**The Digital information Flow–In and Out**

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***Introduction***

When we hear the term digital education, we normally think of on-line formal degree work . But this is only half the issue in the islands. We should think of a two-way flow of information and education resources rather than one-way–from developed countries to the islands.

It is generally accepted that no nation can afford to remain isolated in today’s global society. But this is doubly true of the Pacific, where national boundaries have expanded greatly today.

***College Education in Decline*** [title slide]

* Globalization may offer rich rewards to those prepared to take advantage of what it offers. An educated population can be a valuable asset. But Island populations of Micronesia may be experiencing a decline in college education. If so, how will they benefit from global trends–job outsourcing, investment opportunities, etc?
* In 1972, 35 years ago, Micronesia (ie, FSM, ROP and RMI) was experiencing an education explosion (my article on Chuuk). [Slide 2]
* During the 1960s, only a limited number of Micronesians could attend college overseas–in Guam and Hawaii. A couple hundred were in college, supported by TT scholarships.
* When US government Pell Grants were extended to Micronesians, the surge to college began. By late 1970s, there were about 2,500 young people in college in Guam and US–a ten-fold increase.
* In Chuuk, eg, 189, or 60% of all high school grads left for college in 1976. Ten years earlier only 19 from the graduating class had gone to college. There were 660 Chuukese in college at that time.
* The education explosion is long over–the picture has changed enormously today. [Slide 3]
* About 2,700 graduate from high school each year (30-40% dropout rate during high school).
* Most go to national two-year colleges–1300 from FSM, 600 from RMI, and 140 from Palau. Just over 2,000 go to local colleges–or 75% of all high school grads.
* Many of these drop out, some finish with certificates rather than degrees. About 300 wind up with AA degrees. Thus, only 15% wind up with two-year degrees (although the rate is reportedly much higher in Palau: 75%)
* Meanwhile, a few go abroad (US mostly) directly after high school graduation–not many more than 200 a year, or 7% of all high school grads.
* Meanwhile, vocational education programs are being added for those who can’t do degree work. Desperation move to offer something for less capable students. Touted as preparation for work. But where are the jobs? (Job picture in islands is poor at present)
* Overall college education picture summarized.
* Vast majority of students go to local colleges–get whatever education they can, drop out along the way, or pick up a certificate. Only a small percent get their AA degrees, and not all of these continue their education abroad.
* Just 300-400 from any year are in four-year colleges abroad. Some will drop out along the way.
* College education has gone local, but the degree earners are few. This is a reversal of the trend 30 years earlier. Is it good preparation for a global economy?

***Economics of College Education***

* Why the big change? Many reasons: desire to boost local colleges, offer students remedial courses as preparation for college overseas, stress on “relevant education.” But one of the main reasons is cost. The cost of education in the US becomes more prohibitive for young islanders. US college costs run $25,000 per year today–double the cost 30 years ago.
* At the same time, scholarship and education aid packages have been drastically reduced. Aid available for Micronesians today: Pell grants ($4,000 year). No Supplementary Education Opportunity Grants, as in the past. Fewer funds from colleges available. State or national scholarship funds (c$5,000) available for those who qualify. But scholarship funds in FSM and RMI are dropping or not keeping pace with the higher costs of education. Meanwhile, US has moved its aid into loans–and Micronesians are not eligible for these.
* Example of Euke and her daughter.
* Euke (1974): $9,000 (including room and board). Funding: Pell Grant $2,000, TT scholarship $5,000, SEOG and Work-Study for remainder.
* Daughter (2003): $16,000 (all expenses). Funding: Pell Grant $4,000, state scholarships $8,500. Difference made up by her own work–6 hours day @ $6 hourly.
* Even the relatively few who go abroad for college seem to be dropping out with greater frequency–in part because students are taking part-time jobs to support themselves, and then slipping into full-time work as they realize their comparatively high earning power ($6-8 per hour).
* Inexpensive education in local two-year colleges is attractive option for those who want some college. They can cover the costs of local college with Pell Grant funds and Work-Study Program money. Thus, two year college is becoming the norm rather than the exception–contrary to what we saw 30 years ago.
* Another option is the military. Large numbers of Micronesians joining the military–as a good paying job ($17,000 year starting salary) combined with an opportunity for education. Military offer education benefits up to $50,000, but person has to do this on his own time. Number of Micronesians in military now is 1,000-1,500.
* Rhetoric is of developing talent pool for national development and to assist in the economic growth of the nations, but the realities are otherwise. FSM and RMI are putting considerable sums of money into maintaining their two-year colleges. But commitment to this–and to the students who attend these colleges–leaves the more talented students capable of doing four-year college work unassisted. Students are left to their own resources more and more.

