

In last week's column, I wrote about Father Hezel's paper on developing island economies, covering a little more than half of his 21-page original. Basically, Hezel suggests that the model historically offered to Pacific island nations as the way to develop and become self-sustaining does not work. He notes that most Pacific island economies are not only afflicted by huge imbalances of trade (mostly imports, with little exports); by poorly developed private sectors together with bloated government sectors and disproportionate salary scales; by inhospitable environments for investment; and by heavy dependence on overseas aid - but also by such natural elements as remoteness, paucity of natural resources, and the cultures of the Pacific peoples. The column broke off half-way through four questions posed by Hezel in redefining the issues. To continue:

3. Do island nations have any other choice than what they've been offered in the past: either become economically viable and self-reliant, or surrender their political autonomy? Or is there a third option?

Answers Hezel: "For years economic planners have held out the hope that Pacific exports might be increased, but the usual items-copra, fruits and vegetables, shells, and handicrafts-appear to have peaked, with some of these products now in decline. Mineral resources, too, are limited.... There has never been a substantial amount of manufacturing in the area. In recent years many small island nations have looked to the sea as a source of capital. But...Pacific nations can count on taking in only about 5 percent of the total value of fish caught in their waters by foreign fleets. Neither fishing, nor any of the smaller industries on which they have depended in the past, seems capable of generating the cash needed to maintain these nations."

"Colonial administrations almost everywhere in the Pacific, it seems, did what the United States did in Micronesia: established a relatively large government with an ample bureaucracy and watched with satisfaction as imports escalated. The satisfaction derived from their belief that it was just a matter of time before consumption stimulated greater productivity, no matter how slender the country's resource base. Yet, productivity - at least as traditionally defined - could only carry island nations so far, and so they turned toward the "rental" economy that has come to be known as a MIRAB economy." [MIRAB: Migration and Remittances, Aid, and Bureaucracy.]

MIRAB, Hezel writes, is not a theoretical construct, but reality in much of the Pacific, with even larger islands, islands rich with mineral resources, dependent on foreign aid, and many relying on remittances as well. Micronesians have been able to "enjoy a fair level of prosperity for years without coming close to achieving what others would consider self reliance." They have not worried, in looking at their balance sheets, about whether their income came from grants or export earnings - to them, the end result was the same, says Hezel.

He then quotes George Kent [1982. "Development Planning for Micronesia." Political Science 34 (1):1-25] to ask, "What if, in fact, the islands simply cannot be self-sufficient unless they revert back to pre-contact ways? The goal of self-sufficiency should be suspect when other, far more richly endowed territories are not self-sufficient and do not really aspire to self-sufficiency. Self-sufficiency is not its own reward. It makes little sense to argue that the poor should learn to be self-sufficient if the rich continue to be supplied and subsidized in one way or

another by the prevailing social system." Notes Hezel, "His words are every bit as applicable today when the United States, with its rich and diverse resource base, must depend on China to underwrite its current debt."

4. Are development economists in error in expecting Pacific island nations to follow the present development formula? Or would relaxing their demands provide a convenient excuse to Pacific peoples for accepting the status quo and making no effort to reform?

Hezel grants that some of the expectations put forth by development economists are valid - responsible and honest governance that is transparent and even-handed. But in terms of land ownership and foreign investment, he writes, "If Micronesian nations draw the line at implementing changes with respect to land use and liberalizing foreign investment procedures, it may be because they do not see a benefit commensurate with the risk they are taking in letting go of means they have used for years to protect their own interests....I sometimes think that the largest underlying reason for inactivity on these fronts is skepticism as to whether a self-reliant economy would result, even if the reforms advocated were fully implemented."

In the meantime, many Pacific island nations turn to traditional strategies for survival. While they welcome guests and visitors, they are "generally wary about offering outsiders too large a stake in the economy, especially when this could translate into local loss of political power or an erosion of the system of social relationships that undergirds island life." They continue to protect local land ownership - due to what Hezel describes as "the mystical ties that people have had with their land, [which] are as much a reason for this attitude as the practical importance of land as a fallback for survival." Emigration - according to Hezel, an old island strategy for dealing with scarcity - "is being used today as a means of siphoning off excess population and redirecting it toward areas where jobs can be found and a good living made."

