

M E M O R A N D U M

TO: Council, AP and SSC Members
FROM: Jim H. Branson
Executive Director
DATE: June 18, 1986
SUBJECT: Legislative Update - Status Report

A. MFCMA Reauthorization

There has been no action in either house of Congress on MFCMA reauthorization bills since the last Council meeting. The House of Representatives is expected to take action in mid-July on a fisheries "package" that includes, among other bills, H.R. 1533 (MFCMA Reauthorization) and H.R. 2935 (Seafood Marketing Councils Act).

The Senate may move the various reauthorization bills still in the Commerce Committee this summer; however, no action has as yet been scheduled. At this time Congress' calendar may allow action only on the least controversial fisheries bills. Congress is scheduled to recess from June 28 to July 14, from August 16 to September 8, and may adjourn for the year at some time during the period October 3-10. No session after the November elections has been scheduled.

B. Federal Marine Recreational Fishing Fees

The Council has been asked to comment on the Reagan Administration's proposal to establish a federal marine recreational fishing fee. As outlined in the attached letter (Attachment A) from Representatives Jones and Carney the proposal calls for:

- A fee of \$10 charged to every marine recreational fisherman.
- The program to be administered by coastal states.
- Half of the license fees to be returned to the federal General Fund.

Representatives Jones and Carney pose several questions that should be addressed by the Council. They are:

- Should the licensing requirement apply only to recreational fishermen or to commercial fishermen as well?
- Should a similar licensing system be established for fresh water sports fisheries that are managed or supported by the federal government?
- Should the licensing requirement apply to all marine waters or only to the EEZ?

- Should the states, or the federal government, administer the program?
- Who will enforce the licensing requirement?
- Should a license holder be allowed to fish in the marine waters adjacent to any state?
- Are there other systems that could be used to offset the federal costs of fisheries conservation and management?
- Should a fee system be developed that would return funds to a specific agency or account (i.e., dedicated funds) rather than the General Fund of the U.S. Treasury?
- Is there a more equitable way to implement the President's proposal?

The Council's comments must be received by the close of business on July 3. Some Congressional opposition to a licensing fee has already been raised.

Attachment B is a copy of Senate Resolution 405 opposing the fee.

C. Marine Insurance and Safety Legislation

The House Committee on Merchant Marine and Fisheries is scheduled to mark up H.R. 5013 (sponsored by Representatives Jones, co-sponsored by Representatives Young, Studds and others) on June 25. The bill entitled, "The Commercial Fishing Vessel Liability and Safety Act of 1986" provides limitations on liability for personal injury on fishing, fish tender and fish processing vessels, sets safety standards for, and requires safety equipment on those vessels, including exposure suits, EPIRBs, life boats or rafts, visual distress signals and communications equipment, and requires insurance underwriters for fishing, fish tender and fish processing vessels to submit statistics to the Secretary of Transportation on marine casualties.

The bill creates a 17-member Commercial Fishing Industry Vessel Advisory Committee to advise the Secretary of Transportation on marine insurance and vessel safety issues. The Advisory Committee would be similar to the Regional Fishery Councils in that members who are not in the employ of the United States would receive reimbursement for travel expenses and compensation whenever on Committee business.

H.R. 5013 also amends the MFCMA, Section 303 -- CONTENTS OF FISHERY MANAGEMENT PLANS, to read:

(a) Required Provisions

"(2) contain a description of the fishery, including, but not limited to, the number of vessels involved, the type and quantity of fishing gear used, the species of fish involved and their location, the cost likely to be incurred in management, the likely effect of the selected and any alternative conservation and management measures on safety of persons and vessels engaged in the fishery, actual and potential revenues from the fishery, any recreational interests in the fishery, and the nature and extent of foreign fishing and Indian treaty fishing rights, if any;" (new language underlined)

The bill, when reported out of Committee, will be available in the Council offices for those requesting copies.

D. Repeal of Marine Fisheries Grants Programs

During the first week of this month, the Department of Commerce forwarded to the House Committee on Merchant Marine and Fisheries a draft bill to repeal the Commercial Fisheries Research and Development Act of 1964 and the Anadromous Fish Conservation Act. Both programs provide grants to the states. There does not appear to be much support for the proposed repeal in the House at this time.

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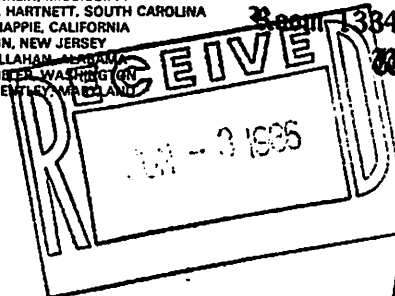
MINORITY STAFF DIRECTOR
GEORGE D. PENCE

U.S. House of Representatives

Committee on Merchant Marine and Fisheries

Room 1384, Longworth House Office Building

Washington, DC 20515



ROUTE TO		INITIAL
Exec. Dir.		
Asst. Dir.		
Sec.		
Staff Asst. 1		
Staff Asst. 2		
Staff Asst. 3		
Sec. / Mr.		
Sec. / Typist		
May 29, 1986		

Mr. Jim Branson
Executive Director
North Pacific Fishery
Management Council
P.O. Box 103136
Anchorage, Alaska 99510

Dear Mr. Branson:

On June 19, 1986, the Subcommittee on Oversight and Investigations of the Committee on Merchant Marine and Fisheries will conduct a hearing on the Administration's proposal to establish a Federal marine recreational fishing fee. Because the Councils are responsible for the conservation and management of fisheries in the Exclusive Economic Zone, we are writing to ask for any written comments you may have on this proposal.

The Administration's proposal was included as part of President Reagan's Fiscal Year 1987 budget submission. It calls for a license costing a minimum of \$10 to be issued to every marine angler. The license program would be administered by coastal states and \$5 would be returned to the General Fund of the U.S. Treasury for every license issued. In addition to the \$10 minimum fee, the states could assess an amount equal to the cost of administering a licensing program. The Administration estimates that if this policy is implemented, it will generate revenues of \$20 million, \$30 million, and \$50 million in each of Fiscal Years 1987, 1988, and 1989, respectively.

The Administration has not yet submitted draft legislation to establish the program; however, the Committee understands that legislation is being drafted to implement this proposal and that it will be submitted to the Congress. In addition, the first concurrent budget resolution, as passed by the House (H.Con.Res. 337), assumes that the Committee on Merchant Marine and Fisheries will report legislation to implement the President's proposal.

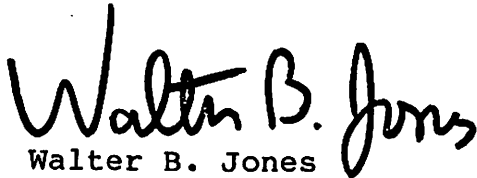
The issues that the Subcommittee wishes to address in the hearing are as follows:

(1) Equity -- Should the licensing requirement apply just to recreational anglers, or should commercial fishermen also be licensed? Should a similar licensing system be established for freshwater sport fisheries managed or supported by the Federal government? Should the license apply to all marine waters or just the Exclusive Economic Zone?

(2) Administration and enforcement -- Should states administer the program or should it be left in the hands of the Federal government? How will the license requirement be administered and enforced and by whom? Should a license holder be allowed to fish in the marine waters adjacent to any state?

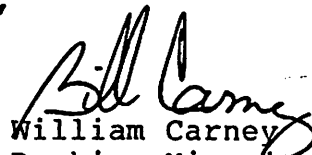
(3) Alternatives -- Are there other systems that could be used to offset the Federal cost of fisheries conservation and management? Should a system be developed that would return funds to a specific agency or account rather than the General Fund of the U.S. Treasury? Is there a more equitable way to implement the President's proposal? If so, how?

In addition to these issues, we ask that you address any others that the Council considers pertinent. Please provide your comments by the close of business on July 3, 1986, to the Subcommittee at 1334 Longworth House Office Building, Washington, D.C. 20515, attention John Dentler.



Walter B. Jones
Chairman
Subcommittee on Oversight
and Investigations

Sincerely,



William Carney
Ranking Minority Member
Subcommittee on Oversight
and Investigations

To express the sense of the Senate opposing the imposition of a Federal licensing fee for marine sportfishing.

IN THE SENATE OF THE UNITED STATES

MAY 13 (legislative day, MAY 12), 1986

Mr. LAUTENBERG (for himself and Mr. HOLLINGS) submitted the following resolution; which was referred to the Committee on Commerce, Science, and Transportation

RESOLUTION

To express the sense of the Senate opposing the imposition of a Federal licensing fee for marine sportfishing.

Whereas the President has proposed the imposition of a Federal licensing fee for recreational marine fishermen, to be implemented by the Secretary of Commerce;

Whereas the Administrator of the National Oceanic and Atmospheric Administration has suggested imposing a similar fee on commercial fishermen;

Whereas the Federal revenues raised by the proposed fees would not be contributed to enhancement of fisheries;

Whereas the revenues expected to be raised would far exceed Federal expenditures in direct support of recreational fisheries;

Whereas there are over seventy million recreational fishing trips taken along the coastal mainland of the United States annually;

Whereas commercial and recreational fisheries together generate an estimated \$27,000,000,000 to the Nation's economy, and provide employment for an estimated nine hundred thousand individuals;

Whereas imposition of such a fee would discourage growth of the fisheries industries in this country, and harm related industries; and

Whereas imposition of such a fee would have adverse impacts on State and local economies: Now, therefore, be it

1 *Resolved*, That it is the sense of the Senate that—

2 (1) imposition of such a fee would have significant
3 adverse impacts on State and local economies without
4 benefiting fishery resources; and

5 (2) such a marine sportfishing licensing fee should
6 not be implemented.

the request of Mrs. KASSEBAUM, name of the Senator from Montana (Mr. MALCHER) was withdrawn as a cosponsor of amendment No. 1823 intended to be proposed to S. 100, supra.

