



FISHERIES TRADE

Progress in renegotiations for Compacts of Free Association

Certain elements of the Compacts of Free Association between the US and the Marshall Islands and the US and Federated States of Micronesia are scheduled to expire in 2023 and in 2024 for the US and Palau. The details of each agreement are distinct, but overall, the Compacts contain the legal framework for unique partnerships with the US, including provisions negotiated during the 1980s in which the three Pacific Islands countries agreed to grant the US specified military and other security rights – in particular, perpetual strategic denial rights over the three nations’ surrounding water and airspace – while the Pacific Island countries were granted access to defined forms of aid and services, and in particular visa-free entry to live, work, and study in the United States. As elements of the Compact agreements have begun to near expiration, all parties have invested in renegotiation; processes which also figure into broader US efforts to reaffirm and expand political commitments in the Pacific region. According to the US Special Envoy for Compact Negotiations, Ambassador Joe Yun, while China did not come up specifically in negotiations, it was a major element in the context of the negotiations.² Notably, two Compact countries, the Marshall Islands and Palau, recognize Taiwan diplomatically.

Recent months have yielded progress in negotiations for new 20-year agreements.³ In January 2023, both US and the Marshall Islands and the US and Palau signed Memorandums of Understanding (MOU) that signal the framework for finalizing negotiations. On 10 February, the US and the Federated States of Micronesia also signed an MOU.

Indications are that new agreements will include significant increases in funding on the part of the US, though exact details are not yet publicly available.⁴ For instance, reportedly, the draft MOU between the US and the Marshall Islands contains agreement on seven specific areas of funding and indicates that a new agreement will continue programmes and services under the existing Federal Program and Services Agreement. The MOU specifies a new USD 700 million contribution to a ‘repurposed’ trust fund, which would be designed to allow the Marshall Islands government to pay for its own priorities, including helping people affected by historic US nuclear testing and ongoing military activities. The MOU also reportedly speaks directly to climate change concerns and includes the formation of a new joint task force to help Marshall Islands access programs, services, and financing to mitigate climate change.⁵ However, reports suggest that the Marshall Islands Compact Negotiation Committee membership has not been fully satisfied with the terms of the MOU. Further complicating matters, in early March, a legal scholar who was involved in developing the Marshall Islands’ constitution in the 1970s argued that a vote in a plebiscite would be required for a new Compact of Free Association to take effect.⁶ The implications of this assertion are not yet clear.

The US and Federated States of Micronesia’s MOU also indicates increased dollar figures from the US, in this case up from about USD 80 million annually in sector grants to USD 140 million annually from 2024-2044.⁷ Meanwhile, outgoing FSM president David Panuelo reports that he held talks with Taiwan about switching diplomatic ties for USD 50 million in assistance. He indicated that he began these discussions in response to frustrations with China, including around China’s attempt to manufacture a ten-country security and trade pact.⁸ It is not clear if such discussion might progress under a new administration. All parties are aiming to conclude negotiations in the coming months, with the US in particular sending a strong signal of its bipartisan support for deepened commitment to the Pacific region.

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China-Ecuador FTA sees tuna tariffs untouched

After only 10 months of negotiations, China and Ecuador concluded free trade agreement (FTA) negotiations in January 2023. The FTA will govern an annual China-Ecuador joint trade worth over USD 10 billion, giving Ecuador preferential access on 99 per cent of its current exports to China's market of 1.4 billion people. Ecuador's main non-oil exports are shrimp (70%), bananas, cut flowers, cocoa, and coffee, as well as non-traditional goods such as pitahaya (dragon fruit), pineapple, mango, blueberries, and canned fruit.⁹

Ecuador has been increasingly reliant on China since 2008 following a sequence of international debt defaults. China is now Ecuador's largest creditor and its largest market for non-oil exports.¹⁰ This new FTA significantly boosts China's strategic influence in Latin America.

Despite this power, Ecuador's tuna industry pushed hard to have tuna excluded from China's access to Ecuador's market under the FTA. Indeed, as a fresh indication of the relative weight of this industry in Ecuador's domestic political economy, tuna was the *only* product that was pushed as a specific exclusion.¹¹ Ecuadorian purse seine owners were concerned that raw material from Chinese boats would undercut them, and similarly that domestic canned tuna markets risked being flooded by canned product from China. Ecuador has a 30% applied tariff on imports of canned tuna which provides effective protection to its domestic processors in the local market. This is the tariff that is currently applied to China and that will continue despite the FTA.

The China-Ecuador FTA reiterates how important trade policy is to the global tuna industry and that commercial fear is high on the agenda concerning China's export capacity.

