company being explored in 2005. The downside of these partnerships in the absence of wider trading connections was that Soltai could not 'shop around' for the best deal.

If Soltai had access to specialist seafood marketing expertise it might be able to (re)create markets for pole-and-line product on the grounds of environmental 'friendliness' by informing consumers in wealthy countries of the environmental benefits of the pole-and-line method and thus accessing that corps of consumers willing to pay a premium for environmentally friendly products. If pole-and-line product were to be developed into a brand, premium markets could drive a revival in the pole-and-line method of fishing. Pole-and-line *katsuobushi* could also possibly be differentiated in the Japanese market this way. Until now Solomon Islands pole-and-line skipjack has not been marketed in Japan specifically in terms of fishing method or country of origin (pers. comm., Nakamura, 22 July 2005). There is already a market for fresh pole-and-line skipjack in Japan, which is often eaten as *tataki* (seared rare skipjack loins). The Fijian company Tosa Bussan exports pole-and-line *tataki* loins to Japan.

Marketing studies are needed to explore these possibilities. A seafood marketing expert could be engaged for the target export destinations to research the options, report on them and set up trade contacts. Another option is for Soltai managers to utilise the Pacific Islands Forum Secretariat's Pacific Islands Trade and Information Commission (PITIC), which maintains offices in Japan, China, New Zealand and Australia and can help in a range of ways, such as setting up meetings with potential buyers (PITIC 2002). Cook Islands has used PITIC offices in Japan and China to set up successful trade relationships for its marine product exports.

The Board of Directors

Another factor likely to have affected Soltai's commercial viability has been the composition of the Board of Directors. According to management the Soltai Board of Directors has been much more 'hands on' in setting policy for the company than was the Solomon Taiyo Board of Directors. Solomon Taiyo was seen as being directed from the Overseas Operations Section of Maruha's head office in Tokyo, via its seconded managers in Solomon Taiyo, with whom it maintained daily contact (Barclay 2001). Having a local Board of Directors direct Soltai rather than a foreign company was seen as a victory in terms of localisation (pers. comm., M. Sibisopere, 18–19 July 2005), but unfortunately it seems to have been a loss in terms of commercial viability. Both the ICSI and Western Province representatives to the Board were appointed on political grounds rather than on the quality of commercial advice they could bring to Soltai. More broadly, the Board's members have very little private sector track record of any kind, and certainly none in the international tuna industry.

If the Board of Directors were run differently, Soltai might be able to avoid some of the pitfalls of state-owned enterprises. If the Board were selected with more attention to previous success in private sector fishing and/or seafood processing, the company's chances of success could be improved. Of course, in the short to medium term, this would require allowing foreigners sit on the Board. Another solution would be to adopt the model used by the PAFCO cannery/loining plant in Fiji. PAFCO, as a state-owned enterprise, has a Board of Directors filled with government appointments, but the Board does not set commercial strategy for the company. Since 1999, commercial strategy has been set by the US seafood production giant Bumble Bee, which has a relationship with PAFCO somewhat like the

'strategic alliance' Soltai has with the Yamaki subsidiary for *katsuobushi* production. One or two Bumble Bee managers are stationed at PAFCO to work with PAFCO managers to run the company, while Bumble Bee buys or arranges the marketing of all of PAFCO's exported loins and cans. PAFCO's Board thus has more of an oversight role, making sure PAFCO's directions are in the interests of Fiji, while people with a track record of experience and success in PAFCO's field make the commercial decisions.

Restructuring

In mid 2005, Soltai's management were considering options for restructuring to improve profitability—namely, breaking the company up into its constitutive production units, because each production unit had different commercial constraints and opportunities (pers. comm., M. Sibisopere, 18–19 July 2005). The fleet could clearly not be privatised; the only alternative to having it government owned and managed in the short to medium term would be to break it up and sell its few saleable assets. Soltai management hoped the government would choose to support the continued operation of the fleet, with its engineering and wharf facilities, as an exercise in social welfare for the 350 employees and their families, and for the national self-esteem derived from owning and running a fishing fleet. Considering the vast amount of company revenue (SBD$12 million since 2001) and aid money (SBD$78 million from Taiwan and Japan since 2001) spent on the fleet already, however, it is doubtful the social and national benefits would outweigh the financial costs of continuing the fleet at government expense. Under current conditions, there is no market willing to pay a premium for pole-and-line caught fish, so even if repairs and upgrades were financed by aid donors the fleet would probably still run at a loss.