As to the future, Hezel suggests that the role of agriculture in self-reliance has been overlooked; "...[A]gricultural produce has shown a surprising resilience in these otherwise troubled economies. Besides continuing to provide food for a considerable segment of the local populations, it offers a number of cash-crop opportunities for people who are without paid employment." He also suggests that emigration, in addition to decreasing demand for resources, could serve as an island resource if all those who leave send back remittances, and he urges islands to consider ways to make such emigres continue to feel part of their home islands as a way of encouraging remittances. "Why not go all the way and implement policies that might cultivate remittances in the future?" he asks.

Hezel notes that development theories, as well as Pacific Island nations themselves, have changed, and concludes, "Debunking the old notion of self-reliance should never be taken as an excuse for a smug resistance to moving ahead. It is merely a challenge to the assumption that any country, no matter how resource-poor or disadvantaged from a market perspective, can, in compliance with traditional standards, grow an economy that will in time attain classical self-reliance."

The full text of Hezel's paper can be found at: <<http://www.micsem.org/pubs/articles/economic/frames/taleoftwofr.htm>>.

Short takes:

The March *Commonwealth Register* is out. Two changes to Commonwealth Ports Authority procurement rules are proposed, as well as a schedule of fees for the Zoning Board, which appear here as emergency regulations - meaning they go into effect immediately. The

issue also includes notice that the regulations for implementation of tax offset procedures have now been adopted, as well as two Directives from the Office of the Governor, one on utilization of comp time, and the other reminding agencies of the hiring freeze. Copies are available at the office of the Attorney General.

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Today is Covenant/Commonwealth Day, the first year that two of the multiple "C" days have been combined. Ironically, though the idea for combining them was to not increase the number of holidays (when adding Martin Luther King day) its observation DID result in an extra holiday, in that it was moved to Thursday since Friday was an austerity day, creating a four-day week-end. At a time when the need to cut costs is critical, and appears to increase on a daily basis, it seems the height of profligate wastefulness to declare a paid holiday, when the very next day was a day off anyway. How much did that cost the government????

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Talks are being held with military officials about the move to Guam, several years down the road, of those 8000 Marines. The sentiment has been expressed that the CNMI should insist on a greater role in that development. I would submit that what the CNMI ought to push, sell, offer is not the actual stationing of troops in the CNMI, but the use of the CNMI as "R&R" (Rest and Recreation) for the military. We can offer what Guam has not - expanses of greenery, distinctive dive sites, accessible beaches, eco-tours and camping to the Northern Islands and, hopefully, a series of trails, hikes and camp sites (to be developed as part of an island park system). Military use of the CNMI's natural resources for R&R, could, if properly controlled, bring in as much or more revenue, without destruction of the environment, than would building base facilities here.

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How is one supposed to take the news that the powers that be hope to privatize outpatient services at the Commonwealth Health Center? With a shudder at the thought that now the games being played at the Commonwealth Utilities Corporation will be played at CHC? With a shrug that it will never happen, as it has not at CUC these past what - 10 years? With a grimace at the costs and legal hassles that are bound to ensue over terms and bids and all the rest? With laughter at the temerity of people at CHC to even think of trying such a thing in this anti-business climate? With tears at the fruitlessness of it all? At least there don't appear to be all those ridiculous restrictions CUC's RFP imposes.....

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How is one supposed to take the news that CNMI's consultation team for talks with representatives of the federal government under section 902 of the Covenant consists of a Washington, D.C.-based attorney, the governor's press secretary, and the CNMI's (haole) Attorney General? The talks are to address immigration and labor issues. Where are the knowledgeable, the experts, in those fields? Where are the legislative representatives, who, until now, have always been part of the 902 team? And if the real issue is interpretation of the Covenant - as to all intents and purposes it seems to be - where are the local attorneys? Granted Howard Willens was instrumental in crafting the Covenant. But times have changed. What was the governor, who appointed the team, thinking????

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Movies this week: Incredibly, a total of FIVE new ones, and even more incredibly, THREE of them PGs!!!! Making a total of three PG's, one PG-13, and 3 R's. "300" is the

week's top money getter, "Wild Hogs" at the bottom of five; of new releases, "Mimzy" is 2nd , "Shooter" 4th and TMNT 5th of the top five in ratings. "Bridge to Terebithia" is no longer on either list of newbies, but has a high rating from <rottentomatoes.com>.