FISHERIES MANAGEMENT

Kiribati re-opens Phoenix Islands Protected Area to tuna fishing

In 2008, Kiribati established the Phoenix Islands Protected Area (PIPA) – the largest UNESCO recognized Marine Protected Area (MPA) in the world, covering an area of 400,000 km² and accounting for 11.34% of Kiribati's exclusive economic zone. From 2015, PIPA was designated as a no-take fishing zone, following the establishment of the PIPA Trust - a conservation contract with Conservation International and the New English Aquarium to compensate the Government of Kiribati for foregone revenue from tuna fisheries access fees.¹² The trade-off between conservation benefits and lost access fee revenue associated with PIPA has been debated for a number of years. The results of a quantitative study published on 10 January 2023 in *Frontiers in Marine Science*, co-authored by Pacific Community scientists and the Kiribati Ministry of Fisheries and Marine Resources Development, supports the Kiribati Government's decision to re-open the area to fishing from January 2023.¹³

The study evaluated the conservation efficacy of large-scale, no-take MPAs for skipjack and bigeye tuna, using PIPA as a case study. The modelling also included the establishment of a series of large hypothetical MPAs, each representing 33% of the Western and Central Pacific Ocean (WCPO), in line with calls from some proponents for 30% of the WCPO to be designated as MPAs. The study found that stock-wide conservation benefits for these two highly migratory species were weak to non-existent, with only modest increases in spawning biomass for both species within and near PIPA itself. For the large hypothetical MPAs, changes in stock-wide spawning biomass were estimated to be -0.1% to 5.8% for skipjack and 4.8%-12% for bigeye

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fisheries**



tuna. The study concluded that large oceanic MPAs are not likely to be an effective primary management tool for tropical tunas, given these species' wide larval dispersion by ocean currents and high mobility in later life stages negates the intended spatial conservation benefits of MPAs. Also, assuming total fishing effort is maintained and is displaced from no-take fishing zones, this may negatively impact stocks and fisheries performance in the remaining open areas.¹⁴ The results of this study may be relevant for other MPAs located in the WCPO - the Palau National Marine Sanctuary (PNMS) and the Pacific Remote Islands Monument (PRIM), as well as other ocean areas, where MPAs may be being promoted as a frontline spatial management tool for tropical tuna fisheries.

American Samoa aims to move toward recognition at WCPFC with local licensing system for US purse seiners

A bill recently introduced in the American Samoa legislature aims to give the American Samoa Department of Port Administration the authority to establish a local licensing system in American Samoa for purse seine vessels.¹⁵ The proposed legislation would establish and maintain a record of all locally based purse seine vessels that regularly land to American Samoa and offload catch for use in the processing plant or in transshipment in support of the American Samoa tuna industry. To gain 'locally-based' status, a vessel would be required to land at least 50% of catch to American Samoa in support of the American Samoa tuna sector. A hearing to discuss the proposed bill has been scheduled for March 2023.¹⁶

This proposal is one step in a broader effort for American Samoa to gain recognition as a small island developing state within the Western and Central Pacific Fisheries Commission.¹⁷ This recognition would grant American Samoa – and a registered locally-based US purse seine fleet – access to benefits and exemptions to WCPFC Conservation and Management Measures that are facilitated via Article 30 Part VIII of the Convention. Article 30 of the WCPFC gives full recognition to the special requirements of developing States Parties to the convention, in particular small island developing states, and of territories and possessions, in relation to the conservation and management of tuna in the Convention Area and development of fisheries for such stocks.

As present, American Samoa is not recognized for Article 30 benefits. However, if the US fleet becomes locally-based in American Samoa *and* American Samoa effectively asserts that it is eligible for Article 30 benefits, a local fleet would gain access to specified exemptions to WCPFC CMMs. Of particular interest are exemptions to the three-month FAD fishing closure, the two-month high seas FAD closure, as well as to limits on high seas fishing days. American Samoa has long been framing this recognition as central to sustaining supply of raw material for its tuna dependent economy. In American Samoa, the non-governmental economy is built almost entirely around tuna-related economic activity and the cannery employs roughly 2,000 workers. It remains an open question if the WCPFC will be receptive to this move and if not, what the next steps might be for American Samoa's effort.

