

Socio-Economic Development in Micronesia: A Case Study of Hope and Heartbreak in Chuuk, FSM

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Abstract

This essay examines the current levels of socio-economic development in the state of Chuuk, one of the Federated States of Micronesia (FSM). While different states in Micronesia have engaged with global market demands for tourism, labor, and resource extraction as means to develop themselves economically, Chuuk has been among the least successful. In 2003, the Asian Development Bank (ADB) conducted a hardship assessment of the FSM that not only included Chuuk but also found that Chuuk is currently unable to meet adequate levels of Sustainable Human Development. In particular, ADB findings indicated a lack of access to basic services; a lack of opportunity for people to participate in the socio-economic life of their community; and a lack of adequate resources to meet the basic needs of the household, family, and community. This paper addresses some of the social, structural, and cultural issues that have been identified by Chuukese community leaders, business people, and workers as hindering current efforts for social and economic development.

Introduction

This paper examines the current levels of socio-economic development in the state of Chuuk, one of the Federated States of Micronesia (FSM). Based on interviews and observations conducted on the Chuukese island of Weno, the author suggests that different social, structural, and cultural issues have affected the level of socio-economic development in Chuuk. The purpose of this paper is to identify the more important such issues and to discuss some solutions that various Chuukese residents identified as ways to overcome these problems. The author hopes that this paper will provide some possible insights for those readers who study and/or engage in the practice of socio-economic development in Micronesia.

Different states in Micronesia have engaged with global market demands for tourism, labor, and resource extraction as means to develop themselves economically. Saipan, Palau, and, to a lesser extent, Yap are also examples, but Chuuk has been among the least successful.

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Research Methods

This paper is based on government documents, published materials, interviews and observations made by the author while on a June 2006 research trip to the Chuukese island of Weno. Open-ended interviews were utilized due to the range of different available sources. Interviews were conducted in both formal and informal settings. Respondents' real names have not been used; instead, they have been assigned pseudonyms. Notes were taken following each interview. Informants were told the purpose of the interviews, but they were not paid for their time. Extensive observations were also made around the island of Weno, while notes and photographs were taken to document these observations. Finally, extensive use was made of official documents of the Federated States of Micronesia's central government in the form of census and economic data. A number of technical reports from businesses and non-governmental organizations (NGOs), such as the Bank of Hawaii, the Asian Development Bank, and the Micronesian Seminar, were also utilized.

The Setting

Chuuk (formerly Truk) is a state within the FSM, which also includes the states of Yap, Kosrae, and Pohnpei. The FSM emerged out of what had been the Trust Territory of the Pacific Islands (TTPI). TTPI was the United Nations trusteeship awarded to the United States following Japan's defeat in World War II. In 1978, the FSM's people (including the Chuukese) voted to approve a constitution that paved the way for the 1982 signing of the Compact of Free Association¹ between the FSM and the United States. This agreement was finally implemented in 1986 (Ogden 2009; 1).

The islands of the FSM compose what are known as the Caroline Islands. Chuuk lies approximately eight degrees north of the Equator, roughly 2,500 miles southwest of Hawaii. The state of Chuuk centers around several "high islands" that include numerous atolls and outlying islands organized in seven major island groups. Chuuk State has a total land area of 49.2 square miles (FSM 2006; 2).

The state capital is on the high island of Weno in the Chuuk Lagoon. Under the FSM's constitution, each state has its own governor and legislature. Chuuk is famous for its Truk Lagoon site of the sunken World War II Japanese fleet that had been based there and was sunk in the American attack known as "Operation Hailstone." Currently Chuuk has one of the largest populations of the FSM, at 53,595, which is 50 percent of the entire population of the FSM's 107,008 residents (FSM 2006; 4). The FSM's average population density is 394 people per square mile, while in Chuuk it is 1,094 per square mile (Ibid.; 4). Chuuk also is the fastest growing population group in the FSM, growing from about 15,000 people following World War II to its current levels (Ibid.; 4). Chuuk currently has the highest unemployment rate in the FSM, at 34 percent, but also the largest population (Ibid.; 23) (See Table 1 in Appendix A).

