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State of the Nation Message

PALIKIR, Pohnpei (FSM INFORMATION SERVICE) - In the Tenth Annual State of The Nation Message to the nation delivered May 25, (Friday) at about 10:45 a.m. at the FSM Congress Chamber, the FSM President John R. Haglelgam urged "the Congress and the Executive Branch, the national government and state governments to make the 1990s a decade of economic advancement toward our goal of achieving a balance between what we acquire from others and what we are able to produce. We owe it to the citizens of our country."

Haglelgam made his state-of-the-nation message which was broadcasted live via stellite hroughout the nation and the rest of the world in the presence of the 6th FSM Congress in its their Third Regular Session with all members present except Senators Nick Bossy of Truk who was excused, and before a gallery packed with the FSM and state government officials.

Present were Vice President Hirosi H. Ismael, FSM First Lady Paula Ori, Chief Justice Edward C. King, Lt. Governor Johnny David of Pohnpei, former FSM Congress Speaker and presently



FSM Post Master General Bethwel Henry, FSM Ambassador to the U.S. Jesse Marehalau, FSM Ambassador to Japan Masao Nakayama, FSM Ambassador to Fiji Alik Alik, U. S. Representative to the FSM, Michael Wygant, Australian Ambassador to the FSM Kenneth Brazel, Republic of the Philippines

Charge d' Affaires Diomedes V. Aboy, Pohnpei State Legislature Speaker Kasiano Joseph, Vice Speaker Johannes Edmund, and Pohnpei State Senators Annes Leben, Nelson Pelep, Baker Meninzor, Simeron Jim, Joseph Moses, Midion Neth, and other national, state and municipal officials.

The following is the full text of the State-of-The-Nation-Message: "Mr. Speaker and members of Congress, members of the Diplomatic Corps, members of the cabinet, distinguished guests, and my fellow citizens. I am honored to be the first President to deliver the first State of the Nation's Message

in this new impressive chamber. It is symbolic that I should deliver the first state of the nation's message in this new chamber at the beginning of a new decade. We have proven to our friends and adversaries these past few years that our country has achieved self-gov-

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ington, D.C., we have established embassies in Tokyo and Suva. However, it is not likely that we will open any other mission without closing down one of our consulate offices in Guam or Honolulu.

The decrease in Compact funding will have a significant impact on our country and we must take appropriate actions to deal with it. The budgets for Fiscal Year 1992 for all levels of government will be formulated based on the first step down in Compact funding. Some states will be affected much more than others but all the states as well as the National Government must take appropriate actions to reduce administration costs by streamlining operations and eliminating unnecessary duplication of functions. For the Executive Branch we have taken initiatives to control our spending. As I indicated last year, we now have instituted a motor-pool which I believe will not only prolong the life of government owned vehicles but will also cut down cost of maintenance and fuel.

Our relations with the United States under the Compact has continued to work well. In addition, technical assistance from the United States have also been made available to our country.

We have received strong support from our friends in the U.S. Congress which has resulted in the recent amendment to the Compact to accommodate the extension of the Pell Grant, the upgrading of diplomatic relations between our country and the United States, the funding of capital improvement project deficiencies and the full funding of the investment development fund. Legislation to renew and extend chapters one and two of the education programs has passed the United States Senate and we hope it will clear the whole Congress this year.

In addition President Bush has issued, pursuant to the Compact Treaty, a proclamation providing duty free entry into the United States of all Micronesian products with the exception of a few certain items. This will contribute greatly

to our effort to develop our economy.

The administration will continue to work toward improving and expanding of our relations with countries in the South Pacific region and with other regional organizations. We have fully established our embassy in Fiji to increase effective working relations with the countries and organizations in the region.

Our relations with Australia has entered a new era of close cooperation. The visit to our country by Foreign Minister Gareth Evans in July of last year and the opening of Australia's Embassy here with the accreditation of a resident Ambassador reflect Australia's strong interest and support for the countries in the Pacific region. On the 28th of last month, I had the most satisfying experience of accepting the first of our two patrol vessels from the Australian Government. It was satisfying because I was able to witness the successful completion of a very important program for our nation within three years. With the FSS Palikir, we will be able to protect the resources in our Exclusive Economic Zone from fishing poachers. The second patrol vessel, FSS Micronesia, will be delivered to us in November of this year. With these two patrol vessels we will, for the first time, have the capability to effectively enforce our maritime laws in our Exclusive Economic Zone.

