence is that as the demand for fish has increased, U.S. landings have supplied a declining share of the market supply. Only a small amount of fishery products imported into the United States originates in catches taken within 200 miles of the U.S. coast, and this has been primarily from Canada. European countries, such as Iceland, Norway and Denmark, which do not fish off the United States, are major sources of imports as are Japanese catches taken in other parts of the world.

"The market share between supplies of edible seafood products accounted for by domestic commercial fishery landings and imports has undergone significant change in the past two decades. Imports have represented an expanding portion of supplies of edible seafood products. Domestic landings of edible fish, which contributed 59 percent of total supplies in 1960, decreased to 38 percent in 1975. On the other hand, domestic landings were supplying 64 percent.

"The growth of imports relative to U.S. commercial landings, to a large extent, is indicative of the American consumer's preference for high-valued species of edible fish. For example, the U.S. consumption accounted for 40 percent of tuna landings, and 25 percent of shrimp landings. The U.S. appetite for high-valued seafood products has been principally responsible for the marked increase in the U.S. seafood trade deficit. The 1960 deficit of \$285,000 steadily worsened to more than \$1 billion in 1975."

It would be best to insert some American earners into the pollock picture as fishermen, then the U.S. would realize some dampening of balance of payment deficits, all the while working to domestically supply the higher cost species that presently cause our fisheries imbalance.

One must also bear in mind that in the category of food stuffs - and fisheries falls within that category - the U.S. enjoys a marked favorable balance. The balance of payments problem is caused by purchase of oil. That is where the problem must be solved.

The suggestion that "primary processing" be required is an interesting concept for the protection of those U.S. processors who are not now involved in pollock block production.

However, to place that condition only on fish caught by U.S. fishermen would not be fair in that it would add costs to the product that would preclude U.S. fishermen involvement in the fishery. However, if the primary processing onshore was a requirement for the directed foreign fishery for all species, the concept would be more equitable in the area of U.S. fishermen vs. foreign fishermen, U.S. vs. foreign processors and would lead to a proliferation of processing capacity of All Species ashore but would probably fail to meet the "efficiency" provisions in the National Standards Provisions of FCMA.

That form of protection would undoubtedly be difficult to sell to the Department of Commerce, the White House and the Congress. An inward looking U.S. trade policy in one industry could have worldwide consequences that would offset whatever immediate relief they might bring to the domestic interests affected.

Relief to one U.S. industry is likely to be at the expense of other sectors of the American economy. As Secretary of Commerce, Juanita Kreps recently pointed out, it is no longer possible to draw a meaningful distinction between domestic and international economic issues. She supports this statement by calling attention to the following facts:

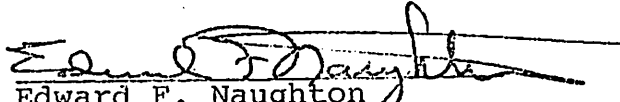
- One out of every six manufacturing jobs in this country produces for the export market.
- One out of every three acres of American farm land produces for the export market.

- Almost one out of every three dollars of U.S. corporate profits now derives from international activities, either investments or exports.
- We depend on imports for more than one fourth of our consumption of twelve of the fifteen key industrial raw materials.
- The share of trade in our Gross National Product has doubled over the last decade or so.

No doubt President Carter was of like mind, recently, when he rejected the International Trade Commission's recommendation that import duty protection be provided the American shoe and TV manufacturing industries.

In Congress, Senator Magnuson, Chairman of the powerful Commerce Committee, whose home state of Washington accounts for 20% of America's exports (aircraft, wheat, timber primarily) would be mindful of the affects that any attempt to institute protectionist trade policies or regulations for the benefit of a portion of the fish processing industry might have upon the nation's other industries in world trade.

Protectionist trade policies do not fall within the scope of the FCMA. If protection of some processors is to be considered, that case should be before the International Trade Commission, not the NMFS or the NPFMC.


Edward F. Naughton

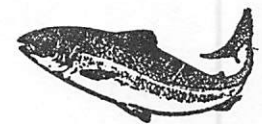
ALASKA FISHERMEN'S UNION

13.