At present, the US fleet is comprised of 13 vessels, 12 of which fish almost exclusively in the eastern areas of the WCPFC Convention area and supply the Pago Pago Starkist plant. At the end of 2022, the fleet, the US government and FFA member countries agreed to a one-year extension of expiring US Treaty terms.¹⁸ The groups will continue to negotiate an updated, ten-year Treaty in the coming months; for that new agreement, the US government has announced its intention to increase the economic assistance package associated with the Treaty from USD 21 million to USD 60 million/year for a periods of ten years.¹⁹

American Samoa is aiming to establish US purse seiners as a locally-based fleet

American Samoa remains interested in being recognized as a SIDS and gaining access to WCPFC Article 30 benefits

Panama awaits its fate after second IUU yellow card warning

In November 2012, Panama received a ‘yellow card’ warning from the European Commission for being a potentially non-cooperating country in the fight against illegal, unreported and unregulated (IUU) fishing, which was then lifted in October 2014. On 12 December 2019, a second yellow card was issued as Panama was deemed to have significantly backtracked on improvements made from 2012 to 2014. A number of shortcomings were identified including: a lack of control over Panama’s fishing vessels, fish carriers and fish processing plants; an unreliable traceability system for certifying the legality of fish entering the EU market from Panama; inefficient administrative procedures related to law enforcement, including a lenient approach towards the application of sanctions for infringements; and, serious deficiencies in the implementation of the Port State Measures Agreement.²⁰ Notably, Panama is the only country in the world to have received a second yellow card warning from the European Commission.

Representatives from the European Commission’s DG-MARE will once again visit Panama in March 2023 to assess its Competent Authorities’ progress in addressing these shortcomings. DG MARE is then expected to make a decision in April whether to lift Panama’s yellow card once again, extend it for another six months or upgrade it to a ‘red card’. A red card would prohibit fish caught by Panama-flag fishing vessels entering European markets. Consequently, this fish could only be sold locally or in non-EU markets, most likely at a heavily discounted price given Panama’s reputational links to IUU fishing activities.

A red card issued in 2023 could also jeopardise Panama’s cooperating non-member (CNM) status in the Western and Central Pacific Fisheries Commission (WCPFC), where it is granted participatory rights to operate carrier and bunkers vessels in the Convention Area. Such a decision would be taken into consideration by the Commission when assessing Panama’s CNM application for 2024. In addition to reviewing Panama’s compliance with WCPFC Conservation and Management Measures, the Commission will also consider information available from other RFMOs relating to IUU fishing activities. At WCPFC19 in 2022, some WCPFC members were already reluctant to agree to renew Panama’s CNM status for 2023, particularly the European Union. Significant concerns were raised about a Panama-flagged vessel fishing illegally in the North Pacific Fisheries Commission (NPFC) Convention Area and Panama’s tardiness in voluntarily adding this vessel to NPFC’s IUU list. The Commission specifically tasked TCC19 to consider the outcome of the NPFC IUU listing process and further efforts on Panama’s improvements to manage and monitor its vessels when considering Panama’s CNM application in 2023.²¹ If WCPFC20 rejects Panama’s CNM application in 2023, Panama-flagged carrier and bunker vessels will no longer be permitted to operate in the WCPFC Convention Area from February 2024 (60 days after the decision). This would prove highly disruptive to the global tuna supply chain given the high number of Panama-flag carriers and bunkers currently servicing tuna fishing vessels in the WCPO, which accounts for over 50% of total global tuna catch. Currently, 112 of a total 400 (28%) fish carriers and 22 of 38 bunkers (58%) authorized to operate in the WCPO are Panama-flagged.²²

Panama is the only country to have received two yellow card warnings from the European Commission

Non-renewal of Panama’s cooperating non-member status at WCPFC would prevent Panama-flag carriers and bunkers operating in the WCPO

IOTC breaks down due to forced vote on drifting FADs

From 3-5 February 2023, the Indian Ocean Tuna Commission (IOTC) held its Sixth Special Session aimed at the adoption of a conservation and management measure on fish aggregating devices (FADs), given members were unable to reach consensus during the most recent annual session held in May 2022, largely due to divergent views on the introduction of a three-month drifting FAD (DFAD) closure.

Prior to commencement of the special session, Kenya was the lead proponent on a proposal which included a three-month DFAD closure, a reduction from 300 to 150 instrumented buoys per purse seine vessel, the introduction of a DFAD register, the complete phase-out of supply/support vessels by 2024 and a transition to fully biodegradable FADs by 2026. A less ambitious proposal from the EU was also tabled which included a reduction from 300 to 260 instrumented buoys by 2026 and a shift to fully biodegradable FADs by 2029; there was no FAD closure or further reduction in supply vessels proposed. India tabled a proposal calling for a full prohibition on drifting FADs.²³

In its opening statement, Kenya surprisingly withdrew support for its own proposal citing the need to wait for formal Government approval, as well as waiting for further scientific evidence supporting the need for a FAD closure. However, the NGO BLOOM has accused the EU of pressuring Kenya to withdraw its proposal by threatening to cut off € 24.75 million in funding for sustainable coastal economic development through Kenya's Blue Economy program; an accusation which is strongly refuted by the EU.²⁴ Following Kenya's withdrawal, Indonesia stepped in to lead the proposal with support from ten other co-sponsors. In the final hours of the special meeting, consensus could not be reached, with the EU, Seychelles and Mauritius strongly opposing the FAD closure. Their rationale was that there has been no scientific advice received on this matter as yet and that the introduction of a FAD closure would place a disproportionate burden on the purse seine fishing fleet and the small-island economies with tuna processing facilities relying largely on fish supply from these vessels (i.e. Seychelles and Mauritius).