We have established full diplomatic relations with New Zealand and an ambassador has been accredited to our country. The New Zealand Government has agreed to conduct aerial surveillance in our Exclusive Economic Zone to complement the surveillance activities of our two patrol vessels.

Australia and New Zealand continue to be the two major sources of scholarships for our young men and women attending post-secondary institutions in the South Pacific.

The recent visit of Foreign Secretary Raul Manglapus of the Philippines and the establishment of the Philippines Embassy in Kolonia has opened a new

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chapter in our relations. While here the Foreign Secretary signed an important Extradition Treaty which I have submitted to you for ratification.

The People's Republic of China has also established its embassy in Kolonia headed by a Charge d'Affaires. We look forward to working with the embassy to expand our relations and cooperation with China.

While we should be pleased with our progress in establishing diplomatic relations with countries in the Pacific region, I regret very much that our efforts to enjoy the full benefit of our self-government and accede to important treaties and conventions have time and again been impeded by continued erroneous legal perceptions by few supposedly friendly countries and the United Nations. Even with the success we have made in establishing full diplomatic relations with 18 independent countries, and attained membership in some important international organizations few countries continue to assert that unless and until United Nations procedures are carried out for termination of the trusteeship we must remain a ward of the United Nations and cannot be accepted into international community. This is ironic because the United Nation Trusteeship system was never intended to operate so as to inhibit self-determination. Self-determination has not only occurred in our country, but it has even been certified as such by the Trusteeship Council.

At this point I can only promise that the administration will continue to actively work with the United States Government and our other friends to find a solution to this problem.

In 1987, right after I was elected President I had the privilege of attending the South Pacific Forum Meeting in Western Samoa which accepted our country as full member. Next year our country will host the forum meeting. This will be a significant event in the history of our nation. For the first time leaders of the forum countries will meet on our side of

the Pacific Ocean. This shows the confidence the members of the forum have in our country. I have requested you to appropriate \$52,255 to defray the costs associated with our hosting of the forum meeting. I would ask that you approve this request.

We have made remarkable progress in establishing the international personality of our country but the greatest challenge for us remains to be economic development. We must work together, the Congress and the Executive Branch, the National Government and the State Governments to develop our economy, to create employment opportunities for our people, and to make our country attractive for investment.

To face the decrease in Compact funding, we must pool our resources and use them to fund projects that will contribute to real growth of our economy, increase revenues, and create employment opportunities for our people. We must also change our usual practice of funding projects which are not economic development in nature. The magnitude of the decrease in Compact funding requires us to reorient our thinking, our approach, and our funding practices to utilize our financial resources both at the national and state levels to develop our economy. I will be resubmitting legislation to lift the restrictions currently placed on foreign investment and to clearly define the role of the National Government in this area. I will also submit legislation to define national government's role with respect to alien labor. I would encourage this Congress to pass these legislation to make our country attractive to investors.

One of the major goals of the administration has been to develop the Second National Development Plan. This plan covers the five year period from 1990 to 1994, a critical period for our country because our population growth continues at a rapid rate, and funding under the Compact will be reduced.

The plan sets out the views and aspirations of the states and the National

Government and focuses on ways in which the National Government can assist the states in their development efforts. It provides an integrated overview of the sectoral problems and strategies and recognizes the importance of the state governments in developing appropriate policies. The issues and constraints have been identified, problems have been discussed and the priorities have been set. Perhaps this has been the most comprehensive project involving participation of all developmental sectors across the nation. This plan will be submitted to you for your review.

We must ensure that in our efforts to promote economic development in our country we do not lose sight of the needs of the private sector. Government have an important role to play as a facilitator of development. We can provide the support services, the infrastructure, the education system and the necessary health care. We can help with the identification of appropriate opportunities, and create an environment conducive to economic development needs. But the private sector is much better equipped to implement the large number of employment generating projects required by our country.

I will be submitting legislation to further strengthen the activities of the FSM Development Bank. My intention is to increase the funds available to the Development Bank by at least \$7 million, and to ensure that these funds are reserved for small and medium-scale businesses in agriculture, fisheries, industry, tourism, and certain necessary services. In general, it is the clear policy of this administration not to increase employment in the government sector. However, if the Development Bank is to function as an effective lending body, it must be staffed with people qualified to provide the necessary support and assistance to the business sector. I am proposing to make additional resources available to the bank, directly or through foreign assistance,

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to make sure that the Development Bank can perform its functions effectively.

