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MFR PAPER 1227

Foreign Direct Investment in the U.S. Commercial Fisheries Industry

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ABSTRACT—This report presents an analysis of data on foreign direct investment in the U.S. commercial fisheries industry. The principal data source is the Survey of Foreign Direct Investment in the United States, 1974 conducted by the Bureau of Economic Analysis, Department of Commerce. At the end of 1974, the total value of foreign direct investment in the U.S. commercial fisheries industry was \$129 million. The sources of these investments were: Canada, Denmark, Iceland, Japan, Kuwait, Mexico, Norway, and the United Kingdom.

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INTRODUCTION

This is a report on foreign investment activities in the U.S. commercial fisheries industry. It is associated with a larger study undertaken by the Department of Commerce, Bureau of Economic Analysis (BEA), pursuant to the Foreign Investment Study Act of 1974 (PL 93-479). The principal source of information for this report was the *Survey of Foreign Direct Investment in the United States, 1974*, conducted by BEA. The results of the survey describe the direct foreign investment positions as of 31 December 1974. Other governmental sources are used to supplement the survey data.

INVESTMENT SCOPE

Foreign investment in the U.S. commercial fisheries industry has taken

place primarily at the processing and wholesale levels. At the end of 1974, 47 firms reported foreign ownership of 10 percent or more of the voting stock of an incorporated U.S. business enterprise or the equivalent interest in an unincorporated U.S. business enterprise. The total value of this investment was \$129 million¹.

Much of the foreign investment in U.S. fisheries is of relatively recent origin. More than half the firms involved received these investments since 1970 (Fig. 1). During 1974 direct investment rose 30 percent to its present level.

¹Investment is defined as the value of the affiliated foreign groups' direct claims on the assets of their U.S. affiliates, net of claims of the U.S. affiliates on the assets of affiliated foreign groups.

SOURCES AND LOCATIONS OF INVESTMENTS

Over half of the total value of foreign direct investment is from sources in European countries (Fig. 2). A more detailed breakdown indicates that 87 percent originates from only three countries: United Kingdom, Japan, and Canada. The remainder is from investors in Denmark, Iceland, Norway, Kuwait, and Mexico.

The 47 firms operate 107 establishments, which include business offices as well as production facilities. A large number of these establishments are located in the States of Alaska and Washington, but there are also operations in several other states, particularly along the east coast in New York, New Jersey, Massachusetts, and Florida.

About one-third of the establishments are located in Alaska. Disclosure

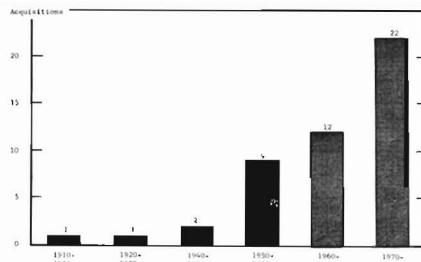


Figure 1.—Number of U.S. companies in the fishing industry in which 10 percent or more of equity has been acquired by foreign investors since 1910.

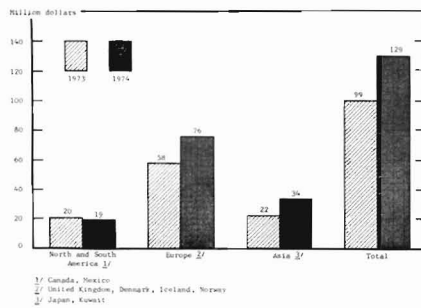


Figure 2.—Value of foreign direct investment in the U.S. commercial fisheries industry by country of foreign investors.

restrictions disallow identification of ownership of these Alaska-based establishments as revealed by the BEA survey. However, according to unclassified information supplied by the U.S. Embassy in Tokyo, the following Japanese trading (T) and fishing (F) firms had investments in Alaskan fisheries enterprises: Mitsubishi (T), Nichiro Gyogyo (F), Taiyo Gyogyo (F), Kyokuyo (F), Marubeni (T), Mitsui (T), and C. Itoh (T). At that time the Embassy reported the largest of these Japanese investments was in Whitney-Fidalgo Seafoods Inc., which operated several processing plants in Alaska. The company reportedly was 98 percent owned by Kyokuyo, a fishing company².

Hearings held by the National Marine Fisheries Service in 1974 revealed that the largest known individual foreign investment in the U.S. fishing industry is by a British firm, Hanson Trust, Ltd., which purchased U.S. firms engaged in harvesting and pro-

²The size of the "investment" was reported by this source as \$11 million, but this may not be comparable to the investments reported in the BEA survey because of possible variance in definitions of investment and possible change in direct investment position over time.

cessing menhaden for fishmeal, oil, and other industrial products³. Another British firm, the British-American Tobacco Company, is reported to have investment interests in seafood plants located in Alaska, New York, and Washington. Canadian investments are reported in plants in Florida, Maine, and Washington (Bureau of International Commerce, 1973, in press). In addition, a Norwegian company has an investment in a Massachusetts fish processor, and an Icelandic company has investment interests in a plant located in Maryland (Bureau of International Commerce, 1973, in press).

MARKET POSITION

The number of firms in the U.S. commercial fisheries industry with foreign investment has more than doubled in the past 5 years. However, activities of these firms comprise only a minor part of the entire U.S. commercial fisheries industry. In 1974 total sales of these U.S. affiliates of foreign firms were \$527 million, of which \$235 million were sales by fisheries processing firms and \$292 million were by wholesaling firms. Total sales of fisheries products that were processed by all plants in the United States in 1974 were \$2.8 billion and sales of U.S. wholesalers of fisheries products were \$4.7 billion (National Marine Fisheries Service, 1975). The apparent share of foreign affiliates of each thus was only 8 and 6 percent, respectively.