Notwithstanding the upgrades and repairs needed in the shore-based production facilities, the cannery/loining plant could probably be privatised or commercialised in some way because of the great demand for loins in the lucrative markets of the European Union and United States. Selling the factory outright would probably not be the best option since in its current state of decrepitude it could garner only a low price and because a private owner could simply strip/sell the assets and shut the operation down should it see fit (a politically unpopular outcome). A better option might be to lease the company to an experienced company, at a low rent at first, on the understanding that the lessee would undertake necessary upgrades. Then, if that company chose to withdraw, the government could safeguard the jobs and the economic contribution the operation generates. A government-owned sashimi packing plant in Marshall Islands, Fish Base, has been managed in this way for more than a decade. Soltai's smoking factory had already effectively been run by private sector interests for many years, so it was clearly profitable—to the Japanese production management and buying company if not necessarily to Soltai. Both loining/canning and smoking thus have the potential to be commercially viable through partnerships between the government shareholding agency ICSI and private sector investors.

Conclusion

> In the first couple of years it was so exciting. The government and the public thought we would fail in six months without the Japanese. It felt so good to prove that we could make a go of it (pers. comm., M. Sibisopere, 18–19 July 2005).

Solomon Islands and other Pacific island countries hoping to generate economic development from domestic tuna fisheries and onshore processing can learn from the factors that have affected the economic sustainability of Solomon Taiyo and Soltai. Some of the reasons for Soltai's financial trouble in 2005 were intractable. Neither the Board of Directors nor Soltai's managers could do much about Solomon Islands' high-cost production environment, for example. Similarly, the Solomon Islands government has been unable to make up for the loss of Maruha's cash for capital investment and covering losses during down cycles and its international trading and marketing expertise.

Soltai's senior managers strongly believed Soltai should remain a state-owned enterprise.

> If the government doesn't put some money in soon Soltai will have to be privatised. This would be a big loss to the nation, we should be proud of Soltai as a national company, and we should get the benefits from it being a fully national company. I would like to hand Soltai over to the next generation after I retire (pers. comm, A. Kukui, 19–22 July 2005).

Unfortunately, running the company as a state-owned enterprise has risked losing the economic, and psychological, benefits of national ownership. While a wholly nationally-owned successful Soltai would boost national self-esteem, the other side of the coin is that a failed nationally-owned Soltai will compound negative stereotypes about Solomon Islanders being unable to run businesses.

Soltai needs more commercial expertise and capital. Currently the best place to source these inputs is from foreign private sector investors, and private investors will require a measure of control over the company to find the risk of investing worth bearing. Some hard decisions must be made if Soltai is to be saved, but given the current economic situation in Solomon Islands, not saving the company will be even harder. It is imperative that the Solomon Islands government take action now to make Soltai more commercially viable, or risk losing the company and its economic benefit potential altogether.

Notes

1 Ostensibly caused by 'ethnic' tensions, it is more accurately described as a collapse of state functions, especially the law, order and justice systems.

2 The higher cost of pole-and-line product was also offset by tariff advantages in the European market because Solomon Islands was an 'Africa, Caribbean and Pacific' (ACP) country under the Lome Convention. For further information about this trade situation see (Grynberg 1998).

3 For further details on the financial record of the company, the company structure and reasons for its lack of profitability see (Hughes and Thaanum 1995; South Pacific Project Facility 1999; Barclay 2001).

4 The arrangements for Soltai's ownership took place when the national government was at its most dysfunctional, between the coup and the Townsville Peace Agreement. The head of ICSI declined to be interviewed about Soltai in 2005, so it was not possible to confirm when and how the shareholding was transferred to the Western Province.

5 Managers from Soltai and the other large domestic skipjack fishing company National Fisheries Development said that their catches had been low from 2003–05. Interestingly, no such drop in productivity for the skipjack fishery was noted by national or regional fisheries data reports (Diake 2005; Molony 2005).

6 One group of workers were paid better under Soltai than they had been under Solomon Taiyo, those in the smoking department. Under Solomon Taiyo there had been persistent rumours that workers in the smoking department had worse conditions than workers in the rest of the company, and Soltai was able to ensure financial recompense (pers. comm, A. Kukui, 19–22 July 2005).

7 For more information on negative social impacts see Barclay (2004).

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Acknowledgments

Research for this paper was conducted while the author was an AusAID Pacific Islands Studies Postdoctoral Fellow in the Asia Pacific School of Economics and Government at The Australian National University. Additional funding for travel was provided by the International Fisheries section of the Australian Department of Agriculture, Forestry and Fisheries. Thank you to all interviewees who generously gave of their time to assist with the research.