In the final hours of the meeting, Indonesia called for a vote on its proposal given consensus could not be reached; the 2/3 majority requirement for adoption was met. The new resolution (Resolution 23-02) will come into force on 8 August 2023 and introduces amongst other elements, an annual 72-day FAD closure from 1 July – 11 September 2024 and a reduction in instrumented buoys per vessel from 300 currently to 250 by 2024 and 200 by 2026.

However, IOTC's procedures permit Commission members to object to a conservation and management measure within 120 days of its adoption. By doing so, the objecting member is not bound by measure to which is it objecting. If objections to an adopted measure are made by more than one-third of the Commission's membership, the other members will also not be bound by the measure. At the time of writing, objections had been received by five members – Kenya, Comoros, Seychelles, Philippines and Oman.²⁵ The European Union and Mauritius have also criticised the new measure but have not filed objections to date.

Several common themes emerge from the objections – these members are not opposed to strengthened FAD management, but are concerned by the lack of scientific basis for adoption of the FAD closure; they support the adoption of measures by consensus rather than forcing a vote which undermines the collective and collaborative spirit of IOTC; and have concerns about the disproportionate economic/social burden on the purse seine sector and Western Indian Ocean small island developing states. Several Commission members and Europe's representative body for fishing fleets, Europêche, have expressed concern that the decision to force a vote was influenced by commercial

EU, Seychelles and Mauritius strongly oppose the introduction of an IOTC FAD closure without scientific advice

A forced vote on drifting FADs at IOTC has undermined the RFMOs collective spirit

interests of the pole-and-line sector, which has faced increasing competition in the UK market from tuna caught by purse seiners fishing on FADs, where it once enjoyed an almost monopoly.²⁶ Princes and Thai Union have flagged concerns about raw material supply constraints for their respective processing plants in Mauritius and Seychelles, particularly given the Indian Ocean FAD closure will overlap with FAD closures already in place in two other oceans (i.e. WCPO, EPO).²⁷ Meanwhile, NGO Blue Marine Foundation has heralded the introduction of the FAD closure as a landmark decision²⁸, while ISSF has expressed concern about the lack of shared effort by all IOTC delegations in working together toward the realization of scientific advice and that the outcome from the special session sets an unwelcome precedent for future meetings.²⁹

During the special meeting, a separate proposal submitted by Kenya and Maldives for an anchored FAD (AFAD) conservation and management measure was adopted by consensus. Unlike the DFADs proposal, this was uncontentious.

The outcomes of this special IOTC meeting are poignant for WCPFC and other tuna RFMOs. The breakdown in communication and negotiations to the point of moving to a forced vote rather than reaching consensus sets a dangerous precedent and fuels criticisms that RFMOs are failing to effectively manage tuna fisheries. Similarly, decision-making which is driven by commercial interests rather than scientific advice also fuels criticism and compromises genuine conservation efforts. On a positive note, IOTC's adoption of the AFAD measure marks the first time an RFMO has explicitly acknowledged the very different operational aspects between DFADs and AFADs, particularly with respect to materials used for FAD construction. While DFADs are moving towards fully biodegradable designs, AFADs need to be constructed from materials that ensure the longest lifespan possible. This is of particular relevance and interest to the Solomon Islands and PNG which have domestic purse seine fleets fishing on anchored FADs within their respective archipelagic waters.

New studies explore industry and philanthropic involvement in tuna management efforts

Two recent scholarly articles aim to illuminate some features of non-state actors' roles in tuna various management efforts. The first explores industry involvement in annual WCPFC meeting negotiations.³⁰ Analysis of attendance records reveal that total attendance at WCPFC meetings increased by over 150% between 2005-2018. Over that time period, the relative proportion of total WCPFC attendees from industry (combined companies and fisher associations) and from ENGOs nearly doubled, while relative government attendance decreased by one third. From industry, 311 different industry groups (239 companies and 72 industry associations) participated in meetings. More than 97% of companies and 86% of industry associations participated in WCPFC as part of a national delegation, rather than as observers. Between 2013-2018, Tri Marine Group had the highest attendance and had representatives on five delegations, while Dongwon Fisheries (Korea) and Luen Thai Fishing Venture (China) had representatives on four delegations. Interviews of WCPFC participants conducted for the study suggested that industry influence on national policymakers is heterogenous and dependent on the dynamics within a given country and its fishing sector. In particular, industry representatives pointed to the value of having industry present on delegations in order to translate the impact that various regulations might have on fishing activities. The study authors do not claim to be able to measure if and how industry has influence on delegations and in WCPFC negotiations. Most broadly, the study reveals a 'crowding in' of participation in WCPFC meetings and points to the challenges that some stakeholders, including governments, face in accessing and attending meetings because of the high financial costs of participation.