Chuuk's households on average spend 47 percent of their income on food (FSM 2005; 11) (See Table 2 in Appendix A). This level of household expenditure on food is the highest in the FSM. Normally, households that spend more than 30 percent of income on food indicate poverty, resulting in a dire picture of Chuuk's economic health. Unfortunately, Chuuk's heavy

reliance on remittances and the nation's lack of economic opportunities are not only unsustainable but will also continue fueling the high levels of out-migration discussed below.

Due to stipulations in the Compact of Free Association, which permits FSM citizens to enter the United States freely, to maintain permanent residence, and to pursue education and employment, more than 30,000 FSM citizens and 20,000 Marshallese live in the United States and its territories, with two thirds of FSM immigrants being Chuukese (Hezel 2006; 2). Approximately 5,000 Chuukese people live in Guam, 2,200 reside in the Commonwealth of the Northern Mariana Islands (CNMI), and the remainder stay in Hawaii or the U.S. mainland (Hezel and Levine 1996; 93). In Chuuk, the state with the largest population and the worst economic and wage labor opportunities for its people, large numbers (as noted above) have emigrated, resulting in substantial remittances being sent to family members remaining on Chuuk. As noted by Hezel and Levin 1996, "About 29 percent of the households, or twice that of the FSM as a whole, reported receiving remittances. The total dollar figure of the remittances Chuukese received in 1994 was about \$950,000, more than three-quarters of the total reported remittances for FSM" (Hezel-Levin 1996; 110). By 2005 this remittances in Chuuk had reached an estimated \$5,875,000 per year or \$840 per household (FSM Nov. 2007; 5, 8). This factor has resulted in households spending more than they generate in income, causing an annual dissavings in Chuukese households of approximately \$476 per year (Ibid.: 8,14,15) (See Table 3 in Appendix A). This trend is assumed to be unsustainable, and is only surpassed by the dissavings rate for Yap state of \$2,024 per year.

While under the TTPI and later the Compact, rough estimates place Chuuk as receiving close to one billion dollars in aid and other direct payments from the United States. So what happened to this money? In the ADB's 2004 Poverty Study, Chuukese residents reported that "their low incomes and the increasing need for cash so households can gain access to basic services and goods [were] the most commonly cited factors for increasing hardship in both the urban and rural communities" (ADB 2004; 16). The problems of drug and alcohol abuse are seen as ever-increasing issues facing Chuukese youth, are part of the increasing trend towards "Westernization" and move away from older traditions (Ibid.; 16). ADB judged infrastructure and access to services as poor throughout the state, resulting from the inefficient and inappropriate use of government resources in recent years. Considering the people of Chuuk's situation from 2000 to 2005 they gave a range of responses noting that some areas had improved while others had deteriorated.

Elements such as basic services, specifically water supplies and the relative improvement of access to education (primary and secondary), were cited. People also perceived improvements due to the increased number of church programs helping communities, highlighting the role of these churches in delivering basic services. Where nothing had been done, respondents perceived that they had become worse off (Ibid.; 16).

In 2005, \$220 million dollars constituted the estimated total income for all of the Federated States of Micronesia. Pohnpei generated the largest overall income of \$94 million dollars, and Chuuk the second largest of \$76 million dollars. Kosrae generated the least, at \$15 million (FSM Nov.2007; 5). As noted above, Chuuk currently has the largest population in the FSM, so its share of income is relatively marginal compared to the FSM's other states.

One local businessperson in his mid-fifties related to the author that a past governor of Chuuk had, as a goodwill mission, decided that he would go on a worldwide tour with forty Chuukese officials and friends. They visited many countries at an expense of several million dollars. Another governor, when running for office, had as his campaign platform “Boats for Votes”: apparently if a person or family agreed to vote for him, they received a twenty-foot fiberglass boat and a forty-horsepower outboard motor.

Large payments have gone into providing consumer goods, including cars, boats, TVs, and satellite dishes, that have not proved very durable. Comparatively, many critical Chuukese institutions, such as public schools and hospitals, have not been upgraded or even properly maintained for years.

