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Concept Paper

**THREE-DAY CONFERENCE ON TRADE AND INVESTMENT  
OPPORTUNITIES IN THE PACIFIC ISLAND REGION**

Los Angeles and San Francisco  
March 1985

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## BACKGROUND

President Reagan has recently stated that the free enterprise system is the best way to promote economic development and growth in the Pacific Island region, and that U.S. private capital was very much needed in the area (see attachment).

A viable private sector is developing in the region, partly because of recent changes in laws, policies, and regulations which enhance the private investment climate. Many Pacific Island leaders are looking to the U.S. private sector as a major partner in trade and investment. They recognize that U.S. private investment can play a major role in stimulating economic growth, in generating foreign exchange, increased employment and a higher standard of living. U.S. firms are also becoming increasingly interested in the region, primarily because it is a politically stable, resource rich and potentially viable area for rapid economic growth and development.

The prospects for involving the U.S. business community in private sector development in the Pacific have never been better. This was recently demonstrated at the 22nd South Pacific Conference and the 1984 Pacific Islands--United States Trade Through Private Sector Development Conference where Island government officials and businessmen met and interacted with representatives of the U.S. business community.

The Pacific developing countries already have a wide range of products and services of economic value to the rest of the world. Mineral exports account for nearly 42 percent of the total exports from the region with Nauru, Papua New Guinea, New Caledonia, Fiji, and the Solomon Islands leading in mineral production.

Next to minerals, the beverage group (coffee, tea, cocoa) and spices dominate the composition of exports from the Pacific. Beverages and spices account for about 14 percent of the total exports from the region. The main exporters of beverages are Papua New Guinea and Western Samoa, along with Fiji, which also exports spices.

Fish and seafood account for 10 percent of the total export value throughout the Pacific and are produced mainly by American Samoa, Papua New Guinea, the Solomon Islands, Fiji, and Vanuata. Copra (dried coconut) and coconut oil exports account for 9.4 percent of the total exports from the Pacific Islands. Palm oil from Papua New Guinea and the Solomon Islands is making an increasing contribution to total export earnings. Wood and wood products are recording spectacular increases, mainly from Papua New Guinea, the Solomons, and Fiji. Most of the sugar from the region comes from Fiji and constitutes seven percent of total regional exports (Public Service Satellite Consortium, Report on the Pacific, 1982).

## PROJECT

### Purpose

The purpose of the proposed conferences is to introduce the Pacific as a potential investment site to interested U.S. firms, and to inform participants about laws, procedures, and conditions affecting foreign private investment and commercial operations in the region.

The focus will be on model projects which have a substantial development impact. Priority attention will be given to the agribusiness and tourism sectors, and other business ventures which will increase exports of locally-produced goods and generate foreign exchange.

## Structure

Each three-day meeting will demonstrate the wide range of possibilities for U.S. business participation through private investment. Participants will be given the opportunity to meet potential joint-venture partners, local and international banking and financial institutions interested in financing foreign project ventures in the Pacific Island region. Conferences will include:

A. Panel discussions, workshops, and individual country presentations on:

- investment opportunities--current and planned projects
- investment regulations
- import/export and custom procedures
- labor
- banking and taxation policies
- loan financing

B. Private consultation with Pacific government leaders, entrepreneurs, and others to provide policy advice and guidance to prospective U.S. investors.

Venue: Los Angeles and San Francisco

Proposed Date: March 1985

Organizer: Action Research International, 468 Funston Avenue, San Francisco, CA 94118  
(415) 221-2730

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# PACIFIC

MAGAZINE



**INTERVIEW:**  
**President Reagan on the Pacific Islands**

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Australia, Canada, Denmark, France, Germany, Greece, Italy, Japan, Korea, Luxembourg, Malaysia, Mexico, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, United Kingdom, United States, West Germany, Yugoslavia, and others.

# Interview

## Reagan's Pacific Isles Policies

by Caroline Yacoe

**Pacific:** President Reagan, is it possible to state in a few concise words what the basic principles and goals are of U.S. policy in the Pacific island region?