***On-Line Degrees: Filling the Gap***

* As an alternative, more students are turning to the option of on-line degrees. This was the choice of post-graduate students at first, but now even undergrads seem to be resorting to this.
* Personal experience with on-line students. Two or three retired military reported registering for on-line masters degree programs. Four friends who gained their doctoral degrees in education through the USDU program on-line (but this requires presence on campus at times during the summer). Degree earners include: President of PCC, former and present heads of the CNMI Public School System, teachers at UOG.
* How widespread is this in FSM, RMI and Palau? We don’t have good numbers.
* Perhaps 10 with doctorates within past 6 years
* Masters degree in recent years: 44 (15 from RMI, 19 from Palau, 10 from FSM)
* Bachelors degree in last 6 years: at least 20, probably good many more. (6 from Palau, perhaps 5 from FSM, ?? From RMI)
* Just from SDSU over 6 or 7 year period: total of 70 who have completed their degree, and 70 or so currently taking courses. (42 from Palau, 15-20 from FSM, and maybe 10 from RMI) [Slide 4]
* Big new markets. Teachers who need degrees for certification to continue teaching. Teachers with college degree who want help in getting post-grad degree (eg, Xavier on-line programs for promising young teachers).
* At present, dial up Internet connection expensive in Micronesia. But projected fiber optic cable will offer FSM and RMI and Palau expanded capacity for doing education on-line when it reaches Pohnpei in 2009.
* Is on-line education the tool for remedying our college education decline? This has been a help over the short term in getting us through the college education pinch, but should we count on it as anything more than an interim solution? How much should Micronesia rely upon on-line education? Is learning in isolation an adequate environment for the student? In view of the limited local libraries in the islands, can students find the library resources they need on-line?
* Or is on-line education the wave of the future? Is this a way of canceling the education debt, getting more and more people a degree, and providing the trained manpower we need for the future?

**Informal Education**

(the other side of the coin in both senses: informal rather than formal, and reverse flow of information)

* Presentation on the migration flow to the US and Guam since the Compact of FA in 1986. This parallels what has been happening for years in the South Pacific–ie, Tonga and Samoa and Cook Islands. [Slide 5]
* Reasons for the outflow: the stagnant economy, poor education and health services. (Perhaps use “Micronesians Abroad” here; show some of the economic data on FSM and RMI from my article).
* Informal survey of 51 households revealed for the first time the significance of remittances. On basis of data and projections from transfer networks, $15-18 million yearly is flowing back to FSM. Could be similar for the Marshalls, although local people don’t think so.
* How are the migrants doing? Generally quite well, but they are fighting the usual battle trying to keep in touch with the islands and their families, and in offering cultural education to their children who are being raised in the US. How do you make children aware of their cultural background when the islands are just a distant memory, if that?
* The education flow, therefore, has to go both ways. The outflow from the islands to the US is at least as important as the other way, given the size of the Micronesian community in the US. That education flow must provide two things: information on the current political, economic and social situation in the islands, and also resources that can help emigrants and their families remain culturally rooted to the home islands.
* Must take account of the expanded national boundaries of FSM, RMI, and Palau today. Two reasons for cultivating these ties: 1) the cultural and social needs of emigrants, 2) importance of remittances as a source of support for the islands in the future.
* Resources at our disposal are local websites: eg, yokwe.net for Marshallese and micsem.org for the entire Micronesian area, but with special emphasis on FSM. (Are there others that should be mentioned?)
* Yokwe.net offers news from the islands and a forum discussion–chance for those abroad to respond to recent events and problems. Offers two-way communication to link those at home with those abroad.
* Micsem website offers a variety of resources. (Show stats on website visits)

1) Issues of Micronesian Counselor and other articles on-line (as well as “beachcombers” list and the like).