An important issue for twenty-first-century Chuuk, revealed to the author during his research trip, is that the Chuukese government retained the right of eminent domain² when it first obtained Free Association status, but rather than exercise it, the government made a series of lease arrangements with local landowners to secure sites for agencies like the post office and the airport. Now, more than twenty years later, when many of the original buildings should be replaced, the original owners assume their property is worth millions (due to the large lease payments they have received, making them unwilling to sell at more realistic prices), while simultaneously, the U.S. government will not provide funding for new government buildings that do not sit on property ‘owned’ by the local government. In 2005, the owner of the airport property had not received his lease payment, so he parked a pickup in the middle of the runway until he had been paid in full. This event unfortunately raises airline carriers’ concerns about conducting operations on Chuuk. Several respondents also mentioned to the author that, other than mismanagement, outright corruption and graft were problems for some government officials.

The roads on Weno are all in terrible shape, with the main road through Moen all broken down and filled with chuckholes. According to locals, the roads have been slowly getting worse since the year 2000. Repairs are made by unskilled day laborers and quickly break apart, returning to the same awful condition. There once was a road that completely circled the island of Weno, but it has become so rutted that only four-wheel drive vehicles can get around it.

Most basic infrastructure has failed. Solid-waste management, for instance, consists of a large pile of unmanaged garbage that has been dumped in unused land alongside the port. According to one local business leader, an issue that stymies business growth is the lack of electricity. On Chuuk, electricity (as in all of Micronesia) is produced by diesel-powered generators. An interview between the author and the generator maintenance-provider, who was flown in from Guam, explained that five generators existed on Weno at the beginning of Compact One.³ Over the years these generators have been breaking down, so the maintenance provider uses parts from broken generators to keep the other generators running. As of 2006, only one generator continued to operate sporadically, with electricity only coming on at night and going off in the morning. Unless a business has its own generator, it either operates in the dark (as did several businesses the author visited), or closes up for the day, as many businesses do. Apparently the Chuukese government had received a loan in 2005 to buy three to four new generators that have never been delivered. When an attorney from the United States came to

resolve this issue, local officials told him to hand over the money directly to them, as it was their money and they would purchase the generators.

Impediments to Foreign Business/Investment and Land Ownership Issues

Until 2000, a Japanese-owned fishing operation (that primarily caught tuna) paid for rights to fish Chuukese waters while operating a processing plant on Weno that employed about 150 local people. The local government decided to raise the fees for fishing rights, at which point the company closed its operations, shuttered the local plant, and moved its operations to Pohnpei, where it was able to get fishing rights at a cheaper rate. As noted below, due to complex land-ownership issues, many foreign businesses are reluctant to invest in Chuuk.

Another important issue in Chuuk is land ownership. In many cases, due to traditional clan ownership, it is difficult if not impossible to sell or even use some land because of the difficulty in getting multiple owners to agree to sales terms, especially since many owners are absent. In one recent case related to the author, a desperately needed cell-phone tower was blocked from being built. In another, the College of Micronesia, needing to expand for years, had purchased a new site on Weno, only to find that access to the property was owned by a different party that would not sell or grant the college access (since then, the college has been able to secure access to its new site).

A hotel operator revealed that he routinely receives international inquiries about business-development opportunities, especially in tourism and hotels, but, due to the restrictions on Chuukese-only land ownership and complex land-ownership rules, no one is willing to invest. This problem affects other areas where businesses have tried to improve infrastructure and have been stymied due to complex land-ownership backgrounds. The recent attempts to erect a new cell-phone tower for more complete coverage was blocked because more than twenty people collectively owned the land, but could not agree on its sale. Phone service continues to deteriorate, with several business owners complaining that they are losing business due to unreliable phone and Internet access.

Roadblocks to Tourism

A 1995 Bank of Hawaii report notes that major barriers to developing tourism include: the FSM's distance from mass markets and major long-haul air corridors; the distances among small islands scattered in the ocean with limited means of transport and communications between islands; the insufficiency of infrastructure on the ground in the forms of transport, shops, restaurants, and hotels to satisfy the demands of increasingly sophisticated travelers to the region; and the lack of desire among some islanders to develop the types of local goods and services that socio-cultural tourists have grown to expect in other destinations (Bank of Hawaii 1995). Socio-cultural tourists are those who go to destinations that provide experiences within the local society and culture, such as visiting villages and witnessing dance displays, canoe building, or craft production.