**The President:** First of all, we are part of the Pacific island region. Hawaii, American Samoa, Guam and the Northern Mariana Islands, which soon should formerly acquire commonwealth status make the United States of America a permanent part of the area. In addition, we continue to have a special relationship with the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau.

Our relationship with the Pacific island region is a partnership. We share a strong belief in freedom and democracy, respect for human rights, and faith in the power of the free market. We want to build on these values to establish even better relationships with the new nations of the Pacific. And we want to help the islanders keep the region free from tensions and rivalries as it has been since World War II.

**Pacific:** Is there any likelihood that in the future there will be more U.S. aid to the Pacific island nations, possibly on a direct bilateral basis?

**The President:** We intend to maintain a helpful development assistance role, supplementing the larger programs of Australia and New Zealand. We anticipate that future U.S. aid to the region will be at modestly increasing levels.

Our assistance is available indirectly through the Asian Development Bank, the United Nations and various regional institutions. There are grants to local and U.S. private voluntary organizations for programs in the individual countries, and, of course, we have the U.S. Peace Corps. This system seems to

work quite well. This approach provides a broad range of U.S. assistance on the regional and individual country basis.

I should also add that private business can and will play a larger role in the economic development of the Pacific Island region than aid from any government. This theme was stressed in my message to the South Pacific Conference held in American Samoa one-and-a-half years ago. The free enterprise system is the best way to promote growth and development. As far as Micronesia is concerned, we are the primary donor and, if Congress approves, we will continue to support the economic development of the Micronesian states under the Compact of Free Association.

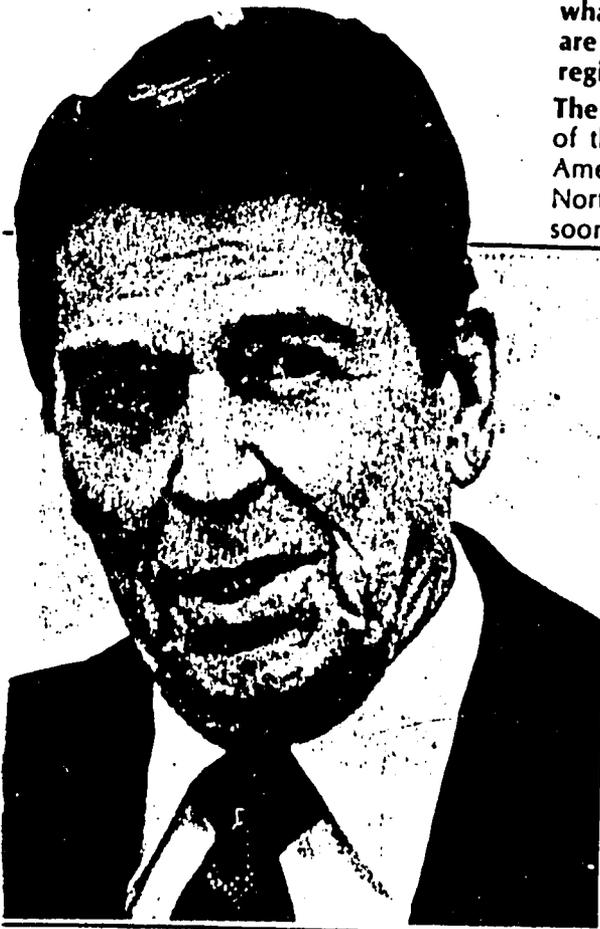
**Pacific:** Vanuatu has recently established full diplomatic relations with Cuba. The Solomon Islands had adopted a policy of looking Southeast Asia for partners in its economic development. Western Samoa has full diplomatic relations with the Peoples Republic of China and a significant cultural exchange program. Kiribati is receiving some material aid from the Peoples Republic of China. Do you regard these events as a trend that may cause the U.S. to reassess its Pacific islands policies?

**The President:** As independent countries, Vanuatu, the Solomon Islands, Western Samoa and Kiribati have the right to choose their friends. We share a community of values and interests with the islanders. We try to understand their activities in light of our common interests. We hope they take the same approach with us.

**Pacific:** Some heads of state from South Pacific nations have complained that not enough attention is paid to them in Washington. Is there still a residual attitude in Washington that writes off the islands because of their comparatively small populations?

