

POHNPEI LEADERSHIP CONFERENCE
August 11, 1995

"HOW TO PREPARE FOR THE YEAR 2001"

A Few Parables

1] The FSM Compact period is like a young man getting married and starting his own family. He lives with his father on family land for a time. Sometimes he works hard on the land trying to help his family, but at times he is too busy drinking with his buddies to pay my attention to his family. In any case, he has his married brothers and his extended family to see him through hard times. One day, his father tells him that it is time for him to get serious and provide for his family. He is given a piece of land on the other side of the island and told to go and take care of himself. This is what will be happening to the FSM in the year 2001.

2] Pastor Albert Sturges, one of the first Protestant missionaries to Pohnpei, wrote to one of his friends in the US reflecting on his twenty years of experience on the island. He said that he was often taken from one place to another in a canoe paddled by Pohnpeian men. He noted that whenever he picked up a paddle to help them, the other men put theirs down. Only when he dropped his paddle would the men resume their paddling. With the end of the Compact period, the time has come for the foreigners to put their paddles aside. Sturges was confident that Pohnpeians would take up their paddles in such a situation.

3] When foreigners visit Pohnpei and see the ruins of Nan Madol for the first time, they marvel at the awesome size of the place and think that this must have been built by outsiders. Some even speculate that Nan Madol was built by visitors from outer space. Pohnpeians maintain—quite correctly, it seems—that Nan Madol was the work of Pohnpeians themselves. If people here could complete such a gigantic undertaking, can't they also create a self-supporting nation state?

4] A modern-day lesson is to be found in some of Pohnpei's recent accomplishments. The work of the PTA in road construction, probably one of the most successful organizations of its kind in all Micronesia, is one example. Another is the Pohnpei Utilities Corporation (PUC), not to mention FSM Telecom. These are success stories. Is there something to be learned by all this?

Pohnpei's Assets

Many people here look to the year 2001 with dread, even panic. No doubt they should be concerned about what will happen to them and their government at that day of reckoning. But we should also look on 2001 as an opportunity to grow and progress to a new stage in

the development of this island nation. Pohnpei has many assets to work with. Here are the main ones I see.

1] FSM is now receiving about \$24 million a year in fishing license fees, and this sum should increase in years ahead. This represents one-quarter of the money in FSM's General Fund, I am told. These fees are one of the safest and most reliable sources of income the nation could have.

2] The island can clearly export fresh tuna to the sashimi market in Japan, as Ting Hong has proven over the last year. Now that Ting Hong has left, FSM and the state can profit from this newly developed industry.

3] The FSM capital is the best source of income Pohnpei has had for the past 15 years. Not all Pohnpeians regard it as a blessing, for some complain about the influx of non-Pohnpeians to the island and the land they are renting or leasing. This is a very small-minded view of the matter. FSM employs about 800 people, with many of the jobs going to Pohnpeians. Even the non-Pohnpeians who work in the government have brought prosperity to the private sector through their spending and taxes. One only has to look at the surprising growth of retail stores, construction and other private businesses in recent years. Compare this with the growth of such businesses in other islands if you want to get a grasp of what the capital has meant to Pohnpei. The capital is the most lucrative industry that the island has and brings in much more money than anything that Pohnpei produces at present (including fish). Leaders should think seriously before they "kill the goose that laid the golden egg."

4] The land on Pohnpei is good and fertile. It is quite suitable for production of local food resources, much more so than other islands.

5] The rugged beauty of the island, especially the interior, offers good potential for tourism.

What to Do to Prepare for 2001

John Mangefel recently compared the Micronesian economy to a turtle on its back, its legs kicking in the air as it vainly tries to upright itself. The FSM economy is truly upside down. Its government sector has been supporting private industry for years and years, rather than the other way around. When we upright the turtle, we will have solved the problem of 2001. Here are eight things we can do to help.