As mentioned previously, Truk Lagoon (Chuuk) is the site of the sunken WWII Japanese fleet that was based there. The lagoon offers breathtaking dive sites that the international diving

industry considers to be among the world's premiere diving destinations.⁴ The author made several scuba dives with employees of the Truk Stop Hotel, noting that, other than fantastic soft coral growth on the lagoon's wrecks, human remains, crockery, bottles, munitions, and war supplies are still visible on the Fujikawa Maru, an armed tanker and supply ship that is one of dozens of easily accessible wrecks. This type of historic dive site has great potential for tourist development, yet only a few thousand tourists dive in the lagoon every year. Many visitors have expressed concerns over the low state of development, expressing fear about leaving the island's one luxury tourist facility, the Blue Lagoon. Instead, they spend their entire time on Chuuk on the hotel grounds. Conversely, the author spoke to two young travelers in their mid-twenties who were staying at the Truk Stop Hotel (a nice, three-star hotel that still costs more than \$100 per night per room). This young Australian couple noted that they had traveled all over Southeast Asia and much of the Pacific, but "that the FSM and Chuuk in particular were far too expensive for their budget." They did not plan on returning. In 2006, Chuuk had 4,984 tourist visitors (FSM Mar. 2007, 17). Compared to markets like Guam, where tourists number close to one million people every year, the potential for extensive tourist growth in Chuuk is dramatically underutilized.

Small-Business Development Issues

The Small-Business Development Center (SBDC) has started a micro-loan program for small-business startups. Many of the new businesses were women-owned small stores. A large problem they faced involved relatives arriving at the store and expecting to be able to take goods off the shelves without paying for them. As in other parts of Micronesia, in Chuuk one shares what one has with family members. Yet in the small stores, the goods had been purchased with loan money that had to be repaid. One tactic that the storeowners adopted was to tell relatives that the goods did not 'belong' to the storeowners, but belonged to the bank. The relatives, therefore, could not just take goods off the shelf without paying for them.

SBDC was less successful in getting local banks to cooperate with small-scale farmers. Another issue impeding development was that the bank told small-scale farmers who wished to acquire loans (to expand production) that they must sign over the title to their land as collateral. This requirement is not enforceable since most land parcels are not titled, while almost all land has multiple ownership claims.

The Costs of Immigrant and Emigrant Workers

A local hotel owner expressed concern that, when he hired local people, they would only work long enough to pay for whatever they wanted to buy. Once they received that amount, they would not come back to work for several weeks, at which point they would expect their jobs back. The hotel owner had finally resorted to hiring Filipinos for many of the hotel's staff positions. One interviewee, a 21-year-old woman who ran the gift shop and kept the books, was making \$1.25 an hour. 'Clara' is unmarried and had three years of technical business school in the Philippines, where she had also worked for several years in an office, when she was offered a position by the hotel owner (who had hired a friend of hers). Clara makes \$450 a month and

receives a free room, which she shares with several other women who work at the hotel. The owner paid for Clara's airfare to Chuuk and she goes home once every two years at the owner's expense. She was quite happy with her job and said that it paid three times what she had made working in an office in Manila. She hopes to work there for several years, even though she said it is hard work with long hours. She also manages to send money home regularly to her parents. The impact of such hiring practices on the local community means that these wages are not available for local workers and, even worse, that monetary resources (to a great extent) are repatriated to the Philippines rather than benefitting the local economy.

