

On My Mind

3/16/07

The financial crisis that seems to have befallen Guam seemingly over-night is curious indeed. What brought it on? They may have a declining tourist population, but has it really been so massive as to cause the crisis Guam's government agencies are now facing? At least the CNMI can point to the many garment factories that closed faster than expected. But Guam still has the military, and on top of that, has the guarantee of a military and civilian build-up, what with the move of 8,000 military personnel due to arrive in a few short years.</P>

Or are Guam's economic woes yet more proof of Father Fran Hezel's heretical position that perhaps past approaches to island economic self sufficiency were in error?</P>

In a recently released publication for the East-West Center, Hezel (formally, Francis X. Hezel, SJ) writes, "Many factors remain beyond the control of the small island nations intent on growing an economy....Perhaps we all believed a little too ardently in the conventional wisdom of the day: that economic self-reliance was attainable if only island nations would try just a bit harder to maintain equilibrium between exports and imports. We may have been wrong - political ideologues of the 1960s, the U.S. government, the banks, and myself."</P>

His article, "Is That the Best You Can Do? A Tale of Two Micronesian Economies," traces past attempts at achieving economic self sufficiency in Micronesia, and particularly in the Republic of the Marshalls and in the FSM. Much is relevant, however, to the rest of Micronesia as well.</P>

He begins, "The lack of self-reliance in Micronesian economies is being decried today, as it has been for years. Leading the chorus is the U.S. Department of the Interior, with considerable support from the Congress and other elements in Washington."</P>

In 1982, he writes, he had noted, "With each Federal program dollar, even if given in the name of humanity for the aging or the handicapped, the future island states of Micronesia move ever further away from the stated goal of self-reliance and political autonomy. . . . For well-meaning U.S. legislators and bureaucrats to dangle an attractive array of costly social programs before the Micronesian people is to seduce them from a more austere, but sounder path of economic growth that is to their best interests in the long run."</P>

There are also natural constraints to economic development, writes Hezel: the countries' geographic isolation, their small size, their vulnerability to natural disasters, in addition to the relative lack of natural resources, the scattered populations, and the cultural environment of the Pacific. Yet, development economists, he writes, believe that "location and nature are quite constant, but policy and the investment environment can be changed."</P>

He describes what the Asian Development Bank considers necessary for sound economic growth and a favorable environment for investment: that land must be available for private investment purposes, which in turn supposes that a secure land tenure system is in place; that land ownership

is properly recorded and that a leasing system exists that will provide land to investors for sufficient time to allow them to recoup their investment and make a reasonable profit: that governments simplify and standardize the procedures for obtaining a foreign business investment permit; and that governance be marked by transparency and consistency, as an essential condition for an investor-friendly environment. Moreover, throughout the Pacific Islands, the ADB argues, governments also have to be discouraged from taking too active a role in the economy and thereby stifling the emergence of a healthy private sector.</P>

Writes Hezel, "The conventional wisdom today holds that the island nations will never be self-reliant unless they develop a productive economy that is adequate to support a tax base large enough to finance their governments and provide their populations with the public services they have come to expect. In turn, this process depends largely on attracting the seed money and expertise needed to grow the economy. To attract such investment in the face of today's global competition, a nation must implement whatever reforms are required to create a suitable environment for investment. If these conditions are met, any nation will be in a position to overcome its natural drawbacks and become a success story like Singapore or Switzerland."</P>

"The assumption is that once the environment is sufficiently friendly investment will occur. But even if all the reforms were scrupulously implemented, would the investors appear? And if they did, just what would they invest in? With few resources and a comparative disadvantage because of their geography, could small Pacific nations ever hope to develop a large industrial base?"</P>

A look at efforts to date - what with support and investments not only from the U.S. but some foreign interests as well - leads Hezel to pose four questions, not only for the FSM and RMI economies, but for the Pacific region as a whole:</P>

1. Given lack of resources, geographic isolation and small size that denies economies of scale, is sustainable economic development to support a small Pacific nation even possible?</P>