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August 24, 1978

Mr. Chairman and Council Members,

My name is Ken Olsen. I have been associated with the fishing industry all my life. Presently I am Secretary-Treasurer of the Alaska Fishermen's Union. We represent some 3,000 members whose livelihood depends upon the U. S. domestic fishing industry.

We object strongly to any plan which would alter the intent of PL 94-265, which was to encourage all segments of the U. S. fishing industry to participate in managing, conserving and utilizing the living resources adjacent to our coasts, so that the benefits from these natural renewable living resources off our coasts would accrue to all the citizens of the United States.

The proposed joint ventures, whereby a U. S. fishing fleet would deliver raw fishery products to foreign processing vessels is only a way to circumvent PL 94-265. This law set up a mechanism whereby the surplus living resources adjacent to our coast - which would not presently be utilized by the U. S. industry - would be allotted to foreign nations to harvest. The allotments were made in good faith, taking into consideration past fishing and conduct of their fishing fleets while operating in the waters adjacent to our coast. Now, with the proposal of KMIDC, this allocation process as envisioned by PL 94-265 would be completely circumvented by allotting the catch to a phantom U. S. fleet that will have to be developed, as I have yet to find the U. S. fisherman who is willing to put himself at the mercy of a foreign processor who does not have to comply with all of the conditions of the shore-based U. S. industry.

We see no reason for an immediate harvesting by the U. S. fleet of all the resources adjacent to our coasts. In fact, the Eastland Fisheries Survey IC2 states as a recommendation: "Prevent rapid development of coastal and marine areas including those of the continental shelf where based on hastily gathered and often critically incomplete data."

We fishermen have had unfair competition for years, with our Federal Government telling us that the freedom of the high seas meant that we had to stand by and let these resources be raped and overfished. We have stood by and watched unfair competition decimate the Ocean Perch off the Oregon Coast, the Yellowtail flounder in the Bering Sea and the decline of Halibut - due to no controls on the large trawl fleets of foreign nations.

This was all allowed although there were laws on the books which if implemented could have stopped this uncontrolled rape of our resources. All we needed was a strict enforcement of the Continental Shelf Treaty, as endorsed by the U. S., the Soviet Union and many other U.N. nations.

Now it appears that the Federal Government - not being able to get rid of the U. S. fisherman by allowing unfair competition - is trying to promote a policy that could get rid of the domestic industry to which the U. S. fisherman must sell his product. This is one last way to accomplish the demise of the last area of freedom of the small, independent fisherman.

If a foreign nation were allowed to operate within our 200-mile limit, to buy and process raw fishery products from U. S. vessels, it would put the domestic processing industry at an unfair advantage. We have heard testimony that it is the 30¢/hour labor cost which they are after. Actually, it is NOT *only* the cheap labor they are after, but the KMIDC proposal is a way of circumventing the Council's allocation program and it must also be circumventing the Korean domestic regulations.

U. S. fishermen and processors would gladly do business with Korea, Japan and several other nations. However, in the case of Korea and Japan, they have domestic laws which do not allow the importation of Pollock. Therefore, we cannot freeze this product and ship to Korea or Japan. This, alone, negates the argument that they need this seafood protein for their existence.

The proposal of KMIDC, if allowed, would also eventually cut off completely the large Japanese fleet that has operated and developed this fishery. Their allocation would effectively be diverted to the Korean processing vessels. Yet, we cannot ship our own domestic-processed Pollock products to Korea.

A foreign nation could out-bid our shore plants for practically any seafood product by utilizing very low cost labor, by not paying U. S. taxes, nor having to comply with all the governmental regulatory agencies that skyrocket the costs of production. In fact, with the highly organized and controlled fisheries of many foreign nations, it would be to their advantage to pay a premium for the product.

As soon as the shore plants are out of business - since they have to have a profit - the foreign nation would be the only outlet for our U. S. fishermen. But I have yet to find a fisherman who would allow himself to be at the mercy of a foreign processor.

Respectfully

ALASKA FISHERMEN'S UNION

Kenneth O. Olsen
Kenneth O. Olsen
Secretary-Treasurer

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