AMENDMENT NO. 1951

At the request of Mr. DANFORTH, the name of the Senator from Connecticut (Mr. Dobb) was added as a cosponsor of amendment No. 1951 intended to be proposed to S. 1999, a bill to regulate interstate commerce by providing for a uniform product liability law, and for other purposes.

~~SENATE RESOLUTION 406—EX-
PRESSING OPPOSITION TO
THE IMPOSITION OF A FEDERAL
LICENSING FEE FOR
OCEAN SPORTFISHING~~

Mr. LAUTENBERG (for himself and Mr. HOLLINGS) submitted the following resolution; which was referred to the Committee on Commerce, Science, and Transportation:

S. RES. 405

Whereas the President has proposed the imposition of a Federal licensing fee for recreational marine fishermen, to be implemented by the Secretary of Commerce;

Whereas the Administrator of the National Oceanic and Atmospheric Administration suggested imposing a similar fee on commercial fishermen;

Whereas the Federal revenues raised by the proposed fees would not be contributed to enhancement of fisheries;

Whereas the revenues expected to be raised would far exceed Federal expenditures in direct support of recreational fisheries;

Whereas there are over seventy million recreational fishing trips taken along the coastal mainland of the United States annually;

Whereas commercial and recreational fisheries together generate an estimated \$27 billion to the nation's economy, and provide employment for an estimated 900,000 individuals;

Whereas imposition of such a fee would discourage growth of the fisheries industries in this country, and harm related industries;

Whereas imposition of such a fee would have adverse impacts on state and local economies: Now, therefore, be it

● Mr. LAUTENBERG. Mr. President, today I am submitting a resolution to express the sense of the Senate opposing the imposition of a Federal fishing license fee for recreational fishermen. I am pleased to be joined by my distinguished colleague from South Carolina, Senator HOLLINGS, in submitting this resolution.

When the President submitted his budget proposal for fiscal year 1987, he included a recommendation to implement a Federal ocean sportfishing license. This proposal would require recreational fishermen to obtain a Federal license in order to fish off our coasts. The fee would be at least \$10, with \$5 going to the general treasury, and the remainder to the State in which the license was obtained. The administration proposes to raise \$200 million in revenues over the next 5 years through this program. None of

the Federal revenues generated from this fee would serve to enhance fisheries.

Fisheries represent an important segment of the economies of coastal States. Over 70 million recreational fishing trips were taken in the coastal waters of the continental United States. Combined, recreational and commercial fisheries generate an estimated \$27 billion in the United States, and employ approximately 900,000 individuals.

In my State, New Jersey, fisheries play a vital role in the State's economic well-being. An estimated 1.6 million salt water recreational fishermen reside in New Jersey, while another 1.2 million tourists come to our State each year to fish in the Atlantic coastal waters. There are 800 owners of large charter marine sportfishing charter boats in New Jersey. Recreational fisheries bring in between \$300 and \$400 million each year to the economy of New Jersey.

Mr. President, the imposition of a Federal ocean sportfishing license on recreational fishermen could have devastating impacts on State and local economies. In New Jersey, an overwhelming majority of those chartering marine fishing vessels do so only once each year. If a Federal fee of at least \$10 is imposed in addition to the cost of chartering a vessel, many of these one-time fishermen will find a fishing trip infeasible. The impact of this on charter-boat owners, as well as on associated businesses would be severe.

The administration's proposal raised Federal revenues without any benefit accruing to the enhancement and enrichment of fisheries. This proposal attempts to raise Federal revenues at the expense of a small group. The National Marine Fisheries Service directly spends only about \$3 million to enhance recreational fisheries annually. The funds raised through this proposal would far exceed Federal expenditures in this area. Mr. President, this amounts to nothing more than a tax increase on recreational fishermen which is being disguised as a user fee.

This proposal is inappropriate, and I hope the administration will not pursue it further. This resolution is meant to put the Senate firmly on record in opposition to the administration's proposal. I am pleased to have Senator HOLLINGS as its original cosponsor, and urge my colleagues to support the resolution. ●

● Mr. HOLLINGS. Mr. President, today I join with my colleague Senator LAUTENBERG to submit a resolution expressing opposition to the administration's proposal to implement an ocean sportfishing license.

The plan would impose a fee of at least \$10 on the Nation's 17 million recreational anglers who fish in our coastal waters; \$5 of that license fee would go the Federal Government. The plan would generate hundreds of millions of dollars in revenue over the next few years.

Some might call this proposal a "user fee." But it is not. If it were, then recreational fishermen could expect to benefit directly from hundreds of millions of dollars in Federal services. Yet look at what they are getting—the National Marine Fisheries Service spends only about \$3 million a year on programs that directly enhance and support ocean sportfishing. And the administration wants to slash this agency's budget, to boot.

Ocean sportfishermen, who make more than 70 million fishing trips each year, are already paying for existing programs—through special taxes on the marine fuel and recreational equipment they purchase.

Thus, the administration's fishing license proposal is nothing more than a scheme to fleece the Nation's recreational fishermen of their hard-earned money in order to offset deficits they didn't create.

Mr. President, I have said for years that we can balance our Federal budget if the President and the Congress show the discipline necessary to do it. We've passed the Gramm-Rudman-Hollings law to force us to exercise that discipline. But let us not look to hare-brained proposals such as this ocean sportfishing license to solve our deficit problems. It's not fair, it's not right, and it certainly won't get the job done. ●

~~SENATE RESOLUTION 406—HON-
ORING THE 125TH ANNIVERSA-
RY OF CAMPING IN THE
UNITED STATES~~

Mr. DODD (for himself and Mr. WEICKER) submitted the following resolution; which was referred to the Committee on the Judiciary:

S. RES. 406

Whereas, in August of 1861, Frederick William Gunn, Headmaster of the Gunnery School in Washington, Connecticut, set out with his students on a forty-mile excursion to Welches Point on Long Island Sound in the first recorded organized children's summer camping experience in the history of our nation, and;

Whereas, the camp at Welches Point promoted the development and self-discipline of the participants, and was perceived to have been a valuable experience for the young students and adults who pitched tents and lived for two weeks in the outdoors, doing their own cooking, fishing, and chores, and enjoying songs and stories by campfire at night, and;

Whereas, since those origins in the late 19th century, organized camping has provided young people with activities designed to promote personal growth and development skills; to encourage positive behavioral change; and to foster the ability to communicate with both other children and adults; and;

Whereas, today over 11,000 camps, in 50 states, serve four million young Americans each year, and;

Whereas, 1986 is the 125th Anniversary of organized camping in the United States;

Resolved, That due honor and recognition be accorded the institution of organized camping in its 125th year of existence, with the acknowledgement of the contributions

M E M O R A N D U M

TO: Council, AP and SSC Members

FROM: Don Rosenberg, Chairman
Americanization Committee

DATE: June 16, 1986

SUBJECT: Report by Americanization Committee

ACTION REQUIRED

Review committee report and take appropriate action.

BACKGROUND

At its March 1986 meeting the Council adopted the following motion:

The Council agrees that a fishing industry based workgroup be assembled promptly, with representation from concerned sectors of that industry and from the Council family; that working group to be requested to provide the NPFMC by the June 1986 meeting with recommendations for accelerated Americanization of the North Pacific fisheries and, if appropriate, amendments to the MFCMA; that working group also to be requested to give special consideration to the following:

- Retention at the Regional Council level of specific foreign fishing and foreign processing phase out dates, to be determined on a fishery-by-fishery, or species, basis.
- Provision for careful regional deliberation, involving the concerned fisheries and the NPFMC on specific implementation procedures.
- Mechanisms which fully consider and make use of market-place forces for that implementation.

The Committee further recommends that the approach proposed by the NPFMC Chairman to the Congressional delegation in October 1985 (see Attachment A) be a point of departure for workgroup review and deliberation.

The industry workgroup, known as the Americanization Committee, is composed of the following members:

Don Rosenberg, Chairman SSC Committee	Bert Larkins Marine Resources Company Int'l
Terry Baker Arctic Alaska Seafoods	Bob Morgan Pacific Seafood Processors Assn.
Chris Blackburn Alaska Groundfish Resource Databank	Hugh Reilly Westward Trawlers
Bob Brophy Icicle Seafoods	Thorne Tasker Alaska Joint Venture Fisheries
Bart Eaton Fisherman/Processor	Bill Woods Sea Alaska Products
Barry Fisher Trawler Owner/Captain	

The Committee met in Seattle on April 18/19, May 12, and June 9. Public testimony was taken on April 18. A list of the witnesses appearing at that hearing is enclosed as Attachment B. The Committee also received and considered written comments. Copies of those comments are available upon request at the Council office.

On April 19 Committee member Bob Brophy presented a proposal for consideration by the other members (Attachment C). After a lengthy discussion, the Committee agreed to meet in May to review any proposals Committee members wished to submit.

The Committee met on May 12 to consider the proposals contained in Attachment D. The Committee adopted nine draft consensus points at the May meeting and agreed to meet again in June to finalize the points and draft its report to the Council.

The Committee met on June 9 and adopted, without objection, the following statement:

In considering its charge from the Council, the Americanization Committee agreed that rather than the term "Americanization," the phrase "maximum economic development of the U.S. seafood industry" should be used. The Committee also wished to clearly state that the primary concern of fishery management should be conservation of the resource.

In fulfillment of its duties, the Americanization Committee offers for the Council's consideration the seven points listed below:

1. In moving toward maximum economic development of the U.S. seafood industry the North Pacific Fishery Management Council (the Council) must consider the economic impacts of its actions and must minimize economic dislocation for any one domestic group.
2. The Council must support industry's efforts to change laws and rulings which impede the maximum economic development of the U.S. seafood industry.

3. The Council must support the reduction or elimination of identified trade barriers and/or inhibitive trade practices in order to create fair trade opportunities for totally domestically produced fish products.
4. The Council must support the MFCMA's processor preference amendment as currently written.
5. The Council, NMFS and the Secretaries of Commerce and State must consider and provide for the maximum economic development of the U.S. seafood industry in making management and allocative decisions or recommendations.
6. The Council must support the reduction and/or equilization of all user fees and taxes (federal and state) applied to domestic fishermen and processors.
7. Where TALFF is warranted, the Council must ensure that it is allocated to achieve the maximum economic development of the U.S. seafood industry (e.g., TALFF in exchange for agreements to reduce tariffs on U.S. fish products, to gain priority access to foreign markets for U.S. fish products, and to ensure TALFF products are not shipped back into the U.S.).