**The President:** Direct U.S. involvement in the South Pacific was very limited until the middle 1970's, since almost all of the islands were colonial dependencies of other states. Nevertheless, the United States began responding to the changing situation in the South Pacific more than a decade ago. We initiated Peace Corps programs, educational and cultural exchanges, and established consulates.

*Over 40% of our Navy's major ships are nuclear powered . . . Access to all areas of the oceans . . . is essential . . .*



Z-PATRICK

*"We want to help the islanders keep the region free from tensions and rivalries as it has been since World War II."*

*American Samoa, Guam, and the Northern Marianas are part of the American family. They have . . . the full resources of the Federal government available to them.*

nore states became independent, upgraded the consulates to bassies and accredited ambassadors. This process is continuing. We now considering additional diplomatic representation in the area. e posts symbolize our recognition of the importance of the Pacific d nations. Also, recently, we n a regional development ance program and stepped up ontributions to the work of the Pacific Commission. an assure you that the United s government is very conscious e island states and sensitive to needs and aspirations.

**Q:** Now that the Compact of Free Association between the U.S. and the Federated States of Micronesia, Marshall Islands, and Palau is close to completion, do you foresee anything could block approval of the act in the U.S. Congress or the

**The President:** Because the Compact is the will of the people, I hope both the United States Congress and the international community will recognize that self-government for the peoples of the Trust Territory should not be delayed. I have sent the act to Congress with a message for its approval. We expect close negotiation of the Compact by the end of the year. The democratic process of public review of the Compact will be completed by the end of the year.

There is an outstanding issue that may delay implementation of the act with respect to Palau. It is an internal constitutional problem that prevented Palau's government from approving the Compact and implementing the mandate of the United States people. The primary issue has to do with nuclear materials.

The Compact is a partnership. Under the Compact the United States has responsibility for regional peace and stability, while Palau would have responsibility for government, substantial economic assistance, and autonomy in local affairs. This partnership is the United States to perform a leadership role. Therefore, I have asked the United States Congress to approve the Compact with the support of the Marshall Islands and the Federated States of Micronesia at this time. I will seek Congressional approval of the Compact with Palau only after the government has confirmed that

its internal constitutional approval process is complete. We will cooperate with the Palauan Government, but ultimately it is an issue for the Palauans to decide.

Partnership requires resolution of this issue. Last October, the President of Palau joined the Presidents of the Federated States of Micronesia and the Marshall Islands in signing the Saipan Accords, which call for the prompt approval of the Compact by the United States Congress and early termination of the trusteeship.

**Pacific:** Leaders in these islands—the Federated States of Micronesia, the Marshall Islands, and Palau—generally give the U.S. high marks for promoting democracy. However, they have often criticized its effort in promoting economic development. Is your Administration addressing this issue?

**The President:** We are meeting that challenge head-on. The United States supports the operations and economic development of these governments under U.N. Trusteeship. A long-range capital improvement program devoted to basic requirements such as power, water, an sewage systems, docks, roads and airports, is near completion. Looking to the future, the Compact of Free Association provides substantial grants for government operations, social services, capital improvements, economic development programs, health, education, telecommunications, energy self-sufficiency and other needs.

This assistance will enable the Federated States of Micronesia, the Marshall Islands, and Palau to work toward the economic goals they have established for themselves. I would like to highlight the point that the elected leaders of the Micronesians will establish the economic policies under the Compact. This will put decision-making authority and economic resources in the hands of Micronesians and their leaders.

**Pacific:** How does your administration evaluate the prospects for economic independence of these island nations after the expiration of the U.S. Compact-related funding?

**The President:** During the initial term of free association, the Micronesians will have the tools and resources to make significant progress towards economic self-sufficiency. Much will

depend on the priorities they establish and their ability to exercise fiscal restraint. The Compact provides an opportunity for them to move toward their goals and objectives.

Again, however, I want to stress the important role of private business. A free enterprise system offers opportunity and rewards, initiative, imagination, hard work, perseverance and productivity. The governments of the Micronesian States will find that the private sector is the key to a promising future.

**Pacific:** Is it likely that the U.S. will require more naval, air and ground force bases in the Pacific islands in the future than it now has?