In addition, I am also submitting legislation requesting you to appropriate the \$8 million of the Investment Development Funds into the private sector reserve as recommended by the Federated Development Authority.

The administration has from the beginning placed a high priority on improving our education system. We have completed the minimum curriculum standard and it is being used in our schools. The national standardized test is being finalized and will be used to monitor students' progress. The assessment study of our education system by Ohio State University is completed and I encourage all the states to review the recommendations and take appropriate action. For the National Government, we will review the assessment study to make sure that it meets our educational needs and still within our financial capability. In addition, I have included in the Fiscal Year 1991 budget, a request for appropriation of \$3 million to complete the first phase construction of the new Community College of Micronesia (CCM) campus. This does not in any way release the United States Government of its commitment to provide funding for construction of the college campus. This will show our resolve to move forward with the construction of the campus and that the United States Government should fulfill its long outstanding commitment to provide funding for the construction of the college. I believe we should use our resources first before we expect assistance from others.

For a long time medical referral has been the most costly program to our states. We need to upgrade one of our hospitals to serve as in-country medical referral facility to reduce costly patients referral to outside medical facilities. In this respect, I am asking you to appropriate \$3.7 million to upgrade the Pohnpei State Hospital to be used as referral hospital by our states. Under

this plan, only certain cases that cannot be treated at the Pohnpei State Hospital will be referred to outside medical facilities.

Let me now turn to other important legislation that I will be submitting to you for consideration. I am submitting the draft tax legislation. This legislation will replace the current tax code with an updated and streamlined text which reflects the developmental needs of our country. It introduces a simpler and more efficient tax system; easier to administer; and it will encourage steady and responsible economic growth. Tax rates have been adjusted to encourage increased capital investments and greater savings by individuals. It will also institute a more equitable distribution of government expenditure burdens.

I am not asking you to pass this tax legislation during this session but I would ask you to review it, digest it, take it to the states for public hearing and find a prudent way for its implementation.

To help finance the operation of our two patrol vessels from Australia, I am requesting you to approve a legislation setting aside fifty percent (50%) of the National government share of any fines levy against fishing boats caught fishing illegally in our Exclusive Economic Zone. This will supplement the funds made available under the Compact Treaty for our surveillance program.

As I indicated in my last State of the Nation Message, the development of fisheries resources of our Exclusive Economic Zone is an area which requires our decisive action. I would request this Congress to pass Congressional Bill No. 6-157 to enable the National Fisheries Corporation (NFC) to implement its five year strategic business plan. I have approved the allotment of the \$2 million for the National Fisheries Corporation's equity in the joint venture agreement with Pohnpei State and the Australian partners. This first major joint venture in our country will involve three 500 ton tuna purse seine fishing vessels. If the joint venture is profitable, it will develop on-

shore facilities including large cold storage and tuna processing plants.

The NFC has also signed a letter of intent to develop a longline base in Chuuk in joint venture with Chuuk State. Similar arrangements have been offered to the other two states with the intent to increase air freight of tuna transshipment, and eventually the development of a locally operated tuna longline fishing operation. The development of on-shore facilities will maximize participation of our people in sharing direct benefit of the most important natural resources of our country. Based on the recent proposals from certain American and Japanese companies that are interested in doing joint ventures in our country I am confident that we can develop fisheries operations in all four states by the end of next year.

Last month we became a full member of the Asian Development Bank. Our membership in this bank will assist us with technical training and make it possible for us to borrow money for economic development with favorable terms.

We should use the foreign aid assistance from Japan and other countries, the funds available for borrowing from the Asian Development Bank, and the goods and services portion of the fisheries access fees for economic development oriented projects. Using these foreign assistance to supplement our local revenues for development will make a very significant contribution to the economy of our country.

The decade of the 1980s was remarkable period in our history. During that period our country achieved its political independence and established a credible international personality. Let us work together, the Congress and the Executive Branch, the national government and state governments to make the 1990s a decade of economic ad-

vancement toward our goal of achieving a balance between what we acquire from others and what we are able to produce. We owe it to the citizens of our country.

Thank you very much."