The Committee did not reach a consensus on either legislated phase out schedules for directed foreign fishing or JVP ceilings. The Committee agreed that supplemental reports reflecting the different opinions of Committee members on those two issues should be presented to the Council. They are included as Attachments E and F.

North Pacific Fishery Management Council

James O. Campbell, Chairman
Jim H. Branson, Executive Director

411 West 4th Avenue
Anchorage, Alaska 99510



Mailing Address: P.O. Box 103136
Anchorage, Alaska 99510

Telephone: (907) 274-4563
FTS 271-4064

October 7, 1985

The Honorable Ted Stevens
United States Senate
522 Senate Hart Building
Washington, DC 20510

Dear Ted:

I've been involved in discussions recently between some of the members and staff of the North Pacific Fishery Management Council, former Council Chairman Elmer Rasmuson, and Lee Alverson of Natural Resources Consultants in which we have endeavored to develop a foreign fishing phase-out proposal that would be acceptable both to supporters of your phase-out bill and those in favor of Senator Gorton's phase-down bill. We have a proposal that we think accomplishes that based on the following parameters:

- (1) The need to foster an attractive investment climate for those seeking to enter the groundfish fisheries;
- (2) The need to clarify national intent in regard to the future of foreign directed fishing, joint ventures and all-U.S. operations.

The plan's key ingredients are: (1) a phase-out of directed fishing; (2) establish a lid for joint ventures; and (3) thereby create a market void, particularly in Japan, to stimulate purchases from the U.S. of processed fish (headed and gutted, surimi and roe).

An amendment to the Act should contain the following:

- (1) A Congressional mandate to the North Pacific and Pacific Council (it may be more acceptable politically to limit this to the North Pacific Council) to develop phase-out plans for foreign fisheries. The Council plans should include date-specific phase-out proposals for major target species.
- (2) A Congressional request to the Councils to design the plan in such a manner as to enhance opportunities to develop the processing sector. Such plans however should not jeopardize existing fishing or processing activities (e.g., existing joint ventures). The ultimate priority now given purely domestic operations remains the same and they are still expected to eventually supplant joint ventures.
- (3) The Council's plan for phase out should be completed and implemented by December 31, 1986.

Senator Ted Stevens

October 7, 1985

Page 2

The proposal is in keeping with the NPFMC's longstanding position that a deadline should be set for the end of foreign directed fishing in the U.S. FCZ and that Regional Councils should be given authority to develop phase-out schedules. We think that phase out should be able to occur either before or after the deadline if it could be demonstrated that the U.S. industry would benefit from the contracted or expanded phase-out period.

Let me emphasize again that the key ingredient in this proposal is the creation of a shortfall in supply that can be filled by the U.S. processing industry. To accomplish that it is necessary to create a void between the expansion of joint ventures and phase out. That cannot be accomplished without a lid on joint ventures. If we move quickly a lid can be established that will not impede existing joint ventures and would allow expansion over the next year or two. We believe this proposal will get broad support from the U.S. industry. We've not had an opportunity to talk to the entire spectrum yet, but those we have discussed it with viewed it favorably.

Sincerely,

S/J. O. CAMPBELL

James O. Campbell
Chairman

LIST OF WITNESSES

April 18, 1986 Meeting of NPFMC's Americanization Committee

(By Order of Appearance)

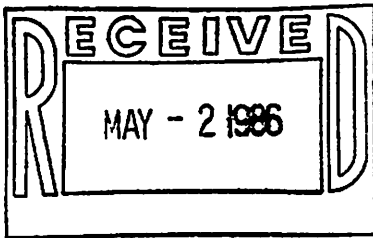
<u>Name</u>	<u>Organization</u>
1. Donn Buzby	Van deKamp's Frozen Foods
2. Dennis Petersen	Ocean Spray Fisheries Incorporated
3. Ed Zeaser	Mrs. Paul's Kitchens
4. Peter Block	Northern Deep Sea Fisheries Inc.
5. Chris Evans	Ocean Beauty Seafoods
6. Bob Alverson	Fishing Vessel Owners' Assn.
7. Lee Alverson	Natural Resources Consultants
8. Barry Collier	Pacific Seafood Processors Assn.
9. Jeff Hendricks	Alyeska Ocean
10. Wally Pereyra	ProFish International
11. Terry Thomas	Arctic Venture Fisheries
12. Frank Steuart	Westward Trawlers Inc.
13. Thorn Smith	North Pacific Fishing Vessel Owners' Assn.
14. Jay Hastings	Japan Fisheries Association
15. Arni Thomson	Alaska Crab Coalition
16. Annie Burnham	Alaskan Joint Venture Fisheries Inc.
17. Robert Watson	F/V SEA WOLF
18. Chris Blackburn	Alaska Groundfish DataBank
19. Ted Evans	Alaska Factory Trawlers
20. Walter Kuhr	F/V DONNA GENOVEVA

PROPOSAL FROM BOB BROPHY

(presented to the NPFMC's Americanization Committee on April 19, 1986)

1. Establish a very clear policy with a set of goals. For instance, the following goals should be included:
 - (a) Preservation of the resources at the highest continuing harvest level.
 - (b) Follow a practice(s) which will hasten and facilitate the total Americanization of the FCZ.
2. As a means of supporting the above goals:
 - (a) Stop negotiating any additional GIFAs and eliminate the basket clause. The need for additional foreign entrants no longer exists. The basket clause has never accrued a benefit for the U.S. seafood industry.
 - (a¹) Review legislation including the Jones and Nicholson acts to determine if any reasonable modifications can be made to benefit the U.S. seafood industry.
 - (b) Assess foreign processors with user fees to cover the cost of resource management.
 - (c) Require foreign processors to comply with all U.S. safety (OSHA & Coast Guard), sanitation (FDA and DEC), EPA regulations. In the absence of compliance, assess foreign processors with fees equal to the cost or benefit of non-compliance. These fees should be placed in a fisheries development fund to be utilized for development of the U.S. processing sector.
 - (d) Pursue all administrative and legislative remedies to eliminate unfair duties, quotas, and other trade barriers. Demand preferential market access ability equal to 100% of DAP. Any shortfall in preferential access should accrue to reduce TALFF and foreign processing by two times the shortfall. Preferential access should be for American products only and should be available to all foreign buyers on a free basis no license holders, historical rights, etc.
 - (e) Eliminate internal waters joint ventures on species managed by the NPFMC.
 - (f) Provide DAP fishermen priority access by time and area permitting true priority access.
 - (g) Eliminate price as a criteria for granting JVP permits. Rather, grant permits based upon preferential market access and other valuable considerations.

- (h) Induce construction of new processing facilities by granting quotas to facilities so that investor-operators are assured access to the resource and can plan year-round operations.
- (i) Finally, provide a clear, concrete, set of guidelines for phase out of foreign fishing and processing. An example of this type of guideline could be as follows:
 - (1) Eliminate TALFF on those species and in those areas where DAP catch exceeds 25% of the total catch or the JVP catch exceeds 75% of the catch or where the combined DAP/JVP equals 65% of the catch.
 - (2) Eliminate JVP on those species and in those areas where the DAP catch exceeds 50% of the total catch.



ALASKA GROUND FISH DATA BANK
P.O. BOX 2298
KODIAK, ALASKA 99615
907-486-3033

ATTACHMENT D

April 30, 1986

Jim Campbell, Chairman
North Pacific Fishery Management Council
P.O. Box 103136
Anchorage, Alaska 99510

ATTN: Americanization Committee

Dear Mr. Campbell:

The Kodiak trawl fleet and its representatives have examined the proposals presented by the Pacific Seafood Processors at the April 19 session of the council's Americanization Committee and we offer the following comments, which are divided into two sections -- first, a review of PSPA proposals and, second, additional proposals of our own:

REVIEW OF PSPA PROPOSALS

--There are a number of points raised by PSPA with which we are in agreement:

1. Elimination of the basket clause: We fully support this proposal and urge the council and seafood industry to continue their efforts to have this clause eliminated from the MFCMA.
2. Review of legislation such as the Jones and Nicholson Acts to determine if reasonable modifications can be made which will benefit the U.S. Seafood Industry: We urge that this be done and a course of action outlined.
3. Fair trade: We can support efforts to create fair trade opportunities for American products by reducing or eliminating documented barriers and/or inhibitive practices
4. Processor preference amendment: We fully support retaining this section of the MFCMA.

--The following PSPA proposals we can support as long as wording modifications are made as follows:

1. Under the Goals section, we support wording supporting conservation, but suggest it reflect the wording now being written for the Gulf of Alaska FMP.
2. Also, under the Goals section, we wish to emphasize that any phrase which addresses "hastening and facilitating total Americanization" must be modified to specify that "existing U.S. investment will not be put at risk in favor of proposed investment."
3. We prefer the term "full development of the U.S. seafood industry" rather than "Americanization."
4. We feel the wording under the Goals section should reflect our concern that U.S. fishermen continue to have the right to harvest all fish available in the FCZ and the right to freely choose their markets.

--We are unable to support the following PSPA proposals:

1. Preferential time and area access for DAP fishermen: As this proposal appears to discriminate between two groups of U.S. fishermen (DAP and JVP), we cannot support it. We believe that any conflicts between harvesters on the grounds can be handled with voluntary arrangements as has been done in many other fisheries in the past.
2. Share quotas for processors making new investment: We have consistently opposed all entry limitation, share-quota type programs based on performance and we certainly oppose programs that start with no performance.
3. JVP permit criteria: Attempting to discriminate among joint venture permit applicants in effect restricts market access for the U.S. harvesting fleet; therefore, we cannot support this.
4. Clear cut phase out guidelines: Any mandated program fails to allow the flexibility necessary to respond to real world conditions such as changing exchange rates, fluctuating stocks, fluctuating market demands and fluctuating prices.