2) Videos made by MicSem, covering a wide range of issues, are viewable on the website.

3) Photo albums for website (founded by SPINF in the past), which offer resources for emotional connection with home, contributing to their sense of identity and desire to understand and feel their roots.

4) Forum discussion offering information on the islands and a chance for feedback from islanders far from home. (Note that the strategy for dissemination of information on reform differs from the past. Rather than go from village to village, or use local radio, we can get info out to those overseas and let them contact their family and friends and leaders–either directly or via their feedback on the forum)

* On-line public forums are critical for they offer islanders, whether at home or abroad, opportunity to make their feelings known. This is important as a tool for helping to correct inefficiencies in government services. Eg, page on public elementary schools with grading for each on MicSem website.
* Public forum is also important as a step toward developing transparency in government. This is critical to counter the reluctance of government to release public information. It also encourages feedback from the people.
* Internet also offers people e-mail, means of keeping in contact with their relatives overseas. This is even used in the outer islands, thanks to Bruce Best’s work building up an outer island communications system. (Also supported by SPINF) Importance of this work is to ensure that no place is left out of the information network that will be increasingly vital in the future.
* This emphasis on the outflow of information, however, should not blind us to the use of in-coming information. Much more here than simply getting degrees on-line. Eg, people are finding second-hand cars from Japan via internet, and also looking for jobs abroad.

***Conclusion***

Whatever way we look at it, the information flow is important. For economic reasons, for cultural and social reasons. It can also be a help in the political development of the islands–in cultivating transparency in government.

The information flow needed in Micronesia (and presumably the rest of the Pacific) is decidedly two-way. Islands need the information from the great world beyond, but they also have information to share–especially with their compatriots abroad.

**An Alternate Vision of Pacific Island Economies**

***Introduction*** [title slide]

The conventional formula for development, endorsed by the banks and governments, is not yielding the desired results. What has worked in the North Atlantic and the rest of the developed world, and is now bearing fruit in India and China, seems to be resisted in much of the Pacific. Is this due to cultural resistance to reforms urged on the islands? Or do they know something that the rest of the world has yet to learn?

We will look at the example of FSM and RMI over a period of 40 years as case studies. In doing so, we will apply this to other Pacific Island countries.

***Brief Economic-Political History of FSM and RMI***

* “Micronesia” used to describe Truest Territory of the Pacific–all the islands inherited from Japan in 1945–islands that were formerly the League of Nations Mandate. Today they are CNMI, Palau, FSM and RMI. [Slide 2: map]
* In 1960s, when Micronesia first began charting its political future, independence was envisioned as a distant goal. Full self-government was attractive to everyone, but it was linked to self-reliance. Was this attainable?
* What would be the basis of the economy? Some options discussed: 1) reduce imports and live off island resources; 2) commercial fishing (Law of Sea and EEZ rights); 3) develop exports: studies of many possibilities.
* During the 1970s, as political aspirations grew, US aid actually increased in TT. Budget increased from $6m to $60m during the 1960s, and to over $130m by 1978. Much of this came from CIP and US Federal Programs. This was a reversal of the early “go slow” development policy in Micronesia. Early policy: move only when people are ready; wages to be consistent with productivity; private investment discouraged for fear of exploitation. [Slide 3: subsidies]
* Reasons for this policy change: criticism of TT conditions by UN visiting mission team in 1961; US Cold War concern over “winning the hearts and minds of the Third World;” spending for education and health justified in current economic theories: “Investment in Man”.
* Effects: 1) increase in govt employment and wages [Slides 4-5-6]; 2) centralization of health and education facilities–loss of community control; 3) import-export ratio to 5:1 by late 1970s due to increased spending power [Slide 7]; 4) high government budgets seen as essential–more for providing jobs for people than for government services.