**The President:** The short answer is no. However, it is always wise to preserve our options. The United States already has important air and naval bases on Guam. They will continue to be the principal U.S. facilities in the Central Pacific. In addition, we exercised our option for long-term lease of land in the Commonwealth of the Northern Mariana Islands, which will ensure added flexibility to meet any change in our base and logistics requirements. Although current plans are to use the area only for training, we will also have the option, under the Compact, for limited harbor, airfield and training sites in Palau. The only other defense installation in Micronesia is our testing facility at Kwajalein. Use of this facility is set by the Compact for fifteen years, with an option for an additional fifteen years. We do not anticipate the need for any major changes.

**Pacific:** A tremendous amount of attention has been given to the Federated States of Micronesia, the Marshall Islands, and Palau during the years of negotiating the Compact of Free Association with them. In the meantime, many people in the U.S. Pacific territories of American Samoa, Guam and the Northern Marianas are complaining that they are being overlooked—not enough U.S. private capital, not enough technical assistance. Do you think these complaints are justified?

**The President:** I can understand why the American territories view the negotiations in Micronesia with great interest. Guam has been a loyal part of the American political family since 1898; American Samoa since 1900.

The people of the Northern Marianas chose to become Americans in 1975. The Compact of Free Association has been negotiated over the past fourteen years. It is an agreement that recognizes the sovereignty of the people of Micronesia.

Although Americans in the territories have watched these negotiations with interest, I hope they share my pride in their own permanent role in America's future.

American Samoa, Guam, and the Northern Marianas are parts of the American family. We have done much to guarantee that their specific problems receive special assistance. And we will do more.

We are working with the three territories to diversify and expand their economies, particularly with the help of the private sector.

The territories do need more technical assistance and a major effort is underway to establish long-range technical assistance objectives for major programs in each territory. Once the objectives are established, needed resources will be better defined. During the last two years the U.S. Congress has been supportive of increased technical assistance programs and I hope this welcome trend continues.

But there still is not enough U.S. private capital available to the territories. We are exploring ways to make financial capital more available and accessible. We are working closely with the territories to identify and make changes in Federal regulations and legislation. That will promote economic development.

The most important thing to remember is that the people there are our fellow U.S. citizens and nationals. They enjoy great benefits and carry the responsibilities of citizenship. They have, and should have, the full resources of the federal government available to them. The challenge, and one I'm sure we can assist, is to tailor those benefits to their unique circumstances.

**Pacific:** The U.S. has not yet signed the Law of the Sea Convention. Why not? It is possible that the U.S. would sign it if it were in any way amended?

**The President:** When we announced that the U.S. would not sign the convention, I stated that the deep seabed mining section did not meet U.S. objectives. Our problems with the deep seabed mining regime include:

— Provisions that would actually deter future development of deep seabed resources, when such development should serve the interest of all countries;

— A decision-making process that would not give the United States or others a role that fairly reflects and protects their interests;

## View From The Ranch

Ronald Wilson Reagan, 40th President of the United States of America. Conservative Republican. Former Hollywood screen actor. A man who has earned the political reputation of being the "Great Communicator."

He is midwestern by birth—Tampico, Illinois, February 6, 1911. And he is midwestern by rearing—graduate of Dixon High School, 1928. He attended Eureka College—graduating in 1932 with a degree in economics and sociology. During WWII he served in the U.S. Army Air Corps. Then followed his much publicized acting career in Hollywood. Interestingly enough, he headed a union of Hollywood actors at this time and originally he was a Democrat. But after campaigning for Republicans he eventually joined the party in 1962.

He won the Governorship of California in 1966 and served two terms until 1974. From that point it was a long and often very difficult pull to the American Presidency. He defeated the sitting Democratic Incumbent, Jimmy Carter, in November, 1980. An today from the White House oval office, he steadily applies his conservative policies to U.S. politics and economics.

However he still manages occasional trips to his California ranch in the rounded, coastal mountains behind Santa Barbara. From there on a clear day the broad expanse of the Pacific is visible. It is a direction to which both he and the American people are facing with ever increasing awareness.