ADDITIONAL PROPOSALS FOR CONSIDERATION

--RESEARCH--

1. We ask that NMFS be directed by the council to list commercially important flounder species individually in its stock assessment documents. This is necessary for resource conservation as well as fishery development.
2. NMFS should also proceed as quickly as possible with stock separation work on Pacific cod and pollock to determine where there are separate spawning biomasses. High priority should be given to assessing gulf pollock stocks outside Shelikof Strait.

--REGULATORY--

1. Design regulations as much as possible to allow multi-species fisheries, recognizing commercial fishery species complexes.
2. Identify any regulations which impede the seafood industry's use of the Department of Agriculture's surplus commodity program and the Department of Defense's programs and assist in making these markets available to the U.S. seafood industry.

--FISH AND CHIPS--

1. The council should encourage and support the industry and federal government in the aggressive pursuit of Fish and Chips with available TALFF for specific industry goals which are clearly stated.

--MARKETING--

1. To assist in developing an overall development plan the following information should be gathered into one document:
 - a. Times of year when important fish species are most available to trawls in each area.
 - b. Time of year when each important species carries roe

and time of year when flesh is in best condition.

- c. Times of year when processors would be interested in processing groundfish in their existing facilities. The Kodiak experience has been that groundfish processing is a fall and winter activity for the local processors as they don't appear able to process groundfish and salmon at the same time.

IN CONCLUSION

Kodiak trawlers once fought joint ventures, but ended up turning to joint ventures for survival when shorebased markets failed to develop.

This year a number of local plants began making investments to process groundfish allowing the local fleet, vessel by vessel, to return home as markets became available. We want to accelerate this process, but we can't afford to sit at the dock without any market, again, as we did before, hoping the U.S. processors will decide to buy whitefish.

One equitable way to proceed would be for U.S. processors to contract in 1986 with harvesters for delivery of the entire 1987 OY of cod and/or pollock. Then both segments of the industry would have guarantees -- processors of total phase-out, harvesters of markets. Foreign nations would be forewarned that there would be no TALFF or JVP in 1987.

The American industry is moving rapidly towards full utilization of Alaskan groundfish under the existing system. Any mandated or legislated efforts to create artificial market voids, foreign or domestic, threaten to limit the seafood industry's ability to adapt to fluctuating market, stock and price conditions.

The MFCMA itself creates ample opportunity for rapid development of the U.S. seafood industry. In the past the MFCMA has been augmented by voluntary efforts on the part of foreign partners (such as Japan's voluntary withdrawal from the black cod grounds which opened the way for a U.S. takeover and Japan's voluntary withdrawal from the 20-mile Aleutian zone) and industry to industry negotiations.

We feel that the combination of existing law, fish and chips, negotiations and voluntary agreements will continue to be the best possible formula for accelerating the full development of the U.S. seafood industry. No additional measures, whether legislative, regulatory or administrative, should be imposed on this process.

Sincerely,



Chris Blackburn
Alaska Groundfish Data Bank

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VIA FACSIMILE

2-May-86

TO: NORTH PACIFIC FISHERY MANAGEMENT COUNCIL
Americanization Committee
411 West 4th Avenue - Suite 2-D
Anchorage, Alaska 99510

ATTN: Mr. Ron Miller

FROM: Robert F. Brophy

At the last meeting of the Americanization Committee, it became apparent that the group was in agreement on many specific items of an "Americanization Plan". Within the context of this memo, I will identify these items of agreement and further clarify additional changes necessary to create an attractive business environment for the U.S. seafood industry. The Committee agreed to the following:

- A. For industry to work with the various fishery management entities, to establish a clear policy including a series of specific goals. Of high priority should be "preservation of the resource while maximizing the total economic benefit of that resource for the citizens of the United States". Therefore, the North Pacific Fishery Management Council should manage the resource in such a way so as to accelerate total Americanization of the fishery resources in the U.S. Exclusive Economic Zone (EEZ). Throughout this Americanization process, the economic viability of all sectors of the seafood industry must be maintained, creating the least amount of economic dislocation for any one group.
- B. A means to further the goals of the seafood industry would be to:
 1. Stop negotiating additional GIFAs.
 2. Eliminate the Basket Clause.

FAX: NPFMC Americanization Committee
2-May-86
Page 2

- The need for additional foreign entrants no longer exists for TALFF and/or JVP operations. Linking fishery allocations and thereby fish supplies to outside, non-related events causes continuing uncertainty and serves no useful purpose to the U.S. seafood industry.
- C. The Jones and Nicholson Acts need to be modified to exempt U.S. vessels operating in the seafood industry from certain prohibitions and restrictions. It would be very beneficial if catcher/processor vessels constructed overseas could enjoy all the privileges and benefits of vessels constructed in the U.S. Vessel construction costs overseas are much less than those built in the U.S. and this lower investment cost would assist the U.S. industry in competing with foreign operators that have a much lower capital base.
- D. Foreigners engaged in directed fishing in the EEZ pay for that privilege. This total fee structure should be evaluated to equalize all user fees. The funds collected from the various user fees would be dedicated to support the cost of fishery management.
- E. All administrative and legislative remedies should be pursued to eliminate unfair duties, quotas and other foreign trade barriers. An environment providing preferential market access for U.S. processors is required for full domestic utilization. As I have stated in the past, "we all have to be on a level playing field". Foreign countries fishing or processing in the EEZ must be required to provide preferential market access in their home markets for fish products processed by U.S. processors. "Fish and chips" has been utilized very effectively to gain preferential market access via JVP for U.S. harvesters. It is now time that these same tactics be utilized to gain preferential access for U.S. processed products. In my original draft, I suggested that the U.S. demand preferential market access equal to 100% of DAP any shortfall in preferential access should accrue to reduce TALFF and foreign processing by two times the amount of the shortfall. At this point, I would add to that suggestion that any country not providing preferential market access to U.S. processed products should be prevented from returning any products caught in the EEZ to the U.S. market.

In addition to the above agreed upon common issues, the U.S. seafood industry needs the following to achieve the ultimate goal of full domestic utilization at the earliest possible date:

- A. Require foreign processors operating in the U.S. EEZ to comply with all federal and state laws and regulations relating to human rights, safety, minimum wage, sanitation, pure food, habitat and

FAX: NPFMC Americanization Committee
2-May-86
Page 3

environmental protection. In lieu of compliance, assess the foreign processor with fees that equalize the cost of such compliance to U.S. processors.

American processors are required to comply with a myriad of laws and regulations which substantially increase their costs of doing business. Foreign processors operating in the U.S. FCZ are not in compliance with these laws and regulations. While it is a matter of U.S. policy to protect its citizenry and environment by these laws and regulations, the unintended result is to give considerable cost advantages to foreign processors operating in the U.S. economic zone. It is reasonable to expect foreign nations operating within U.S. jurisdiction should either comply with U.S. law or compensate the U.S. for non-compliance.

- B. Provide DAP fishermen preferred access to fishing grounds by time and area when establishing DAP quota priorities. The current system of allocating fish has been designed to give DAP first priority, JVP second and TALFF last. The Councils wrestle with the problem of setting OY, reviewing permit applications and finally establishing quotas for the three categories. However, this practice does not establish true priority. There is no priority on the fishing grounds since all operations fish simultaneously and in the same areas. True priority should provide preference by time, area and quota thereby providing DAP fishermen the advantage of fishing while the CPUE is at its highest level and the cost of production is lowest.
- C. Place all JVP operations under the jurisdiction of the Councils, including internal water JVPs. Control of the allocation process must rest with a single authority. In some instances, internal water JVPs have been established when totally U.S. interests have been capable of processing the entire harvest.
- D. Induce investment in processing facilities by developing some system of allocation that provides assured supplies of raw material throughout the year.
- E. Finally it is necessary to provide a structure for the phase out of foreign fishing and processing as follows:
 - 1. Eliminate TALFF on those species and in those areas where for the previous years DAP catch exceeds 25% of the total catch or the JVP catch exceeds 75% of the total catch or where the combined DAP/JVP catch equals 65% of the total catch.
 - 2. Eliminate JVP on those species and in those areas where the DAP catch exceeds 50% of the total catch.

FAX: NPFMC Americanization Committee
2-May-86
Page 4

This market void structure will benefit the U.S. primary processing sector as has the market void structure established for JVP operations identified in the MFCMA, reference Section 201(d) of the MFCMA and (16.U.S.C. 1821 (d)).

I hope this information further clarifies my position outline of April 19, 1986.

Sincerely,

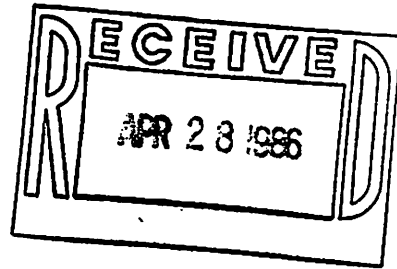
ICICLE SEAFOODS, INC.



Robert F. Brophy
President

RFB:pbl:241

cc: PSPA/Seattle



Americanizing the FCZ

ECONOMIC PROBABILITY VERSUS BIOLOGICAL POSSIBILITY

A Discussion Paper

Submitted by Bart Eaton

Abstract

Definitions

possible: that which, although not probable, can conceivably exist.

probable: likely to occur or be so; that can reasonably be expected or believed on the basis of available evidence, though not proved or certain.

priority: the quality or condition of being prior; precedence in time, order, importance, etc.

* * *

Pervasive misunderstanding of the difference between biological possibility and economic probability has undermined the goal of Americanizing the substantial fishery resources of the U.S. fishery conservation zone (FCZ) in Alaska. Although the Magnuson Act ostensibly affords American entrepreneurs first priority in the exploitation of FCZ resources, preferential access to groundfish has existed in the realm of possibility only and has been contradicted in fact by the economic imperatives of the real world.