***Situation Today***

* Self-government achieved in 1979, but split up into different political entities. Long interval before the signing of the Compact of FA, emphasizing ties with the US. Independence recognized in 1986 when nations accepted into the UN.
* Compact 1 (1986-2001). 15 year period, with major funds for current accounts and for infrastructure. Cutbacks in funding every five years to encourage economic development.
* Compact 2 (2004-2023). 20 year period, with yearly decrement of general funding and yearly increase in Trust Fund. Hope that the Trust Fund will generate $50 m yearly after 2023 to provide base support for the future. “Exit Strategy” for the US–no further funding planned.
* Economic development strategy for FSM based on three areas: fishing, agriculture, and tourism. RMI strategy not much different. Let’s look at FSM performance over Compact 1 period.
* Fishing. $77m in investment in fisheries–and another $20m in subsidies–sunk into fishing during 1990s, but none of the businesses succeeded. Fishing license fees bringing in $12m a year. Fish exports small-time, less than $1m a year.
* Tourism. No growth for 20 years. 20,000 visitors yearly for FSM and 6,000 for RMI. High fuel costs could depress the industry in the future.
* Total exports in FSM less than 5% of total GDP, under $10m yearly. Even smaller in RMI. [Slide 8]
* Employment situation. After 35 years of steady job increase, jobs plateaued in 1995 and have remained unchanging since. [Slide 9] No expansion foreseen in the future. Note: economy is fueled by government sector (upside down turtle).
* Emigration. Began in 1986, with the start of Compact. Increased in 1995, when ADB reforms led to the government downsizing. Emigration now about 2% yearly. Total migrants–30,000 from FSM, 20,000 from RMI, and perhaps 10,000 from Palau. One in four Micronesians now living abroad. [Slide 10]
* Remittances. Estimate of $15-20m this year back to FSM, equivalent of 8% of GDP. RMI remittances still not measured.
* Overview of the FSM government structure. Same for RMI. Note size of aid from abroad. [Slide 11]

***Building an Economy***

* Demand of donor nations and international banks: build an economy. US suggesting that the islands are not trying hard enough. But with what? Lack of resources in island nations. Low education status. Cultural constraints against entrepreneurism.
* Stock response from global community: Create a favorable investment environment–good governance, land ready for leasing or purchase, etc, and the investors will come. Market will provide capital and business ideas if only you let it. Look at the remarkable changes in Asia and Europe, even small or backward places like Singapore, Switzerland, or Ireland. If you try hard enough, you can emulate them!
* Pacific in general has been disappointment to development banks (ADB). No poster boy for development in the Pacific. Fiji was one of the best, but has regressed with decline of sugar and tourism.
* Diagnosis of economic ills in Pacific:
* huge trade imbalance, imports far outweighing exports;
* poorly developed private sector, compared with bloated government payroll;
* unfriendly investment environment: no secure land tenure, red tape for obtaining business licenses, lack of government transparency and impartiality;
* heavy dependence on overseas aid, with little urgency for economic growth.
* But is the Pacific different from other cultures in some fundamental way? Is there something that makes it especially resistant to the development formula of economists today? Value of land, remoteness from markets, small size, cultural restrictions on entrepreneurship? But these are found in many places. What about economy of scale? (Cost of government in small Pacific state requires disproportionate share of total GDP).
* Islanders were not dirt farmers, but enjoyed “subsistence affluence.” Incentives for risk minimized because of the fall-backs in the Pacific. Hence, Pacific nations like FSM and RMI cling to time-honored strategies: 1) cling desperately to land ownership and exercise great caution on long-term leases; 2) keep firm hold on business–to safeguard redistribution and reciprocal exchange, and to avoid “Chinese problem” in Majuro; 3) maintain large government to provide jobs (true even on Guam and CNMI); 4) balance population and resources–eg, excess population on atolls, and emigration today.
* Result is something akin to a MIRAB economy–to the horror of development economists, banks and donor nations. [Slide 12] “AB”: large governments fueled by foreign aid. Foreign aid constituted 19% of avg GDB in Pacific 25 years ago, and has increased since then. Even higher in Micronesia: 60% of GDP in FSM, and 55% in RMI. “MIR”: 60% of GDP in Tonga, 40% in Samoa, c 50% in Kiribati, and highest source of GDP in Fiji ($200m year in remittances). So FSM and RMI are not singular. [Slide 13]
* Enter China and Taiwan in a bidding war to secure allies in Pacific. China offers project-centered aid; Taiwan offers cash (eg, $10m yearly and $50m contribution to Trust Fund for RMI). North Pacific, except FSM, allied with Taiwan now. Bidding stakes have been raised, and so are expectations for aid. China is now offering FSM opportunity to export sashami directly to mainland.