IOTC is the first RFMO to adopt a stand-alone management measure for anchored FADs

Industry and ENGO participation at WCPFC meetings has doubled since 2005



The second study explores the role of three US-based philanthropic organizations (the David and Lucile Packard Foundation, the Walton Family Foundation, and the Gordon and Betty Moore Foundation) in advocacy for improved tuna management at intergovernmental meetings and engagement with fishing companies and/or market based approaches to driving sustainability.³¹ The study finds that these philanthropies allocated less than USD 29 million to tuna related work between 2013-2021, with 65% of all grant funds directed to RFMO advocacy and to projects that aim to engage market leverage for 'sustainability'. Almost 60% of all funding was allocated to only three NGOs (The Nature Conservancy, International Seafood Sustainability Foundation and WWF), though the study also identifies and maps other organizations that have received support and links them to the RFMO area in which they are pursuing projects. The study illustrates that US philanthropies' focal areas in the tuna sector have changed over time. Initially, they offered support to the development of the MSC certification process. More recently, these philanthropies have turned toward 1) supporting NGOs that facilitate fishery improvement projects (FIPs) as a pathway to MSC certification and 2) advocating at RFMOs to ensure volume of supply and the management conditions required to achieve certification. Philanthropic support has also been critical for the launch of a new Marshall Islands-based tuna supply company, Pacific Islands Tuna Provisions (PITP). PITP is a joint venture limited liability company comprised of majority owner Marshall Islands-Marine Resources Authority and The Nature Conservancy. The venture sources tuna products that meet the sustainability and transparency needs of retailers. Overall, the study points to the role that philanthropic organizations can play in selecting and supporting specific sustainability and management efforts. It recommends that philanthropic groups: move towards supporting social impacts of the sustainable seafood movement, including human rights and local economic and social impacts of tuna fisheries; improve transparency of their own reporting to foster better understanding of the role of philanthropic giving in sustainability efforts; and emphasize giving to local NGOs and in support of small-scale fisheries.

TUNA INDUSTRY

US Federal Aviation Authority grounding of air cargo airline causing hardship throughout Micronesia

Aero Micronesia, Inc., doing business as Asia Pacific Airlines (APA), was grounded by the U.S. Federal Aviation Agency (FAA) by an Emergency Order of Suspension (EOS) in early February 2023. APA is a Guam and Honolulu-based cargo airline that provides critical freight and mail service throughout Micronesia and to American Samoa. APA has been operating in Micronesia and elsewhere in the western and central Pacific since the late 1990s as an FAA part-121 supplemental all-cargo carrier. APA is a wholly-owned subsidiary of Tan Holdings Corporation, which is itself a 'partner company' of Luen Thai Enterprises. Luen Thai is a diverse Hong Kong-based holding company, the subsidiaries of which are involved in a variety of industries including the operation of longline fishing vessels and bases in FSM and the Marshall Islands and a fish processing plant in the latter.³² A primary activity of APA is support of those fishing and processing activities. It is also the primary carrier for mail and much of the air freight to FSM and the Marshall Islands.

According to a statement from the FAA contained in published reports, the operating authority of the airline was suspended and ordered to cease operations because the carrier was unable to demonstrate that its pilots were properly trained. Asia Pacific immediately appealed the suspension, saying that they had a contract with an aviation services company to provide check pilot services to APA. The FAA apparently alleged that because APA itself did not provide a complete set of training records for

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services by APA
has curtailed
fresh tuna
processing by
MIFV**

those check pilots, they were not qualified to provide proficiency checks and/or flight instruction and therefore none of APA's flight crews could be deemed to have been trained.³³

According to APA, the airline flies a minimum of 60 flights per month in the western and central Pacific. The impacts of its suspension of service to the FSM and Marshall Islands have been profound; the level of impact to Palau, American Samoa or other locations where APA had a presence was not clear at the time of writing, although it is expected to have been disruptive. For FSM and RMI, the impacts fall into two categories: (1) support of Luenthai Fishing Venture's (LTFV) fishing and processing operations, and (2) delivery of mail and air cargo generally to those locations. The LTFV subsidiary in Majuro, Marshall Islands Fishing Venture (MIFV), employs several dozen Marshallese in their fresh fish processing operation, and usually processes and exports thousands of pounds of fresh tuna twice per week.³⁴ The lack of APA flights has meant a cessation of the processing of fresh tuna from LTFV's 28 vessels that unload in Majuro on a regular basis. The company also processes and freezes tuna for export via reefer container, but there has been no public word on if that is now the case for all tuna landed in Majuro.

