**The FSM Economy: A Vision to Work for**

ADB Symposium Presentation, Manila 2004

Micronesian people are not visionaries; they live with both feet planted firmly on the ground. Although required to formulate plans and prepare cost-benefit analyses, they often do so without putting their heart into it. The plans are dutifully and laboriously fabricated simply because they are required in order for the government to access funds. I hope that it’s not belittling to suggest that economic planning is a modern-day form of hunting and gathering–doing what is needed to enable people to get along from one day to the next, from one year to the next.

International financial institutions such as ADB, together with the US and other developed nations, are asking the people of FSM to put their hand to the plow to grow an economy. We spell out a long list of conditions for this purpose that include land registration, secure long-term leases, easy and fair access to business permits, and all the other prerequisites to establishing an investor-friendly environment. We recommend that people overhaul their government, tweak their land use policies, and make changes that islanders suspect may undermine their cultural values and social environment so as to entice investors to come and drop money on their islands that could create more jobs and a more vibrant economy.

But what hope, they ask, do they have of growing a vibrant economy, resource poor as they are? They look backwards at the past twenty years of nationhood, and the forty years of trusteeship before that, and come to the conclusion that this is an exercise in futility. The one success they see is the growth of the wholesale/retail businesses, gas stations, and taxi companies. But this doesn’t supply the industrial base or means of acquiring foreign exchange that Micronesians so badly need. The one time in history they can remember this as occurring was during the 1930s under Japanese rule, but even then they themselves were but marginal players in an economy that was controlled by and benefitted mainly Japanese and Okinawans.

Micronesians are well aware of the constraints under which they work: scant resources, small land and population size, considerable distance from major markets, and the like. They wonder whether, given these constraints, they could create a viable economy even if they allowed outsiders to tinker with their government and social systems. They have nothing but word-of-mouth reports of how India and China have picked themselves up by the sandals and become contenders on the world scene. In the Pacific they look in vain for a poster child of successful economic development that they might emulate. They have the rule book for development, courtesy of donors and international financial institutions, but they have yet to witness an unqualified success in the region.

All of this is simply to make the point that the greatest obstacle to solid planning and reliable implementation of these plans is, in my mind, their skepticism as to whether the implementation of the reforms would truly result in a viable economy. Lacking any convincing evidence that the reforms would turn around their economy, nations like FSM hedge their bets and fall back on traditional strategies for survival. Such strategies include:

1. Retention of control of the land, even in the face of demands to extend the length of leases, not to mention allow for outright sale to non-Micronesians. (Resistance to surveying and registration of land parcels arises from very different concerns, including the fear that such attempts will bring simmering land disputes to the fore.)
2. Imposing hurdles for foreign investors so as to retain control of the limited business opportunities for islanders themselves. In an expanding business universe, foreign investors can be seen as creating business opportunities for local people, but islanders often fall back on a zero-sum-game mentality. After all, the model of foreign business impact closest at hand is Majuro, where islanders have seen the gradual takeover of business by Chinese.
3. Reliance on government service for the jobs it creates, even though island governments are urged to make cutbacks in the number of employees so as to nurture the growth of the private sector. In the eyes of Micronesians, who are doubtful about the effects of reforms anyway, the “wrong” jobs are better than no jobs.

Technical assistance can be offered to Pacific Island governments to improve systems for land mapping and surveying, to provide models of long-term leases and amend existing legislation regarding land use, to show how to streamline business license procedures for foreign investors, and to indicate strategies for making the government workforce more efficient. At the end of the day, people will know what they must do to achieve the desired end, but this doesn’t guarantee that the plan will be carried out. Let us not assume that implementation is due to lack of training or understanding of how to surmount the obstacles to proper implementation. Often, in my experience, it is owing to the skepticism that the reforms will have their desired effect when they are implemented. If faith permits people to move social and political mountains, then we would have to call most Micronesians unbelievers. Most do their work out of a sense of duty, but I don’t see the stars in their eyes that make any burden worth bearing in the interest of creating and new and better future for their people.

I submit that the lack of a vision, stemming from skepticism over the possibility of economic overhaul, is the meta-issue that threads through most of the proposed reforms in the islands. More than anything else, it impedes the implementation of the plans that the government has, at least formally, signed on to put into effect.

If this analysis is correct, then considerable attention needs to be given as to how to make believers out of the skeptics, how to build up political will and educate the public. This will entail pulling back from the details for once to give people a sense of how a program fits into the overall plan for improvement of life in the islands. Without vision, there can be no persistent effort in the face of obstacles; the proposed reforms are doomed to die a slow and lingering death even before they were ever fully implemented.

Effective implementation of reforms requires not only an understanding of *how* they are to be put into effect, but *why* they should be. Resources should be allocated for this purpose. Let’s not lose ourselves in the recipe book and forget that islanders have to imaginatively be able to see and taste the final creation.

Francis X. Hezel, SJ

4/14/06