One recent returnee the author met was 'Johan,' a 23-year-old man running the airport shuttle to the hotel where the author was staying. Johan said that he had previously worked on Guam several times; at the Guam Hilton he made \$6.00 an hour running its jet-ski rental and a similar amount at another hotel as a gardener. In addition, he held a later job working with his uncle in construction at \$5.00 an hour. His current job (at the time) of shuttle-bus driver on Chuuk paid \$1.10 an hour. Johan mentioned that he currently had three children and a wife, and that while it was cheaper to live on Chuuk, he just could not afford to support his family on his current wages, so he planned to return to Guam for a better-paying job. "Besides," he noted, "if it was not for all of Chuukese going to work on Guam, no work would ever get done there."

Conclusion

As noted above, many local people complained about the way Compact funds have been spent. Several Chuukese people suggested that any funds the Chuuk government receives in the future should be tied to specific items and areas, such as supplying new generators. In its operations, the Chuukese government should acquire the necessary sites it needs to conduct business and daily government operations, such as a site for the post office and the airport. While these purchases may be viewed negatively at the time, the ongoing lease payments and lack of control are far more expensive. Strategies need to be worked out on Chuuk to deal with the complex issues of land ownership and how they have blocked development. Yap (and Guam's) cases might offer some suggestions, where foreign investors have been offered long-term leases for hotels and other tourist development sites. Related to this possibility is the need for tourist infrastructure development. Both internally in Chuuk, and externally in sparse air connections, many potential tourists find it simply too difficult or expensive to get to Chuuk or fear conditions will be substandard when they arrive. As noted above, except for one expensive hotel option and another midrange hotel, most other hotels are far below Western standards, as are the local restaurants and roads. For local development, the banks must be more flexible in their loan standards to local borrowers as a way to encourage local development. Another important consideration is that the Chuukese government should work with foreign investors and businesses in a way that will promote investment and business development by encouraging companies like the departed fishing and fish-processing company to establish operations in Chuuk and not be driven to other FSM states by high licensing fees. Local businesses also need to find ways to encourage the long-term employment of local workers, perhaps through government-sponsored worker-training programs, so as to avoid importing foreign workers who cause losses to the local economy. Finally, and perhaps most importantly, local job opportunities

need to be developed that will encourage highly motivated and skilled workers to remain on Chuuk rather than emigrating to job opportunities elsewhere. This goal could be accomplished perhaps through a combination of all the above recommendations as well as tax incentives and increased wages. Otherwise, Chuuk may one day find itself in the position of losing the best of its workers, who represent the future hope for the island's social and economic development.

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Appendix A

Table 1. Population, Population Density, and Employment Figures in the FSM

Area	Population	Population Density	Employed
Chuuk State	53,595	1,094	11,979
Kosrae State	7,686	179	1,864
Pohnpei State	34,486	261	10,368
Yap State	11,241	244	4,964
FSM Total	107,008	395	29,175

Adapted from: FSM (2000) Census Population and Housing.

Notes: 1. Population density is residents per square mile. 2. Employed in formal employment, self-employed, economically active in subsistence activities.

Table 2. Percentage and Costs of Household Expenditures Spent on Food

State	Percent of Food Expenditure	Costs of Food Expenditures
Chuuk State	54%	6,154
Kosrae State	41%	4,828
Pohnpei State	39%	5,054
Yap State	46%	8,114

Adapted from: Federated States of Micronesia, Division of Economic Planning “HIES Report,” 2005; 11.

Table 3. Household Income, Expenditures, and Dissavings for the FSM

State	Average Income	Average Expenditure	Average Dissavings
Chuuk State	10,955	11,398	-476
Kosrae State	12,842	11,778	1,064
Pohnpei State	15,593	12,936	2,657
Yap State	15,616	17,640	-2,024
FSM Total	13,421	11,778	592

Adapted from: Federated States of Micronesia, Division of Economic Planning “HIES Report” 2005; 8, 14 & 16.

Notes

¹ “The Compact of Free Association granted the Micronesian nations full authority over their own internal and external affairs. In return they conceded responsibility for their defense and security” (to the United States) (Hezel 1995; 365).

² Eminent domain is the ability of the government to seize private property for public use.

³ Compact One expired in 2000. Compact Two was signed in 2003 and will be in force until 2023 (FSM: JCCEN 2004; 23).

⁴ The author is an internationally trained dive-master and has made trips to dozens of premiere dive sites around the world.