In addition to direct impacts on the operations of APA sister companies, the lack of air freight and mail has seriously and negatively impacted FSM and the Marshall Islands. The islands are served primarily from Guam and Honolulu on United Airlines 'Island Hopper' flights three to four times per week. Passenger loads, weight restrictions and other problems limit the amount of air freight and mail that can be carried. Yap State in FSM has only two United flights *per month*, and that has also contributed to the mail and freight problems for that location. Majuro relied on APA for air freight of fresh fruit and vegetables which were sold not only to the local populace but also to crews of the numerous purse seiners which regularly tranship in Majuro lagoon. In addition to a lack of personal mail, fresh produce, and general air cargo, the hospitals in Majuro and Yap are awaiting shipments of medical supplies that are backed up in both Guam and Honolulu. United Airlines has committed to carry mail and air freight where possible, but according to some reports there is more than 20 tonnes of mail and cargo backed up in those locations. As of late February, there had been no incoming or outgoing mail to/from Yap the entire month.

On February 24, United Airlines announced it would fly one cargo flight per week from 28 February – 18 March.³⁵ It is not clear if that flight will service Kosrae, Pohnpei and Chuuk, as well as Majuro and Kwajalein. In early March, United Airlines committed to two cargo flights to Yap during March. With continuing problems being experienced in Majuro, Marshall Islands President David Kabua issued a state of emergency on 18 March 2023.³⁶

Cost-price squeeze pushes Princes to sell canned division, while Hagoromo expands to Philippines

Mitsubishi is reportedly putting its Princes Group canned seafood division up for sale for £ 80 million (€ 90 million/USD 97 million) based on earnings before interest, taxes, depreciation and amortization (EBITDA).³⁷ Princes Ltd. is Mitsubishi's canned tuna business in Europe, focussing on the UK and Netherlands markets. While 'no decision' has been made, the business is not looking as healthy as it might have done.³⁸

After booming sales during Covid, Princes turnover returned to normal in financial year 2021/22 and pre-tax profits fell from £ 46.2 million in 2021 to £ 29 million in 2022.³⁹ Headquartered in Liverpool, UK, Princes is reportedly laying off over 300 jobs.

*Mitsubishi's
plan to sell may
be influenced
by high
exposure to an
increasingly
economically
unstable UK*



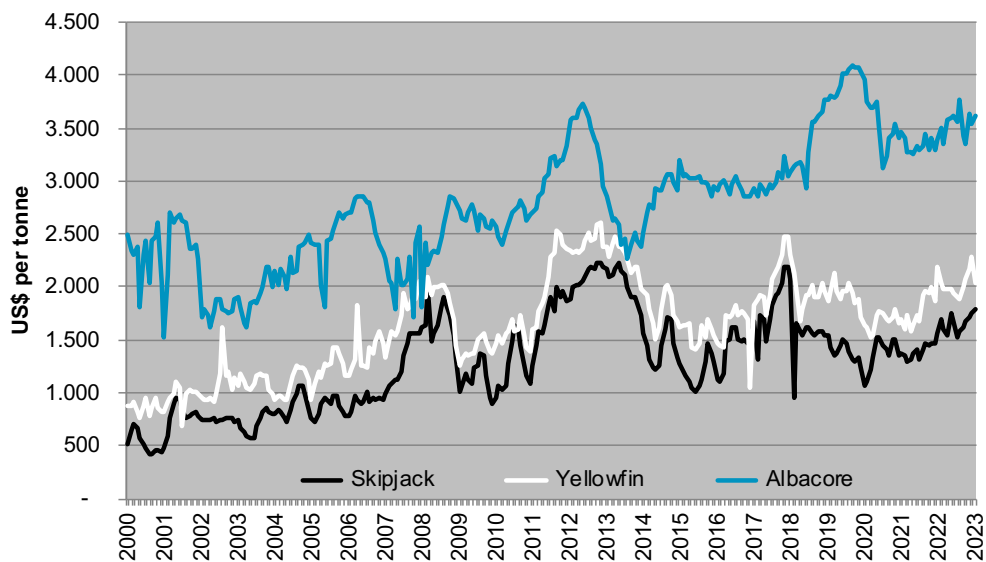
Given that seafood accounts for around 20 per cent of Princes total sales, it is especially sensitive to raw material price increases.⁴⁰ Indeed, Mitsubishi's plan to sell Princes Group canned seafood division is likely to be partly shaped by the exchange risks associated with high UK inflation and that raw material purchases are in Euro or US dollars. Supplies of raw material from Russia have been curtailed, while tuna prices have risen globally on average since 2020 and 2021. This squeeze is compounded by UK supermarkets engaged in a price war in core categories such as canned tuna.⁴¹

Meanwhile, another Japanese giant, Hagoromo, while also experiencing a decline in profits, is responding to the squeeze of rising costs quite differently to Mitsubishi. It is seeking to cut costs by investing in building deeper and more stable relationships with local suppliers in Philippines.⁴² A new office in Manila will focus on procuring cooked tuna loins for the Hagoromo factory in Japan, as well as to buy pineapples and other products for the Japanese market.