Hezel answers: "Island nations are asked to increase production and augment their exports despite their comparative disadvantage on the world market. Is it any wonder that they despair of growing a private sector robust enough to achieve these goals, and instead commit to maintaining a strong public sector? In many Pacific Island nations the private sector is untested and perhaps unreliable, while the public sector is a proven source of services and jobs."</P>

2. Are the additional cultural constraints, such as a small inter-related community where sharing rather than individual wealth still dominates, and subsistence living is still viable, so strong that they negate any possibility of attaining the modern-day economic miracle that resource-poor places like Switzerland and Singapore achieved?</P>

To which Hezel responds, "Due to the munificence of nature, development economist E. K. Fisk noted in 1982 that families in the Pacific can produce all that they can consume and provide for other needs with only a few man hours a day. This is what is meant by subsistence affluence, a term Fisk coined. In addition, land and family constitute the bedrock of the island economy, with very few islanders in serious need of either item. When all else fails, individuals can count

on the productivity of the land and the support of their kin group. Thus, the subsistence sector may present a ready and sometimes attractive alternative to wage employment for Pacific Islanders; after all, they are not dirt farmers desperate to escape the unremitting drudge and hardscrabble life on land that is not even their own."

"This is not to suggest that Pacific Islanders are unable to run a successful business empire or accumulate a good surplus, but that somewhere along the way other social values would very likely intervene to slow down their growth well before they arrived in the Fortune 500. Culture is a factor in development and should be acknowledged as such. It might not preclude strong economic gains in the Pacific, but it will not aid in the working of miracles."

[to be continued...]

Short takes:

- If I were the Chinese government, I think I'd raise serious objection to the fact that the U.S. was taking monies from my overseas workers - taxing them, in essence - for services there's no chance they'll ever receive, by making them pay U.S. Social Security tax. Couldn't one call that unscrupulous? Makes one wonder, too, why the garment factories never complained at having to match those payments - or did they not make those payments? How is it the Korean workers and the Filipino workers do not have to pay a social security tax, but the Chinese garment workers did?

- Two more problems with the new phone books PTI misguidedly calls "information books:" they no longer provide a village location - making it much more difficult to find the right number for people with the same last name. That helped, before. Now it's not there. Thanks, PTI! The other short-coming: no more listing of initials/acronyms. Try finding PREL in the new phone book. T'aint there. Either under PREL, or under Pacific Resources for Education and Learning. Neither is NMPASI - except under an arcane listing of "non-profit government-funded organizations" found at the end of the NMI government lists. If it's not too late, people should hang on to their 2006 phone books. They're also over-sized, but at least they are informative.....

- Guns for immigration officers? Ye gads! Do we really need, or want, more weapons around? If the situation an immigration officer finds himself in requires a gun, can't he call a police officer? Otherwise, seems to me a baton and mace should be enough?

- CNMI's only public radio station, KRNM, is holding its semi-annual fund drive this week and next. The goal is \$6,000. If you enjoy KRNM's 24-hour broadcasts of National Public Radio shows, the British Broadcasting Corporation's news and commentary, various jazz shows, its variety of feature presentations, and want them to continue, please donate! You can mail a check to KRNM at P.O. Box 501250, or call 234-KRNM and arrange pick-up, or call 322-5498, ext.1541, ask for Shirley or Tim, and charge it. But, DO IT!!!! The donations are tax-deductible.

- Also, Off the Beaten Path will again produce "The Vagina Monologues" at the American Memorial Park Theater on Friday, March 24, and Saturday, March 25, at 7 p.m., as a fund raiser

to benefit victims of sexual discrimination and abuse. A fascinating production well worth seeing, as well as a worthy cause well worth supporting. Tickets are \$15.00 in advance, \$20.00 at the door.</P>

Movies this week: one new R, for a total of 3 R's, 4 PG-13's. Ed Stephens, in his Saipan Tribune article today talks about business opportunities in the CNMI. How about opening an alternative movie theater? It doesn't have to show only the newest movies. There are lots of oldies that bear re-showing, which would be cheaper and easier to acquire, not to mention the independent films also out there.</P>