***Differing Visions***

* Classical development theories:
* percentage of savings for investment (EE Rostow in 1950s)
* investment in human capital (Gunnar Myrdal in 1960s)
* preparation of conditions for investment: dependable government, equitable law enforcement, land leases, business licenses. Prepare the ground, and the investors will come with money and business plans.
* But is this the last word? Will this work in the Pacific?
* Alternate Pacific model:
* Generating enough of a surplus to provide for a modern-day government is all but impossible, given the scant resources in most islands. Agriculture is all but dead (Fiji sugar sign of what’s to come?). Fishing will yield 5% of total value of catch, according to people I speak with. Tourism is possible source of growth, but the fate of the industry is still in the balance due to rising fuel costs.
* Hence, maintain the safety net strategies that it has employed in the past: hang on to the land, protect the few resources it has, keep business tilted toward local people, and export excess population.
* Continue to depend on MIRAB economy unless some miracle occurs. Seek foreign aid and remittances. (But what about Melanesia, “Arc of Instability” that has no access to emigration?)
* Premises of this view:
* Reliance on movement of labor out, rather than on investment in (eg, Mexico, Philippines). The economy has been globalized for years because of the labor flows abroad.
* The nation extends well beyond the boundaries of the state–all the way to Hawaii and California and beyond. The ties of emigrants with their island countries of birth can and should be nurtured.
* Remittances are more than a one-generation phenomenon, as they were in the movement from Europe to US in early 1900s. Eg, Tonga and Samoa reliance for over 40 years.
* What’s the difference between luring Korean and Japanese investments, on the one hand, and dependence on emigrant remittances as source of business investment? (But some argue that this is used for consumption rather than investment.)
* What model will prevail? Do Western economists go back to redesign their development model once again, perhaps in view of what they’ve learned from the Pacific? Or do Islanders jump aboard the development train late, sacrificing as they do the safety net that has served them so long?

***Globalization***

* Globalization could hurt the Pacific more than help it. Low educational attainment and other disadvantages could make it even less competitive than it is now. (Eg, canneries from American Samoa moving to Asia where labor is cheaper. IT industries looking at India and China for low labor costs, higher education and greater productivity.)
* Two economic prospects for the future. If tuna resources are harnessed to become greater source of income than merely 5%, as now. If tourism expands to becomes a major industry throughout the Pacific. But is this possible, given increasing fuel costs?
* Today, export of labor seems to be the big hope. About one million islanders now living abroad–in US, NZ, Australia and France. Resident population of Polynesia (including Fiji) and Micronesia is now nearly 2 million. Hence, one of three Islanders lives abroad. (Slide 14)
* This emigration will undoubtedly grow in Polynesia and Micronesia. But what will be the fate of Melanesia? PNG, Solomons and Vanuatu–with a population of 5.7 million, they contain nearly 75% of the total population of the Pacific.
* Perhaps the world is not flat after all!