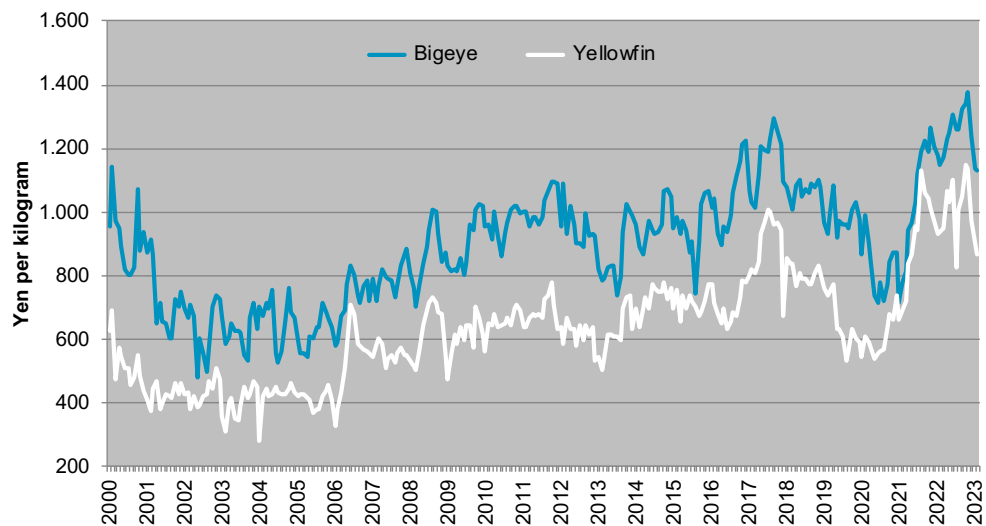
Hagoromo invests in getting closer to Philippine tuna loin suppliers

TUNA PRICE TRENDS⁴³

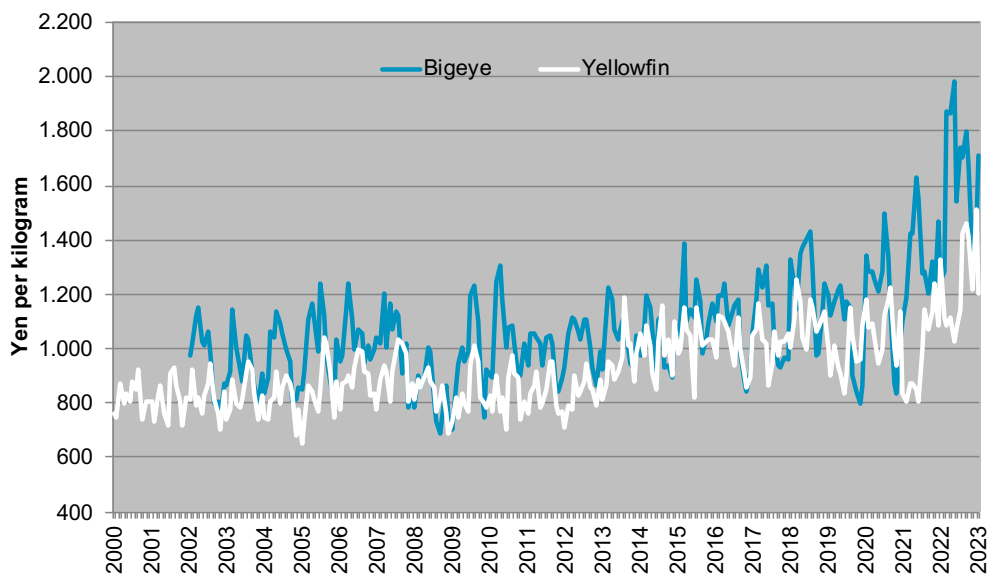
Bangkok canning-grade prices to January 2023⁴⁴