1] Don't try to change the political status. To trade away the independence that has been gained is like aborting a healthy fetus for fear of the unknown consequences. The decision for political status was made, the FSM was recognized by the UN and it has taken its place among world nations. Are you prepared to hoist down the flag over the UN Plaza and tell the world that it was all a

mistake? The Bible has something to say about a man who starts out to build a house and finds out he doesn't have enough materials to finish the job. His unfinished building makes him a laughing stock among his people. Pohnpei has a history of resisting foreign rule. Will it now admit failure and crawl into the arms of another foreign master? Don't lose courage.

2] Don't split from the FSM. Local leaders are tempted to do this, but this move would be ill-advised. In the first place, any money that was saved would be spent to duplicate what the FSM is now doing: eg, negotiating economic treaties with other governments, establishing foreign embassies. Pohnpei would also lose the economic benefits of the FSM capital (which are considerable), its share of the rights to some of the richest fishing waters in the Pacific, and credibility among other nations in the world community. "How can they expect to cooperate with us," they might say, "when they can't even maintain a working relationship with their closest neighbors."

3] Cut down the size and cost of government. Every economic team of economic consultants that has come to Micronesia since the late 1970s has warned FSM that it must do this. Everyone says "yes" and then proceeds to do just the opposite. FSM has grown steadily in size during the last 15 years, creating new departments and expanding the old ones. But the Pohnpei State Government is no better. Here are some practical suggestions.

- Cut back the cost of the legislature, either by reducing the number of members or by making the position a part-time one. At the same time, cut the travel costs abroad and the size of delegations traveling to international conferences. This will be difficult but necessary.

- Reduce the size and number of state government offices. Make sure that there is a real job for everyone the state employs. It will not have the money to finance make-believe jobs.

- Learn how to fire people. This is a difficult thing to do in any society, but especially in a small island society. If you can't work up the courage to do this, then consider hiring foreigners who can (like the governor's "hatchet man" in Chuuk some years ago, an American we called "Killer George"). There simply isn't enough money to support drones.

4] Get rid of the useless patronage system. The Congress of FSM doled out \$10 million last summer in "pork barrel" projects. This is just about half of the revenue that came in from fishing license fees in that year. This appropriation aroused indignation from all parts of the FSM and all levels of government. Rightly so. It made a hash of all the government's spending priorities. This is a throwback to the worst of the TT days, in my opinion. If the voters demand this of their representatives, then they will have only themselves to blame when the cash well runs dry. Elected leaders, meanwhile, will be surrendering their leadership role and becoming followers instead.

5] **Don't spend all you earn.** Money is not like fish; it won't spoil and so it doesn't have to be distributed right away. Surplus ought to be put away to provide for future needs and unforeseen needs. In this we can all learn a lesson from the Government of Guam, which got rid of its surplus a few years during the height of the tourist boom by giving tax rebates and raising salaries improvidently. Now, just a few years later, the government is \$800 million in debt and some are blaming the benefits received by FSM migrants for the problem.

6] **Encourage small-scale industry.** Remember the old proverb: Any long journey begins with one step (and then another, and then another). You don't need a big splash to begin development. Do it little by little, but start now. Even small farms can produce cash crops for the farmers and help by providing import substitutes. The same is true for other small industries. At one time Pohnpei made furniture, zoris, soft drinks and other things, but these industries have all ceased long ago. There are a number of goods and services that people here could provide if they had the will and some encouragement from the government.

7] **Look before you leap.** As we look forward to a cut in funding, many are looking for the quick kill. They think that we must find one gigantic money-maker to pull us out of the financial hole. If we don't discover oil, we'll have to find another scheme that makes big bucks: a huge tourist hotel, a gambling casino, passport sales to foreigners. Resist the temptation to jump into such projects with both feet before you look carefully at their environmental and social impact.

8] **Foreign aid is still a possibility.** Even if the US radically cuts funds, remember that other countries won't let you starve. They may let you lose a little weight, but that might not be an altogether bad thing. The best way of attracting foreign aid is an honest record in the use of past money. No one wants to throw money to crooks or wastrels. If it is clear to the world community that you are trying hard and using your money well, future donors should not be hard to find.

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