True Priority

If the American ideal of fisheries management in the Alaskan FCZ is a domestic harvesting-processing-marketing sequence utilizing all available resources, priority access as established by the existing Magnuson Act is a sufficient mechanism for effecting progress. Only when priority extends beyond the merely possible to the realm of the probable, however, will Americans businessmen enjoy the competitive advantage necessary for achieving the full promise of the 200-mile limit.

True priority access must afford American fishermen the opportunity to maximize catch per unit effort (CPUE). To date, however, access formulas have been mere exercises in biological arithmetic and have not considered the effects of gear on fish aggregation, consequently on CPUE. Offering American fishermen a purely numerical advantage doesn't represent priority unless it is accompanied by preference in time and/or area.

While entrepreneurs whose dollars are at risk are keenly aware of the discrepancy between possibility and probability, it appears that policy makers are less attuned to the distinction. While the fisheries policy establishment is apparently confident that the domestic preference required by 200-mile legislation has been imposed, efforts to date represent abstract solutions that contradict the realities of execution. In the case of Alaska's vast groundfish resources, priority exists in name only.

Having established a form of domestic priority in Alaska that is merely numerical, the policy-making establishment has become preoccupied with "fish & chips diplomacy," a form of management-by-extortion that has produced a mode of operation--the joint venture--that now looms as an obstacle to the ideal of full Americanization.

Had real priority been established in the first place, progress to date could conceivably have been considerably greater. Even at this point, despite the political problems engendered by the emergence of the joint venture, providing true priority access to Alaskan resources could rapidly effect the goal of Americanization within the context of existing law.

Alphabet Soup

Modern fishery management is punctuated by an alphabet soup of biological possibility: maximum sustainable yield (MSY), optimum yield (OY), equilibrium yield (EY). These assumptions, fruits of the imaginative power of computer technology, are essential tools in the development of conservation strategies, but Americanization requires more than long division. The fact that estimates of resource abundance establish a certain figure as a production opportunity by no means ensure that the figure is relevant in the economic sphere, when CPUE and market conditions are considered.

There is, for example, considerable difference between the costs of producing the first and last pounds of a harvest opportunity. The first pound, gathered when the resource is abundant, when CPUE is high and "cost per unit effort" (CPUE\$) is consequently low, may be attractive to a businessman operating in the real world. In contrast, the last pound may never be produced at all because of harvest impacts that have lowered CPUE and raised production costs past the point where the prospect of profitability justifies the risk of operation. The biologically possible has more or less economic probability.

Further, each mode of fishing has a particular threshold CPUE. For example, domestic groundfish operations require the highest CPUE for economic viability. Joint ventures require a middle figure and directed foreign operations require the lowest catch rate among this trio of operational styles that impact the same, finite biomass. If all three are permitted to occur simultaneously in time and area, the style requiring the lowest catch rate may quickly drive CPUE below the level at which the highest can survive, thus undermining nominal priority.

In spite of this discrepancy between biological possibility and economic probability, however, the "priority access" offered to American entrepreneurs to date has been a purely mathematical adjustment of resource estimates, without consideration of economic realities.

Pacific cod

The most noteworthy example of the problem has been the Pacific cod, a resource that has been largely Americanized through a fortuitous coincidence of resource abundance and

market opportunity. Despite the progress, however, the all-domestic cod producers continue to be undermined by joint venture and directed foreign allocations that disperse the resource and hinder market development. The "priority" established on paper does not extend into the economic real world, while preference in time and area and the opportunity to work stocks before they are dispersed by competing modes of operation, and before market channels are plugged, could produce complete Americanization of the cod resource virtually overnight.

In this case, true priority would render the politically-sensitive remedy of phase-out unnecessary. With uncontested access to cod stocks at their maximum abundance, American entrepreneurs could clearly compete on their own merits. Indeed, it appears likely that domestic operations would soon drive CPUE and CPUE\$ beyond the limits of profitability for joint venture and directed foreign participants who would have to wait their turn to fish. In contrast, with the ability to cover fixed costs by working high CPUE stocks, domestic fishing operations could continue to operate profitably even when CPUE declined. The issue of phase-out would take care of itself.

If similar progress is to be achieved with the much larger Alaska pollock resource, true domestic priority should be established now. The economic and operational difficulties of producing and marketing pollock are unlikely to permit domestic control of the resource in an atmosphere in which conflicting modes of operation are permitted to occur simultaneously.

Slicing the Pie

Merely dividing the theoretical yield of this vast biomass between all-domestic operations (DAP), joint U.S.-foreign operations (JVP) and directed foreign operations (TALFF), represents no prioritization at all if the three modes of production are permitted to occur at the same time, on the same stocks. As long as Americans struggling to establish new and costly ventures are forced to operate side-by-side with ventures comprised all or in part of foreigners whose costs are substantially less, competition on the grounds and in the marketplace contradicts whatever nominal priority is afforded by applying the term "DAP" to the first pie slice created by the managerial knife. The sequence in which the pie is sliced, and even the size of the slices, becomes less important in the realm of the probable than the fashion in

which the slices are served.

Real priority, as has occurred in the sablefish and tanner crab fisheries of Alaska, requires preference in time or area, or both. If Americans entrepreneurs are permitted to extract DAP before JVP and TALFF impact the resource, for example, priority begins to support CPUE and to minimize production costs. Area preference would produce a similar result even during simultaneous operations. The access hierarchy should thus consist of an exclusive DAP allocation when and where the stocks are at their most abundant, with JVP maintained as necessary to protect the American interest in this mode of operation in the near term. Only when surpluses remain after significant periods of DAP and JVP opportunity should a TALFF allocation be considered.

The result would be priority that has meaning in an economic sense, and a competitive stimulus that truly favors Americanization. That such an allocation scheme could be imposed with the authority now vested in the regional management councils makes it more attractive. It holds the promise of achieving the American ideal with a minimum of political strife.

According to the preference mechanism proposed here, an American vessel delivering to an American processing facility, or processing on its own, would have exclusive access to resources that are at peak population densities. Maximizing CPUE for domestic operations, and minimizing production costs, would become the driving force in the American management strategy, with operations involving foreign participation relegated to subordinate positions in time and area.

De-Industrialization

The U.S. government has been unwilling to exert market leverage for the sake of processors to correspond to the allocation leverage exerted on behalf of fishermen, and American fishing in the Northwest and Alaska FCZ is now an industry seriously out of balance. Without the means of securing its position in the marketplace, it has become "de-industrialized", an endeavor increasingly based on exporting raw product for value addition overseas. Only preferential access to resources and markets, coupled with American technology and the initiative of the nation's entrepreneurs, can reverse the trend. True priority on the fishing grounds is the essential first step.

In the Northwest and Alaska, the events of the past decade have produced a substantial fleet of large fishing vessels capable of utilizing most of the resources of the regional FCZ. With virtually no shoreside groundfish processing facilities having emerged, however, and with an extremely limited degree of at-sea processing capacity in place, the fleet finds itself entirely dependent on the U.S. government's willingness to blackmail foreign nations over access to U.S. resources, and on their willingness to pay the ransom. It is not a mode of doing business that inspires

Americanizing the FCZ

6

great confidence about the future, and it is now clear that as long as foreign processors are able to maintain their supplies of Alaska resources through joint ventures as well as directed fishing operations, American processors will continue to be left out of the groundfish equation.

Competitive Edge

In fisheries in which real domestic priority has been established, however, the outcome has been far more satisfactory. In the case of the Alaskan tanner crab and sablefish fisheries, exclusive access to preferred fishing grounds quickly established American predominance. With Americans suddenly afforded a competitive edge in terms of production, and with markets suddenly deprived of inexpensive sources of supply, for example, domestic sablefish production increased 25 percent by volume and 51 percent by value in 1984.

Establishment of real priority for American groundfish operations in the form of time and area preferences, mechanisms currently available under the Magnuson Act and supported by leading policy makers, would immediately improve the competitive position of the domestic factory trawl fleet and enhance prospects for the creation of new processing capacity at sea and ashore. Moreover, this form of real world prioritization could be accomplished on an incremental basis, to permit gradual entry by American entrepreneurs without destroying the viability of joint ventures that currently support much of the U.S. fleet.

Existing Law

Assuming the tanner crab and sablefish experience is repeated, Americanization would be effected without the necessity of obtaining a legislated phase-out, although the global commodity nature of groundfish products may slow the full domestication of these low-value resources.

In any case, however, working within the context of existing law is preferable to seeking new and controversial legislation. Obtaining a legislated phase-out promises to be a long and difficult process that pits joint venture proponents against their all-domestic counterparts. Even if a phase-out can be achieved politically, the full-utilization language of the Magnuson Act could require prohibitive levels of capitalization (or even over-capitalization, since we are far from thoroughly understanding resource cycles) before Americanization can be accomplished by means of this

Americanizing the FCZ

7

mechanism.

Establishing exclusive economic zones and time windows for all-domestic operations, and expanding them until phase-out occurs by itself, would appear to be a more viable alternative.

Americanization Strategy

The Magnuson Fishery Conservation & Management Act clearly assigns priority access to the annual optimum yield (OY) of commercial fisheries within the U.S. 200-mile zone. <See Sec. 201(d)(4) and (h)(1), Sec. 204(b)(6), and Sec. 303(a)(4)>.

The law gives first priority to U.S. fishermen who catch and process onboard their own vessels or who deliver to U.S. processors.

Second priority goes to U.S. fishermen who deliver to foreign processors.

Third priority goes to foreign fleets.

Congress created this priority system in the interest of fully Americanizing the fish harvesting and processing industry in the domestic 200-mile zone.

Priority access means that U.S. fishermen and processors have an explicit right to harvest and process as much of the OY as they can wherever and whenever they determine that it is most cost effective and profitable to do so.

That means that during specific times and in specific areas U.S. fishermen and processors are entitled to first access to the resources that they choose to exploit.

And, if U.S. entrepreneurs are capable of using the entire OY, none is allocated to anyone else.

The MCFMA

The MFCMA reads...

"Congress finds and declares the following:

"(7) A national program for the development of fisheries which are underutilized or not utilized by the U.S. fishing industry, including bottomfish off Alaska, is necessary to assure that our citizens benefit from the employment, food

supply, and revenue which could be generated thereby.

