

On My Mind  
5/14/10

Contrary to the commonly held belief that Pacific island economies suffer because lending institutions, land tenure laws, government agencies (and their rules) and court procedures are not favorable to development, the latest issue of *Micronesian Counselor* suggests that private sector development is more dependant on what the author calls the "self-enforced contract," and the "island trading house." Dr. C.L. Cheshire, Senior Business Development Manager for the Pacific Business Center Program at the University of Hawaii, writes that "the two institutions that have been the most instrumental in the development of the private sector in the Pacific have been and continue to be the self-enforced contract and the island trading house."

Citing two industries that have prospered - Hawaii's papaya export partnership with AMFAC, and the development of fresh ginger as an export product in Fiji - Cheshire writes "Both case studies make it clear that the impetus for these successful export industries was a partnership between local producers and an individual or company with links to the global market."

At the risk of oversimplification: historically the trader made his own arrangements with "local elites" (initially, island chiefs) to obtain products for sale, and at the other end, made his own arrangement with those who had developed distribution networks through which to sell them, thus by-passing the need to maintain a labor force, to himself acquire production technology, or to find ways to penetrate foreign markets.

Such contracts were self-enforced, reports Cheshire, through mutual trust, the incentive to trade, a belief that future benefits outweighed any advantage to cheating in a single transaction, participant commitment to meeting obligations as well as protecting the trade from attack, and severe penalties, such as termination of contract or exclusion from future trade, if commitments were not met.

Traders eventually became trading houses, which, according to Cheshire, are still in operation today. He concludes that such strategies "continue to be at the cutting edge of Pacific Island private sector development. Their influence is evident in all of the important industries that have developed in the Pacific in the last fifty years, from papaya and cut flowers in Hawaii and pearls in Tahiti to giant clams and live coral in the Marshals to international hotels in Fiji and Guam. These examples of successful export should serve as models as well as foundations for future developments." The full text of his article, "Swimming with the tide; private sector development in the Pacific," can be found on the web at < [www.micsem.org](http://www.micsem.org) >.

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The answer to why U.S. Social Security is not available to the people of the CNMI is apparently not as simple as it first appeared. Two readers sent in opposing opinions re last week's "explanation" as to why the CNMI rejected U.S. Social Security in favor of a

locally-operated retirement program. One wrote and said, "Some of the touted reasons were that we had our own retirement fund, that by opting out we were saving money..no need to pay SS, but FICA still deducted..as a thought redolent of the same thinking that stood behind food stamps, SSI, and MIHA..something free from the Feds. The entitlement philosophy that so destroyed the culture and pride of many local families. What lurked unsaid publicly is the fact that local politicians could not fiddle with the retirement system under SS..but could under a locally established one."

The other reader said, "This was over 25 years ago. I can't remember exactly who told me they were opting out of SS because of the longevity of local people but I do remember the conversation. I do stand by my observation that local people have a shorter life span. Go to any cemetery, look at the graves of local people and compute the average life span. I do believe you will find it mostly in the 50/60's and not the 70/80's."

On the other hand, Howard Willen's *Honorable Accord* says that initially it was agreed that the Social Security program would be among the federal programs that would come into effect immediately (p.179). A few pages later, reservations are expressed because the Marianas wanted full, U.S. level social security benefits paid out to recipients, but the SSA balked, saying only if full deductions had been paid. There is mention of a phased-in proposal, and the need for Congressional approval, but the book makes no further mention of the subject. (p. 189)

Sounds like getting at the truth might be a good research project - and a rather timely one, at that - given the present concern for the future of the CNMI Retirement Fund.

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The legislature really does seem to be living in some sort of dream-land. The 5/12 issue of the *Saipan Tribune* quotes the Public School Commissioner as saying there isn't enough funding to provide kindergarten to all five-year olds on island, yet Senate Floor Leader Pete P. Reyes has introduced a bill that would make kindergarten mandatory for all children ages three and up. Just how does he think that would be managed?

Not to mention the fact that three seems pretty young to be pushed into an organizational framework. Yes, the early years are crucial, but toddlers have a need, a right, it seems to me, to be toddlers, too - to play, enjoy freedom, explore at their own pace before being forced to undergo formal, disciplined teaching! There's much of value that can be taught at home far better than at school.

Another example: House Resolution 17-12, sponsored by Representative Francisco S. Delacruz, requesting that CUC delay its proposed water and waste water rate increases until it has installed water meters for all customers and billed them accordingly, fulfilled all its obligations to the U.S. EPA, complied with the stipulated order, and provided potable water, among other things. Where, how, is CUC supposed to get the funding to do all these things without raising its rates?

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Short takes:

Too bad the CNMI wasn't invited to the recent utility survival workshop conducted by the Department of Interior's Office of Insular Affairs for the members of the Freely Associated States. The four-day workshop covered such things as improving operating efficiency, coping with fuel prices, increasing revenue generation, cost recovery, and the increased use of renewable energy - all of which the CNMI's CUC would also have found useful. Participants in the workshop included the U.S. Department of Energy's National Renewable Energy Laboratory, USDA Rural Utilities Service, the Asian Development Bank, the Pacific Power Association, and the Japan International Cooperation Agency.

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The Department of Interior has granted the CNMI \$350,000 for the purpose of upgrading its strategic plans for the tourism industry. One would hope that the money is not just given to the Marianas Visitors Authority - whose efforts to attract more tourists, or generate more income from tourists, has been a dismal failure to date. Needed is some thinking outside the box, so to speak - with an emphasis on developing more tourist activities, sites, attractions that would benefit islanders and the economy as well as increase tourist traffic. Whatever happened to the idea of building an arts center? Of establishing walking trails along the island's spine? Of building a roller-skating rink for times when it rains? Of re-building the sugar-cane railroad? Of a training course for tourist guides - so they all get the same, accurate information? Of landscaping, beautifying the Banzai Cliff site? Of taking prostitution out of the Paseo? Of developing eco-tourist activities on Lake Susupe, of working for the establishment of the Marianas Trench Marine Monument on Saipan?

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Face-saving promises that have yet to materialize: release of a revised land use plan that accommodates the zoning law; words from Marianas Educational Media Services, Inc., about KRNMI's status and its own plans; public information from the local census office on how and where data collected here will be processed.

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The Indigenous Affairs Office will be holding hearings for Chamorros and Carolinians to express their views about the Department of Interior's report on the future status of foreign workers in the CNMI. And who will provide a forum for the haoles on island?

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The House Subcommittee on Insular Affairs, Oceans and Wildlife, of which Guam's Congresswoman Madeleine Bordallo is chair, will be holding oversight hearings on the federalization law in Washington on May 18. To submit written comments, a click on <http://www.house.gov/bordallo/contact.shtml> > will give you an e-mail form on which to send a message. Snail mail address: Congresswoman <Madeleine Bordallo, Chair, House Subcommittee on Insular Affairs, Oceans and Wildlife, 427 Cannon HOB, Washington, D.C. 20515. Fax number: (202) 226-0341.