³NMFS, Recommended Decision in the Application of Richard Reiss to Transfer Interests in Certain Fishing Vessels and Shipyards to Foreign Ownership (Hanson Trust, Ltd.). April 15, 1974. Hanson reportedly purchased these interests for \$32 million.

FINANCING

Investment in U.S. commercial fisheries activities, overall, is predominantly through debt items (e.g. bonds, notes). Foreign parents held \$85 million in debt items which represented 66 percent of their total claim on assets (Table 1). The remaining 34 percent was in the form of equity items. The actual value of the equity items was \$44 million, of which capital stock and additional-paid-in-capital comprised \$39 million, and the rest was retained earnings. Most investments were joint ventures with American firms, establishment of branch offices, or the acquisition of established U.S. companies.

EMPLOYMENT AND PAYROLL

United States affiliates employed 6,462 workers, most of whom were U.S. citizens. Eighty-five percent were production workers. Wages and salaries paid to employees in 1974 totaled \$57 million. Data on employment by state or geographical region are not available, nor is it known to what extent U.S. citizens exercise managerial control over those companies.

FOREIGN TRADE

United States fisheries industry affiliates of foreign companies figure heavily in U.S. exports of fishery products. The exports of these firms in 1974 were valued at \$72 million, or 28 percent of total U.S. exports of fishery products (Table 2). The corresponding value for imports by these companies was \$207 million, or 12 percent of the total value of fishery product imports into the United States. United States affiliates of Japanese and British com-

Table 1.—Components of foreign parents' claim on assets of U.S. affiliates (\$1,000), by country, 1974.

Country	Equity items				Total claims on assets
	Capital stock	Additional paid-in-capital	Retained earnings	Debt items	
North & South America (Canada, Mexico)	1,929	27	3,679	13,764	19,399
Europe (Denmark, Iceland, Norway, United Kingdom)	8,208	14,243	-2,550	55,951	75,852
Asia (Japan, Kuwait)	8,322	5,954	4,794	15,120	34,190
Total	18,459	20,224	5,923	84,835	129,441

Table 2.—Value of exports and imports of commercial fisheries products of U.S. affiliates, 1974.

Country	Number of firms	Exports (\$1,000)	Percent of exports	Imports (\$1,000)	Percent of imports
North & South America (Canada, Mexico)	13	9,127	12.6	67,473	32.6
Europe (Denmark, Iceland, Norway, United Kingdom)	10	30,514	42.2	97,224	46.9
Asia (Japan, Kuwait)	24	32,762	45.2	42,378	20.5
Total	47	72,403	100.0	207,075	100.0

panies were responsible for 84 percent of all affiliates' exports. As a group all affiliates, with the exception of the British, were net importers.

MOTIVATION FOR FISHERIES INVESTMENTS

Motivations of foreign investors can be inferred from particular needs of parent countries, and domestic and international economic conditions. For example, two devaluations of the dollar since December 1971 vis-a-vis currencies of leading industrial nations left Japan, which had previously accumulated large dollar surpluses from trade with the United States, in a more favorable position to invest abroad. Of the 23 investments in the U.S. fishing industry made by Japanese interests, 12 have occurred during the 1970's.

A second reason for foreign investment is a desire to gain a more certain access to additional supplies of fishery products. Both Japan and the United Kingdom appear to share this motive, as evidenced by the fact that both are large exporters of fishery products from their affiliates and the activities of the parent companies from these countries are world wide. Both also depend heavily on seafood as a source of protein, and neither has sufficient resources off its own coast to satisfy this demand. Uncertainties in supply have been heightened by the prospects of coastal nations extending their control of fisheries out to 200 miles. The imminent extension of U.S. jurisdiction to 200 miles probably was a factor in the surge of direct investment in U.S. commercial fisheries in 1974.

Another motive, expansion of market opportunities for products of the parent company, appears to be the underlying reason for foreign direct investment by enterprises of Canada,

Iceland, Mexico, and Norway, all of whose U.S. affiliates import considerably more seafood products than they export.

POLICY ASPECTS

The general policy of the United States, with some exceptions, is to admit and treat foreign capital investments on a basis of equality with domestic capital (Council on International Economic Policy, 1974). Federal restrictions on foreign investments relate to certain categories of enterprises which are considered sensitive because of national security significance, involve the exploitation of certain natural resources, or in which special fiduciary responsibilities are involved. The applicable restrictions apply to ownership of enterprises engaging in coastwide or freshwater shipping, domestic radio communications, and domestic air transport.

Under present laws there are no restrictions to foreign capital buying controlling interest in fish-processing or fish-distributing companies in the United States. Aliens also may own controlling interests in domestic corporations operating fishing boats and international shipping lines. However, the transfer of majority ownership of a U.S.-owned company that operates U.S.-documented fishing vessels to a foreign-owned company requires the approval of the Maritime Administration under the provisions of Sections 9 and 37 of the Shipping Act of 1916, as amended.

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While foreign investments generally involve processing plants and wholesalers, there were two recent investments that also involved the transfer of U.S.-documented vessels to foreign ownership. The fishing firms involved in these transactions were: Seacoast Products, Inc. (Hanson Trust, Ltd.), which operates in the menhaden fishery in the Gulf and mid-Atlantic, and Whitney-Fidalgo (Kyokuyo), operating primarily in Alaska and Washington.

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