"It is therefore declared to be the purpose of the Congress in this act...

"(6) to encourage the development by the United States fishing industry of fisheries which are currently underutilized or not utilized by U.S. fishermen, including bottomfish off Alaska, and to that end, to ensure that optimum yield determinations promote such development."

This is a vital point. Congress declared, and then-President Gerald Ford agreed, that OY determination was meant not only to conserve but to develop the potential of U.S. fisheries for the sake of the domestic good.

Yes, OY determination must begin with the best scientific information about the biological health of each fish stock, but the process does not end there.

The intent of Congress is clearly that OY determination be a catalyst for American development, not an obstacle to the competitive position of American entrepreneurs.

The MFCMA describes the methods that the regional management councils and the Secretary of Commerce should use to promote U.S. fishing and processing in the 200-mile zone:

Congress

First, Congress gives U.S. fishermen and processors priority access to the annual OY.

Second, Congress authorizes the councils and the secretary to set OY at levels that encourage new U.S. investment and employment in underutilized fisheries.

Third, Congress establishes a specific system by which foreign nations may qualify for access to surplus OY by "cooperating with the U.S. in both the advancement of existing and new opportunities for fisheries exports from the U.S. through the purchase of fishery products from U.S. processors, and the advancement of fisheries trade through the purchase of fish and fishery products from U.S. fishermen, particularly fish and fishery products for which the foreign nation has requested an allocation."

There's no mistaking it. Congress intends for the councils

Americanizing the FCZ

9

and the secretary to promote American fishing and processing in a vigorous manner.

To date, however, most underutilized fisheries have been continuously depleted by foreign operations even as U.S. entrepreneurs are afforded so-called priority access.

Consequently, U.S. development is handicapped at the outset. Costs and risks are sky high. Income and return on investment is low.

That's because the councils and the secretary have given Americans priority access only to the remnants of once abundant resources.

This is the opposite of what Congress intended.

This is no way to encourage American development of the 200-mile zone.

To truly stimulate American development, the councils and the secretary must implement priority access for U.S. fishermen and processors when resources are at their most abundant.

American fishermen and processors must be assigned the best periods and areas in which to fish, based on optimum catch per unit effort (CPUE).

The council and the secretary must also make yearly OY determinations as Congress intends them to: namely, at a level that promotes American fishing and processing development.

Just by doing these two things, the councils and the secretary will provide genuine encouragement to fully-American fishing and processing operations.

Pacific Cod

According to the best available scientific information, the OY for Pacific cod in the Bering Sea is likely to decline by more than 50 percent by 1986. Yet, in 1985, directed foreign fishing operations have been awarded a 35,000 metric ton allocation, while an additional 95,000 metric tons will be delivered to foreign processors in joint ventures.

February and March are the prime fishing months for Pacific

Americanizing the FCZ

10

cod as reproduction provokes the fish to school in the waters north of Unimak Pass. In 1985, however, members of the Alaska Factory Trawlers Association reported that their daily cod production in the area during the prime fishing period was about half of the 1984 level.

Once the cod disperse from the waters north of Unimak Pass, they become much harder to catch in quantities that are commercially significant. Based on this season's catch rates during the prime months, it will be extremely difficult for U.S. fishermen and processors to achieve their OY allocation because they weren't afforded true priority access during the peak period.

If U.S. fishermen and processors had been given exclusive access to the area north of Unimak Pass during the prime schooling period, they could better achieve their OY target as intended by Congress.

To promote development of the Pacific cod fishery in the Bering sea, the entire 1986 OY should be assigned to U.S. fishermen who intend to process themselves or deliver to U.S. processors ashore. In no circumstances should foreign participation be permitted in the prime fishing area during the schooling period.

MAY 1, 1986

TO: Americanization Committee
N.P.F.M.C. - Anchorage
ATTENTION: MR. RON MILLER

FROM: Hugh Reilly
Americanization Committee Member

RE: Comments/observations/suggestions pursuant to April
18/19 initial committee meeting.

The weight of testimony heard by the Committee on April 18 and my own knowledge of past, recent, and current developments within the industry assure me that Americanization is occurring rapidly, and that policies now in effect are more than sufficient to carry the process forward. Testimony and committee discussions also suggest that the process might be refined, and perhaps accelerated by bringing greater focus and consistency to the use of certain tools at hand.

At the same time my own, rather substantial commercial experience causes me to caution against any suggestion to tamper with market forces or experiment with economic theory to effect change---particularly when the specifics of the change desired are so poorly defined. As a successful free-market animal and laissez-faire economist, I will vigorously resist efforts to mandate market voids, limited entry, priority access, share quotas, or biological manipulations in the name of Americanization.

As I stated in my comments during committee discussions, it is my firm belief that TALFF is the most powerful asset we have available to effect Americanization of the U.S. fishing industry in Alaska. The careful application of "Fish & Chips" policies over the past four years has, despite periodic disruptions and inconsistencies, brought dramatic opportunity to the U.S. harvesting industry and increasing opportunities to the U.S. processing sector.

In his comments dated April 23rd, Bert Larkins has clearly detailed (second paragraph) areas in which the committee appears near a consensus on means to accelerate the Americanization process. He also appropriately cites the lack of focus of the processors position.....creating uncertainty on the part of the harvesters (and also on the part of prospective domestic customers and interested foreigners) as to what the processors want from, and plan to do with, "Americanization".

It should be self-evident that much of the growth of joint-venture fishing activities in Alaska stems from the fact that in the early 1980's the U.S. harvesting sector---inspired by the development of U.S./U.S.S.R. joint fisheries on Pacific Whiting off California/Oregon/Washington---went to foreign entities fishing off Alaska with clear-cut goals and focused demands. These demands were met (and the goals have been exceeded) in exchange for TALFF.

By contrast the only U.S. processor to address the Committee on April 18th (though his firm "strongly endorses the program of Americanization" as pressed by P.S.P.A.) was unable to define any specific bottomfish projects in Alaska which his company had even investigated. . . .much less attempted.

There is ample evidence today, much of which was presented in testimony before the committee, that those domestic enterprises which have set goals and defined programs to achieve them are well on their way to realizing them.

The Industry-to-Industry mechanism, as developed and practiced so successfully with the Japanese, must be expanded to include meaningful negotiations with other countries interested in TALFF. Efforts should be made by the Council and the Administration to see that the efforts of Industry-to-Industry forums are in a future no longer diluted and delayed by issues unrelated to the Americanization process.

As stated in Committee discussions, I can support a refocusing of these Industry-to-Industry processes to give greater emphasis to using TALFF to achieve Americanization goals of the traditional processing sector of the U.S. industry. But it is incumbent on the leadership of that sector to first come up with goals and strategies more definitive than just "Americanization".

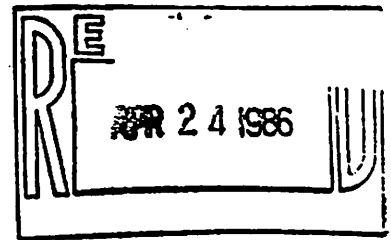
The process leading up to the formation of the Committee included discussion of caps on joint-ventures. Opposition to this concept was clear and well defended in testimony taken by the committee; but I feel that insufficient recognition was given to the risk of industry retardation that would accompany such a scheme---which would be a de-facto limited-entry program for joint-ventures.

My own pockets would surely be richly lined by such a scheme... ..at the expense of the silent few who might otherwise someday enter the trawl industry. But processors and fishery managers alike should consider this alternative only with the greatest of caution.

Joint-venture incomes are presently a primary source of capital formation for the harvesting sector. Full Americanization will require a fishing fleet far larger than exists today; it will not develop spontaneously, especially to serve marginal harvesting opportunities. And, absent viable harvesting opportunities (i.e. expanded joint-ventures), fisheries oriented investment dollars generated within a "capped" J/V fleet would likely flow towards at-sea processing activities---risking overcapitalization in that sector and potential "crowding out" of shore-based processors in their bottomfish development efforts.

Clearly, in this and every instance related to the Americanization effort, a fine and carefully drawn course must be followed. But all efforts should be governed by the recognition that economic development cannot be legislated and that continued cooperation with our foreign partners, trading TALFF and JVP for foreign markets, technology, and capital, is the best current strategy for realizing the maximum benefit from groundfish resources off Alaska.

Such a strategy should recognize the success and vitality of the current development process, and would specifically reject the use of legislative, regulatory, or administrative "magic" to force development.



TO: NPFMC Americanization Committee
THRU: Ron Miller, NPFMC
FROM: Bert Larkins
DATE: April 23, 1986

Shortly before adjourning our last meeting, Committee members were asked to further review the Brophy paper for areas of possible agreement, or develop their own specific "Americanization" proposals.

From our Committee's discussions to date, there seems to be a consensus in favor of eliminating the MFCMA "basket clause", modifying the Nicholson and Jones acts, to the extent they adversely affect the U.S. fishing industry, seeking relief from debilitating State of Alaska tax policies, maintaining funding for fishery management, and aggressively attacking foreign seafood import barriers. With regard to the latter issue (import barriers), the attack mechanism is yet to be addressed. Several options came to mind that we should discuss further: specific new legislation; urging the Administration to fully employ existing trade laws; using the existing "fish and chips" policy to more advantage.

Beyond these several areas, opportunities for broad agreement on other elements of "Americanization" are a bit harder to visualize. From my perspective, a major impediment to further agreement is a lack of focus of the processors' position which, in turn, leads to the perception of a lack of real development commitment, at least on the part of some shoreside processors. Another serious problem is that although we tend to agree on the need for a species-by-species approach, the proposals which come forth tend to be so broad-brushed as to be almost generic (e.g., PSPA's letter of March 3, Brophy's paper of 4/18).

It would be most helpful to the Committee's further deliberations if it had something of substance from the processors to evaluate: tonnages by species, areas, product forms; markets (i.e., domestic or foreign); investment and production schedules; number and type of catcher boats to be employed and their employment schedule. The lack of such detail not only perpetuates the feeling on the part of some that the processors are merely window shopping, but provides no basis for judging performance under what-

ever "Americanization" program the Council might adopt.