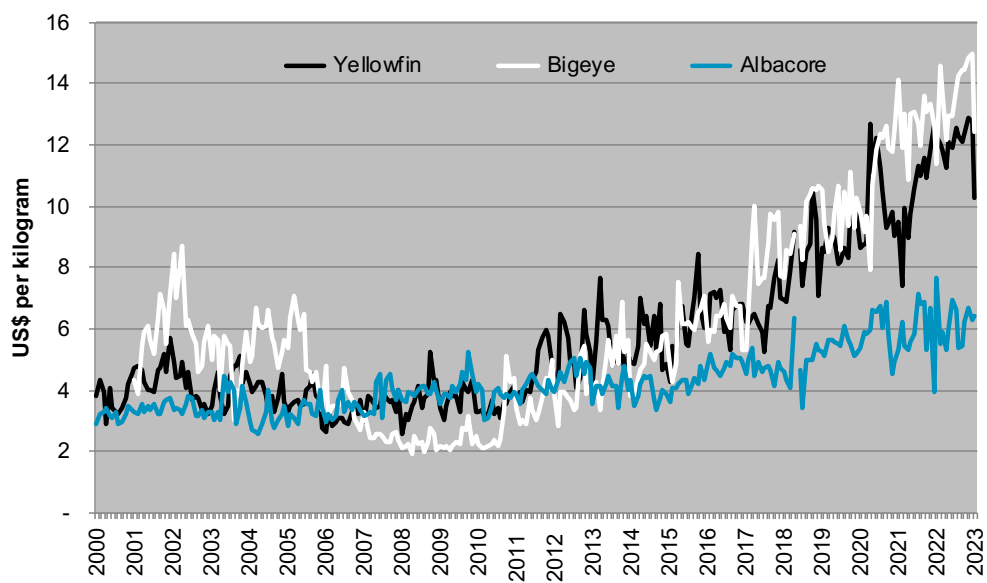
Japan frozen sashimi prices (ex-vessel, Japanese ports) to January 2023⁴⁵



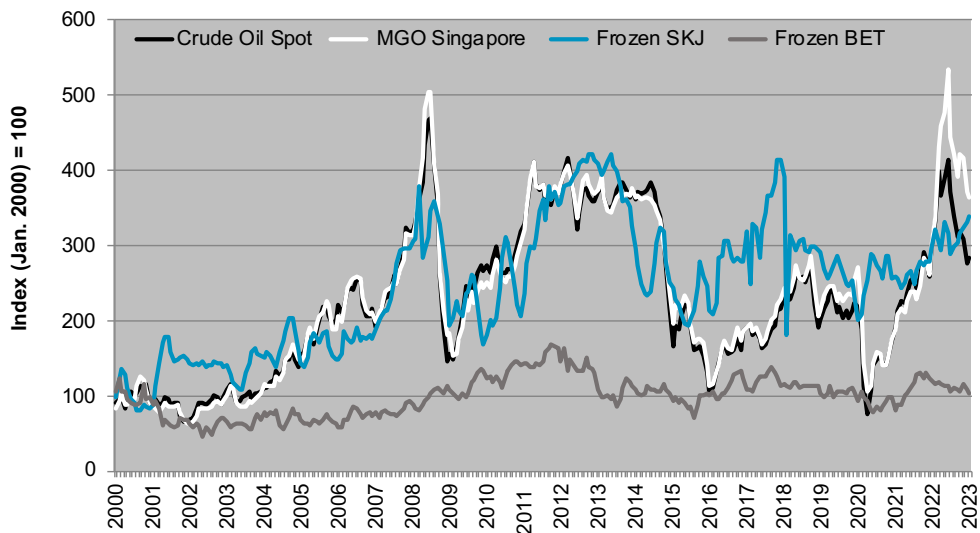
Japan fresh sashimi prices (origin Oceania) to January 2023⁴⁶



US imported fresh sashimi prices to December 2022⁴⁷



Crude oil, canning-grade frozen skipjack (SKJ) and frozen bigeye (BET) price index to January 2023⁴⁸



¹ Prepared for the FFA Fisheries Development Division by Professor Liam Campling, School of Business and Management, Queen Mary University of London, Dr Elizabeth Havice, University of North Carolina at Chapel Hill and Mike McCoy, independent consultant, all Consultant Fisheries Trade and Market Intelligence Analysts, Fisheries Development Division, FFA. Desktop publishing by Antony Price. The authors would like to thank FFA for their input on an earlier draft of this briefing. The contents of this briefing (including all analysis and opinions) are the responsibility of the authors and do not necessarily reflect the positions or thinking of the FFA Secretariat or its Members.

² Matthew Lee 2023. 'US nears new cooperation deals with Pacific Island nations', *Associate Press*, 14 January 2023.

³ Matthew Lee 2023. 'US nears new cooperation deals with Pacific Island nations', *Associate Press*, 14 January 2023.

⁴ Anita Hofschneider 2023. 'Marshall Islands Could Receive Billions Under Renegotiated US Treaty', *Honolulu Civil Beat*. 22 January.

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⁶ Giff Johnson 2023. 'American legal expert: Marshall Islands voters must approve Compact', *Marianas Variety*, 6 March 2023.

⁷ 'FSM president negotiates "big top numbers" in getting MOU with US', *Radio New Zealand Pacific*, 21 February 2023.

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