— Provisions that would allow amendments without United States approval. This is incompatible with our approach to treaties;

— Stipulations relating to mandatory transfer of private technology and the possibility of national liberation movements sharing in

benefits; and

— The absence of assured access for future qualified deep seabed miners to promote the development of these resources.

In spite of our well-known objections and renewed negotiating efforts in early 1982, the Law of the Sea Conference adopted the convention on April 30, 1982, although, after nearly two years, it has not yet come into force. I would also point out that many major industrialized nations share our concerns. As to amending the convention, at this point it would be most difficult, and we are not aware of any move to do so.

Nevertheless, the convention contains many positive and significant accomplishments. We are prepared to accept and act in accordance with international law as reflected in the Law of the Sea Convention that relates to traditional uses of the ocean. We are willing to respect the maritime claims of others, including economic zones, that are consistent with international law as reflected in the convention, so long as the international rights and freedoms of the U.S. and others in such areas are respected.

**Pacific:** The nuclear issue is a big one in the Pacific. Could you clarify the U.S. position on the testing of nuclear weapons and on the dumping of nuclear waste in the South Pacific?

**The President:** The United States is sensitive to the nuclear concerns of the Island people. We share the desire to protect the ocean from pollution. The United States is a party to the London Dumping Convention and other international agreements aimed at protecting the health of the oceans. Our domestic laws regulating ocean dumping are even more stringent and are vigorously enforced. The United States is also a member of the Nuclear Test Ban Treaty which bans nuclear weapons tests in the atmosphere, in outer space and under water.

**Pacific:** The passage of U.S. Navy ships that are nuclear powered and that are capable of carrying nuclear weapons is also of concern to the people of the South Pacific. Can you clarify the U.S. position in this regard?

**The President:** U.S. nuclear powered warships have an unparalleled record of safe operation since the first

nuclear powered ship became operational in 1955. U.S. nuclear powered ships have accumulated over 2700 reactor years of operation without a single nuclear mishap. This record reflects the very strict control exercised over the design, construction, operation, maintenance and repair of nuclear powered ships and the careful selection, training and qualification of the personnel manning the ships.

Over 40 percent of our Navy's warships are nuclear powered and they are among our most effective assets. Access to all areas of the oceans by U.S. nuclear powered warships is essential to maintain the peace.

The ability of the United States to deter aggression and to help maintain peace throughout the world depends on the ability of its ships and aircraft to patrol the ocean spaces, including the South Pacific. The presence of the U.S. Navy ships does not pose a danger to the interests of the people of the South Pacific. Rather, it helps guarantee their continued peace and freedom.

**Q: You are a man from California—a Pacific state. What would you like the Pacific people to remember about your Administration for its accomplishments in the Pacific?**

**A: President:** As a Californian, I am particularly aware of our Pacific interests. I would like to have our Administration remembered as one which fully recognized the importance of Asia and the Pacific. Focus is being increasingly to the Pacific, which is now—as I said earlier—the fastest growing economic region of the world. We want to build on the good relations we already have and make them stronger. We want to do our part to encourage regional cooperation. And we want to continue our security role, a role that commits the islands to develop politically and economically according to the wishes of the islanders themselves.

Recently, meeting at the White House with a group of Americans of Asian and Pacific heritage, I had a chance to reflect on the contributions to American society that derive from the people of this region. It's part of what you might call "the spirit of America." Back in the fall of 1980, I headed a rally held in the shadow of the Statue of Liberty. And there

were many nationalities and ethnic groups there, all reminding us that we're all descendants from immigrants who came here looking for freedom and opportunity. And, while our country had its flaws and we still have them, the American dream was real.

Asian and Pacific Americans have helped preserve that dream by living up to the bedrock values that make us a good and a worthy people. I'm talking about principles that begin with the sacred worth of human life, religious faith, community spirit and the responsibility of parents and schools to be teachers of tolerance, hard work, fiscal responsibility, cooperation and love. After all, it is values, not programs and policies, that serve as our nation's compass. They hold us on course. They point the way to a promising future.

America needs its Asian and Pacific American citizens. They've enriched our national culture and our heritage. They've held the beliefs that account for so much of our economic and social progress. They've never stopped striving for excellence, despite times in the past when they experienced terrible discrimination. We will continue to fight against discrimination, wherever there are any vestiges of it remaining, until we've removed such bigotry from our entire land.