I will have no specific "Americanization" proposal of my own to offer because my experience, the preponderance of testimony we have received, and the record to date clearly indicates to me that Americanization has in fact been occurring, is progressing at an accelerating rate, and is encompassing all sectors (at admittedly differing rates) of the Northwest and Alaska fishing industry. The investment climate (weakening dollar, falling interest rates, availability of foreign capital, increased per capita seafood consumption) has brightened considerably over the past year, suggesting that many past impediments to fishery development (whether real or perceived) have been overtaken by events. Further, the recent loss of Japanese access to the Soviet fishing zone should be resulting right now in a reduction of pollock supply to that country of a magnitude similar to that which would occur if the U.S. pollock TALFF had been eliminated this year. This should allow the "market void" theory to be tested immediately without losing the major source of leverage for the U.S. fish and chip policy and risking the adverse affect on the domestic j-v industry which a premature termination of TALFF could cause.

Report from: Bert Larkins
 Chris Blackburn
 Barry Fisher
 Hugh Reilly
 Thorne Tasker
 (of the Americanization Committee)

In addition to the Committee's consensus on the several issues described elsewhere in this report to the Council, half (5) of the Committee's membership endorses the following.

Americanization of the groundfish resources within the NPFMC's area of jurisdiction is occurring at a rapid rate, as evidenced by the DAH catch trend, the construction/conversion of U.S. flag catcher-processors, and the investment in shoreside processing plants. Much of this development has been initiated by investors from the harvesting sector of the fishing industry who have secured adequate financing and expanding markets during the past period of high interest rates and strong dollar. This trend has encompassed all elements of the industry, if not all of the individuals who profess an interest.

Trawl and longline fleets have fared best of all because of the success of joint venture operations and the complete domestic utilization of the sablefish resource. The emerging head and gut catcher-processor fleet appears to be successfully capturing domestic and export markets and is not lacking for venture capital or financing. Much of this capital came, and continues to come from joint venture revenues captured by enterprising owners of trawl vessels that have participated in joint venture operations; it is important to understand that this emerging new vessel class is designed to operate in both the DAP and JVP modes simultaneously. Neither have the larger fillet/surimi catcher-processors been inhibited by a lack of investment capital (much of which also was generated in joint venture fisheries) but some are struggling for profitable markets. The shoreside processing sector is lagging in development but certainly is not stagnant, considering the large Akutan facility which has been operating for several years, the new surimi plants in Dutch Harbor and Kodiak (ca. \$10 million each), the several kamaboko plants operating or under construction in the Puget Sound area, and the several small but expanding fillet plants in Kodiak.

The 1986 allocation schedule* for the NPFMC's area of jurisdiction shows that of a total groundfish TAC/OY of 2,307,765 MT:

DAH	=	1,625,415 MT	(70%, up from 48% in 1985)
DAP	=	446,484 MT	(19%, up from 6% in 1985)
JVP	=	1,178,931 MT	(51%, up from 42% in 1985)
TALFF	=	682,350 MT	(30%, down from 52% in 1985)

The trend shown above and in Figure 1 is clear.

*Projected

It is our firm belief that the very best thing the Council can do to promote further the full domestic utilization of the fishery resources off Alaska is to create a management regime that:

- 1) is stable;
- 2) maximizes the domestic economic return from the region as a whole;
- 3) recognizes the fact that in maximizing the economic return from the region as a whole, retention prohibitions and even minimal by-catch mortalities will not allow maximizing the economic return from every individual species/species groups;
- 4) maximizes resource access by all gear types so as to maintain harvesting flexibility and efficiency;
- 5) promotes industry solutions to management problems (e.g. yellowfin sole/crab negotiations) rather than the Council getting out in front of its constituency with regulatory fixes; and
- 6) takes full advantage of the leverage that TALFF can provide under the existing "fish and chips" policy.

Conversely, we feel that it is dangerous for the Council, however well intentioned, to try to manipulate either the international seafood marketplace (e.g. "market void" concept) or the competitive evolution of the domestic industry (e.g., "management by bycatch" philosophy; exclusive gear-type or development zones).

Low interest rates, the currently weak dollar, reduced cod supplies worldwide, increasing per capita consumption of seafood in the U.S., and the two-thirds reduction in the Japanese pollock allocation in the Soviet fishery zone all point to a bright domestic development climate. If the Council would focus its considerable influence on seeing that allocations of TALFF are used primarily, if not exclusively, to knock down foreign import barriers, that in conjunction with these other positive factors should enable the U.S. fishing industry to maintain the dramatic development process already well underway.

There has simply been nothing of substance from the testimony received or from the members of the Committee themselves that would justify the need for such special interest management or legislative actions as automatic TALFF phase-outs, JVP caps, or exclusive-use development zones.

ALASKA GROUND FISH HARVESTS

◆—◆ Joint Ventures □—□ U.S. Processors
 ▼—▼ Foreign ■—■ Total U.S. Harvest

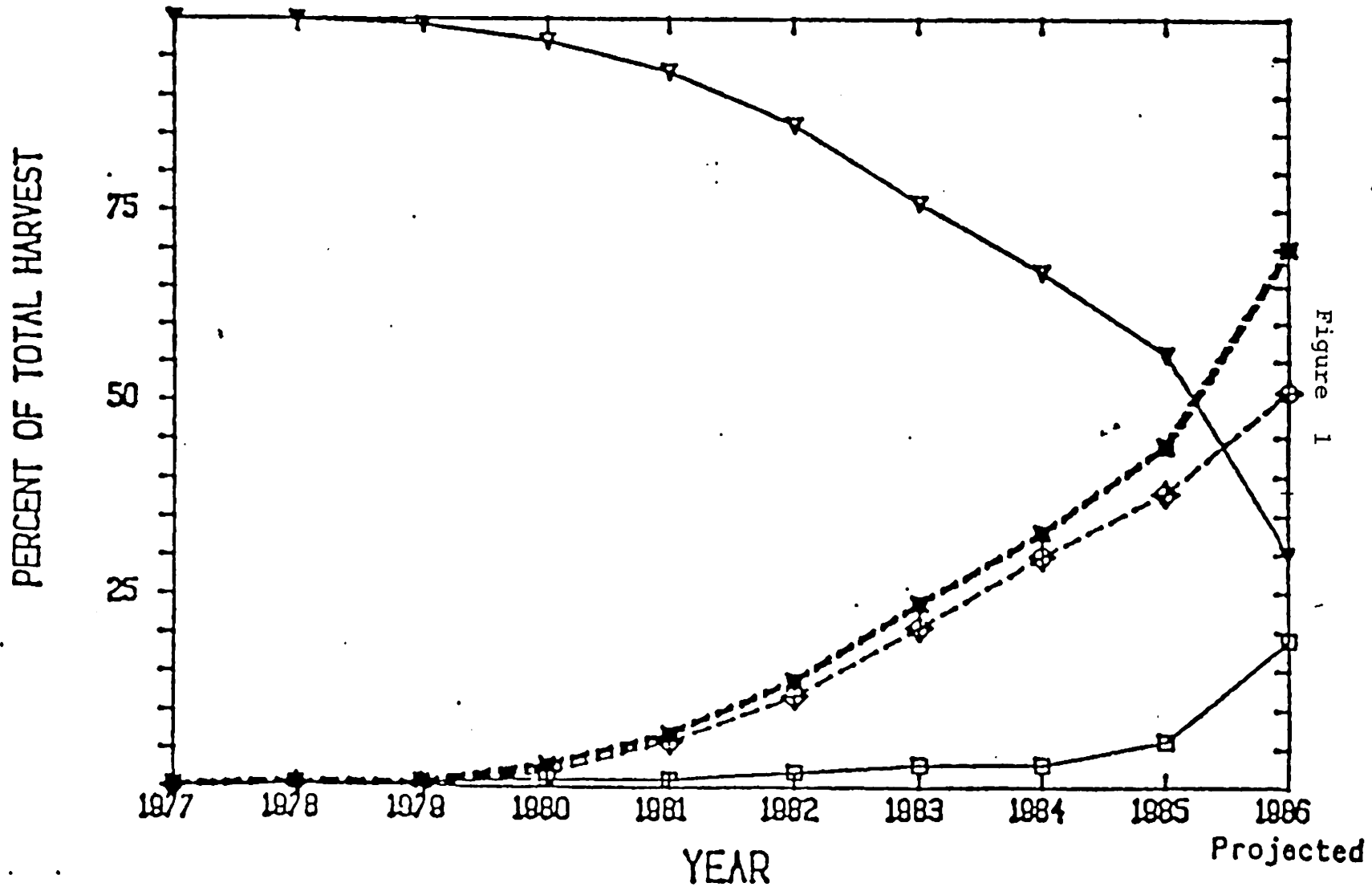


Figure 1

TO: North Pacific Fishery Management Council
 FROM: Americanization Committee Members:
 Terry Baker
 Bob Brophy
 Bart Eaton*
 Bob Morgan
 Bill Woods
 DATE: June 11, 1986

The North Pacific Fishery Management Council established an "Americanization Committee" at the March meeting. The Committee was charged to provide to the Council by the June 1986 meeting with recommendations for accelerated Americanization of the North Pacific fisheries and, if appropriate, amendments to the MFCMA. The workgroup was also requested to give special consideration to the following:

- Retention at the Regional Council level of specific foreign fishing and foreign processing phase-out dates, to be determined on a fishery-by-fishery, or species, basis.
- Provision for careful regional deliberation, involving the concerned fisheries and the NPFMC on specific implementation procedures.
- Mechanisms which fully consider and make use of market-place forces for that implementation.

It was further recommended that the approach proposed by the NPFMC Chairman to the Congressional delegation in October 1985 be a point of departure for workgroup review and deliberation. The key ingredients to the October 1985 letter to the Congressional delegation are: (1) a phase-out of foreign directed fishing; (2) establish a lid for joint ventures; and (3) thereby create a market void particularly in Japan to stimulate purchases from the U.S. of processed fish (headed and gutted, surimi and roe).

Some sectors of the U.S. seafood industry contend that Americanization of the North Pacific groundfish resources is occurring and that any deviation from the status quo management and allocation process is not justified. However, maximum economic development of the U.S. seafood industry is not being achieved, and cannot be achieved simply by transferring allocations from TALFF to JVP. Further, the impediments to maximum economic development (as discussed hereafter) must be eliminated or so altered as to create a fair market system.

The committee has agreed that the phrase "maximum economic development of the U.S. seafood industry" replace the word "Americanization". Although not defined by the Committee, the intent of the phrase is self evident. TALFF produces the least economic benefit and is restricted to fees used to cover the cost of management. JVP produces economic benefit to those vessels engaged in such operations plus benefiting the companies that manage them. This is estimated to include 100 vessels, 500 fishermen, 200 managers, and a total annual catch (ex vessel) value of \$100 million, with maximum growth already very nearly achieved. DAP provides

the maximum economic value through added value by a factor of five times the ex vessel value at the primary processor level. DAP employment should easily reach 10,000 plant workers and will continue to utilize the fleet currently engaged in JVP. DAP means maximum economic development and will result in a new multi-billion dollar industry far outweighing the JVP maximum value. Further benefits are the positive effect on balance of trade payments, the development of a broad tax base and genuine control of the resources.

In addition to the Committee's consensus issues as reported in the summary minutes of the meetings, the U. S. seafood industry must have the following to achieve the goal of "maximum economic development of the U.S. seafood industry". No priority is intended by order of listing.

- A.) Place all JVP operations under the jurisdiction of the Councils including internal water JVPs. Control of the allocation process must rest with a single authority. In some instances internal water JVPs have been established when totally U.S. interests have been capable of processing the entire harvest. This would require an amendment to the MFCMA.
- B.) TALFF and JVP operations fishing in the EEZ should pay for that privilege. This total fee structure should be evaluated to equalize all user fees. The funds collected from the various user fees would be dedicated to support the cost of fishery management.
- C.) Under the current allocation system joint venture permit restrictions must be established to encourage maximum economic development of the U.S. seafood industry.
- D.) Legislatively require all foreign processors operating in the U.S. EEZ to comply with all federal and state laws and regulations relating to human rights, safety, minimum wage, sanitation, pure food, habitat and environmental protection. In lieu of compliance, assess the foreign processor with fees that equalize the cost of such compliance to U.S. processors. American processors are required to comply with a myriad of laws and regulations which substantially increase their costs of doing business. Foreign processors operating in the U.S. FCZ are generally not in compliance with these laws and regulations. While it is a matter of U.S. policy to protect its citizenry and environment with these laws and regulations, the unintended result is to give considerable cost advantages to foreign processors operating in the U.S. economic zone. It is reasonable to expect that foreign nations operating within U.S. jurisdiction should either comply with U.S. law or compensate the U.S. for non-compliance.

- E.) Provide DAP fishermen preferred access to fishing grounds by time and area when establishing DAP quota priorities. The current system of allocating fish has been designed to give DAP first priority, JVP second and TALFF last. The Councils wrestle with the problem of setting OY, reviewing permit applications and finally establishing quotas for the three categories. However, this practice does not establish true priority. There is no priority on the fishing grounds since all operations fish simultaneously and in the same areas. True priority should provide preference by time, area and quota thereby providing DAP fishermen the advantage of fishing while the CPUE is at its highest level and the cost of production is lowest. All DAP operations, catcher processors/shoreside processing facilities/ floating processors. would be managed the same.
- F.) A means to further the goals of the seafood industry would be to:
1. Stop negotiating additional GIFAs. This authority within the MFCMA should be relinquished. The need for additional foreign entrants no longer exists for TALFF and/or JVP operations.
 2. Eliminate the basket clause from the Act. Linking fishery allocations and thereby fish supplies to outside, non-related events causes continuing uncertainty and serves no useful purpose for the U.S. seafood industry.
- G.) During the interim period TALFF and JVP should be allocated to achieve the maximum economic development of the U.S. seafood industry (e.g., TALFF or JVP in exchange for agreements to reduce tariffs on U.S. fish products, priority access to foreign markets for U.S. fish products, and to ensure TALFF and JVP products are not shipped back into the U.S.) All administrative and legislative remedies should be pursued to eliminate unfair duties, quotas and other foreign trade barriers. An environment providing preferential market access for U.S. processors is required for full domestic utilization. Foreign countries fishing or processing in the EEZ must be required to provide preferential market access in their home markets for fish products processed by U.S. processors. "Fish and chips" has been utilized very effectively to gain equal market access for U.S. harvesters. It is now time that these same methods be utilized to gain preferential access for U.S. processed products.

H.) Finally, it is necessary to provide legislation for the phase out of foreign fishing and processing as follows:

1. Eliminate TALFF on those species and in those areas where for the previous years DAP catch exceeds 25% of the total catch or the JVP catch exceeds 75% of the total catch or where the combined DAP/JVP catch equals 65% of the total catch. Elimination of TALFF is irreversible regardless of changes in the harvest level or economic or social factors.
2. Eliminate JVP on those species and in those areas where the DAP catch exceeds 50% of the total catch. Elimination of JVP is irreversible regardless of changes in harvest levels or economic or social factors.

This market void structure will benefit the U.S. primary processing sector in the same manner as has the market void structure benefited the JVP operations. Reference MFCMA, Section 201 (d) of the MFCMA and (16.W.S.C. 1821 (d)).

The maximum economic development of the U.S. seafood industry will only be achieved when the Council, NMFS, the State Department and Congress utilize all of their authority to accomplish these priority issues.

*We were unable to contact Committee Member Bart Eaton so his support of this memo is conditional subject to his expected response.

KOREA DEEP SEA FISHERIES ASSOCIATION

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June 19 1986

HAN MO KIM
RESIDENT DIRECTOR

Mr. Jim H. Branson
Executive Director,
North Pacific Fishery Management Council
411 West 4th Avenue, Suite 2-D
Anchorage, Alaska 99510

Re: "Phaseout and Americanization Proposals"

Dear Mr. Branson;

I request that the following be presented to the Council meeting as the views of the Korean fishing industry on the above subjects:

The Korea industry hopes that the Kodiak meeting will see an end to the series of ill-considered and disruptive proposals for changes in American fisheries management which began during the "Re-Authorization" debate in congress last year, and have continued through the "Americanization" hearing this spring. American fishermen have presented in great detail at the various hearings the reasons why the present system is working very effectively to bring about "Americanization" of the Alaska bottomfish fishery to the benefit not only of the harvesters, but the processors, marketers and other segments of the industry as well. These arguments seem to us convincing and well supported by statistics and hard evidence. We do not believe that it is necessary for a foreign industry to belabor what seems perfectly obvious; The Magnuson Act is working precisely as intended by its frames in assuring the "Americanization" of the resources of the North Pacific indeed, it is working at a faster pace than most observers would have predicted.

As a foreign fleet, we may make some contribution to the Council's deliberations by touching upon two aspects of the debate to which we can bring special knowledge and experience, the first is the relationship of world markets to management of the American resources of the North Pacific, the second is our attitude toward investment and technological assistance to the American bottomfish industry. As to the relationship of world markets to the debate, it would appear from our reading of the record of the Seattle hearing, that the concept of stimulating "Americanization" by the creation

"Phaseout and Americanization" Proposal comment con'd

of artificial shortages (The "market void" idea) has been discredited. Most participants appear to recognize that there are non-U.S. supplies of pollock and other whitefish which compete with pollock and would fill any "voids" created by American policy. Certainly we have found this to be true. American policy has already raised the price of pollock to the point at which supplies have appeared on the world market and are available to Korean processors. In fact, the bulk of the pollock we now send to American markets as frozen block fillets is now of Soviet origin. Further increases in the effective costs of American pollock will simply result in further tipping the balance toward non-U.S. purchases.

The massive yearly increases in Korean purchases of pollock and bycatch from American harvesters have been based on the reasonable effective costs to the Korean companies of the American caught fish. We have known in advance that the regulatory burden on our plans would be minimal, that our American partners would be accepting of our technological guidance and prompt and efficient in their deliveries. While there has certainly been good will all around, and American policy encouraging such "Joint Ventures" was clear, our purchases have outrun all such considerations for one simple reason; the prices have been right. Apparently American harvesters have recognized that they operate in a competitive market.

As for investment and technology transfer, the Korean industry is actively involved in negotiating a variety of projects. We believe that these projects will collectively add a great deal to the development of the American bottomfish harvesting, processing and marketing industries. Insofar as we understand American desires and policy in these fields, each of our projects appears to us to be precisely within the parameters of American wishes. It appears to us that our cooperative attitude deserves from American policymakers a period of regulatory stability. Korea is a free-market economy, and Korean fishing companies must ensure that each investment and technological relationship is profitable and a worthy alternative use of available investable funds (there is no subsidization of capital formation in Korea, and, as in any developing country, capital is in short supply and its price is high). The ability of the Korean industry to assist in the development of the American bottomfish industry in its broadest sense would be seriously disrupted by any one of the proposals for change in the Magnuson Act regime which have been put before the Council during the "Americanization" debate.

We hope these views will assist the Council in reaching mature and considered views on these subjects. Although we would agree that there are almost as many differences as parallels, Council members might consider the history of OPEC as an example of how a

"Phaseout and Americanization" proposal comment con'd

partial cartel in the field of natural resources can fail if attempts to push its limited advantages too far too fast. Please consider also the pain and disruption which the OPEC cartel caused to a great number of innocent bystanders on its way to failure and essential dissolution. It is the hope of Korean industry that the Council will put aside unsound and unwise dreams of "controlling" market for bottomfish in favor of strengthened efforts to provide efficient and unbiased management as a background against which Americans and Koreans may continue and improve their cooperation.

Respectively,


Rodney Armstrong
Agent for Korean Fleet