And when we look toward that great and grand Pacific Basin, there's a promising future. Americans may not hear much about our Pacific and Asian foreign policy, but then there's a lot of good news that they don't seem to hear about.

Our relations with our Pacific Asian friends and allies have never been better. First of all, as I indicated in answering your first question, it's not all foreign policy. The United States of America is part of the Pacific. There's Hawaii, American Samoa, Guam, and the soon-to-be commonwealth status of the Northern Mariana Islands and our special relationship with the Federated States of Micronesia and the Republics of the Marshall Islands and Palau. It is my hope that our Administration will be remembered as helping the people of the Pacific Basin achieve hopes and aspirations, and that together, we will bring a peaceful, tranquil future to the region.



BILL FITZ-PATRICK

**"America needs its Asian and Pacific American citizens."**

***... self-government for the peoples of the Trust Territory should not be delayed.***

***... the elected leaders of the Micronesians will establish the economic policies under the Compact. The governments of the Micronesian States will find that the private sector is the key to a promising future.***

Joan Rolls of Beachcomber Ltd., Cook Islands, palming a pearl for Lindsay Barrett, Vanuatu

Fujian Senator Aporosa Rakoto: the cheese smile for the Pacific cracker sale.

CAROLINE YACOE



PACIFIC MAGAZINE



CAROLINE YACOE

## Islanders Sell \$600,000 Worth At U.S. Show

### *Pacific Magazine Report*

Sales orders for Pacific Islanders amounted to at least US\$600,000. And this was apparently a conservative number. Joe Harrison of the Pan Pacific Alliance quoted these figures at the closing session of the Conference on Pacific Island-United States Trade Through Private Sector Development held in Honolulu.

Speaking from the floor in a closing critique, Simeiti Moala of Tokelau said that his group wrote orders for \$5,000 in handicraft items which they displayed during a three evening trade show.

He spoke about the possibility of combining production with Cook Islanders in order to fill this quota on time. He said his group sold every item they brought to Honolulu. In addition he made a new shipping contact which could possibly result in another ship making a regular stop in Tokelau as it transits its waters enroute to other South Pacific ports.

This story somewhat typified the more than expected success of the first time ever trade show. Buyers worked their way unobtrusively down the aisles of displays night after night. Such Honolulu heavyweights as Liberty House and Duty Free Shoppers were among them. Many deals were quickly made as a number of U.S. buyers were taking their first look at products of the Pacific Island nations.

The general consensus was that those Islanders who came prepared to sell products—a good sample of wares, ready information—did so.



PACIFIC MAGAZINE

Paupo: shutting down the diesels

Augusto Confalonieri and Dr. Massimiliano Frizzi: displaying Tahitian products



Marion L. Clark, H.C.C. Ltd., Solomon Islands and Linda Moriarty, Territorial Trading Co., Hawaii: discussing sales

Kathy Gower: sizing Papua New Guinea ceremonial dress



the few, who could have been prepared, did a respectable volume.

According to a spokesman for Pacific—organizer of the show held in conjunction with the conference sponsored by AID (U.S. Agency for International Development)—there definitely will be a second show. Its location will be announced later.

William Paupe, a U.S. AID officer, stationed in Suva, was very positive about the impact of the conference on the show. AID expended approximately \$75,000 on the project. As Paupe pointed out, this is how to use the "diesel generator" syndrome. By this he is referring to some aid projects that—though well intentioned—have left a legacy of idling diesel generators dotting many Pacific Islands. They were one-time packages that neither directly involved the Pacific Islanders in their operation nor provided any follow-up.

Such projects as the conference and trade shows that stimulate local economic development and trade reflect the aid policies of the current administration, Paupe said.

Not by coincidence, Harrison read the opening note from U.S. President Ronald Reagan, encouraging the Pacific Islanders to look to the U.S. as a market for their products. ■



Floyd Fitzpatrick, Samoan Tropical Products, Ltd.: relaxing amid shop talk



Miriam Nicholas, Niue: U.S. buyers were interested