



THE NATIONAL UNION

PEACE • UNITY • LIBERTY

AN OFFICIAL PUBLICATION OF THE PEOPLE OF FEDERATED STATES OF MICRONESIA

Volume 13 Palikir, Pohnpei, June - July 1992 Supplemental issue Number 4

State of the Nation Message

PALIKIR, Pohnpei (FSM INFORMATION SERVICE) - The following is the text of the State of the Nation Message delivered by President Bailey Olter last May in the Congress Chamber at Palikir, Pohnpei.

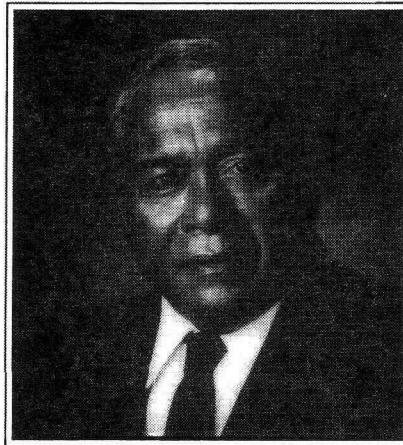
"Mr. Vice President and Mrs. Nena, Mr. Speaker, senators, Acting Chief Justice, Members of the Cabinet, Mr. Dean and Members of the Diplomatic Corp. (Traditional Leaders, State Officials, my fellow Micronesians throughout our federation, ladies and gentlemen:

At the outset, I would like to thank you Mr. Speaker and your honorable colleagues for giving me this rare opportunity to address this August Body. I will report on the progress and problems facing us so that together we can find solutions and learn from them. I would like to share with you our administration's views on the critical issues with particular focus on economic development.

Before I begin my annual report to Congress, I would like to underscore the need to fill the remaining cabinet posts, for as you well know, they are critical to a meaningful execution of Congressional mandates and public policies, efficient delivery of public services, effective coordination of social, political and economic activities, in meeting our international obligations. In underscoring this vital need, I ask Congress to give its consent during this session to the cabinet post nominees I have submitted earlier to Congress.

I would like also to express deep appreciation on behalf of the Government and people, to the 28 countries around the world which have recognized our sovereignty. In particular, we are most grateful to the Governments which have established diplomatic missions in the FSM, namely the United States of America, Australia, Republic of the Philippines, and People's Republic of China. Together with regional and interna-

tional organizations such as the United Nations, Asian Development Bank, the South Pacific Forum and South Pacific Commission, they have generously extended invaluable assistance to us that have given us the means and encouragement to forge ahead in our nation building. Through their eyes we have been and are able to see different perspectives, innovative ways to address economic and social development issues.



President Olter

Needless to say, we will continue to rely on their active role in our development and problem solving efforts.

Duty bound as I am, it is my honor and privilege to report to you and our people on the progress and problems of this past year.

EXTERNAL AFFAIRS

Mr. Speaker, when I came before this August Body in November of last year to report on the State of the Nation, our administration was only six months old. I expressed then the resolve of our administration to work with the Congress and the four states to maximize benefits from our foreign affairs undertaking. I suggest that our attention over the next three years be focused on the qualitative development and effective utilization of these external relations.

I wish to underscore the immense importance of the United Nations in the long term development of our nation membership in the United Nations, and in the specialized agencies as well as in important international financial institutions like the Asian Development Bank, International Monetary Fund and the World Bank which may put us on a pivotal role in our nation's long term development plans.

Turning to another important area in our Foreign Affairs which requires immediate regional and international action, I wish to point, once again, to the serious environmental threat to our nation and to the international community brought on by the global warming and climate change phenomena known as the greenhouse effect. As I pointed out in my address to the UN General Assembly last September, the sea level rise resulting from the global warming is a real serious threat to island nations like ours. As an island state, the FSM will be among the first to be adversely affected, along with one third of all mankind. To retard this serious threat requires collective global effort by all of mankind. For our part, I have instructed the Department of External Affairs to work closely with the South Pacific Forum friends and with all nations that have diplomatic relations with us to ensure their understanding and support for an appropriate convention on climate change. I would suggest Mr. Speaker that Congress consider some action of its own including the adoption of an appropriate resolution to express the resolve of the Congress and the people of the FSM to have the international community take responsible action to bring this threat to a halt.

In general, our relations with the United States remain to be the largest foreign affairs responsibility; it is working well and we aim to strengthen it.

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Our relationship with Japan is most essential, thus our diplomatic presence in Tokyo since 1984 is a clear testimony of the commitment and resolve to be friendly with Japan.

The relations we have enjoyed with the Republic of the Philippines since independence continues to be very important to the FSM and one which we need to explore further to address the need of our state for affordable medical referral, educational opportunities, and cultural matters.

The relations between Australia and the FSM has impacted positively and is very significant to our development.

Our relations with the People's Republic of China is flourishing with discussions on ways to effectively access China's foreign aid and technical assistance.

Our bilateral and multilateral relations in the South Pacific region continue to be very important as we work collectively with our Forum partners to address regional issues of fisheries, economic, social development, and the environment, among others. Our policy remains committed to a strong regional cooperation.

Finally, I have directed the Department of External Affairs to undertake a comprehensive assessment of all our foreign affairs initiatives and undertakings including current and potential assistance from the United Nations and international organizations, in order that we can take appropriate steps to maximize benefits from them and at the same time carry out our international responsibilities appropriately.

SOCIAL AFFAIRS

Mr. Speaker, to further our efforts in human resources, I am happy to report that I have created a National Women Council to promote women's affairs of this nation. The emerging role of women in our society is in transition from that of a subsistence economy where the division of labor was well defined to that of a cash economy where new roles and responsibilities are emerging. It is important to encourage these new roles for they contribute immensely to the socio-economic development of this nation. Governments and international organizations have recognized the important role of women in the socio-economic development in society and thereby support this principle. For the FSM, I am happy to note that there is now a women interest coordinator to serve the National Women Council.

HEALTH

I have submitted to this Congress for consideration the instrument of ratification for the convention on rights of the child. The convention insures the rights and welfare of the children throughout the world. Two

hundred countries have signed the protocols to the convention to date.

I am happy to report that the Pacific Basin Medical Officer Training Program graduated fifteen (15) of our young women and men who received medical training in community health, medicine, and surgery. These doctors are already serving in their respective states, helping to alleviate the critical physicians shortage in the FSM.

Another health issue that has been with us since the former Trust Territory is the medical referral programs, sending patients overseas for tertiary care. I urge this Congress to provide funding to each of the four states hospitals to equip each facility with adequate manpower, equipment, and medical supplies in order to reduce referral costs and at the same time improve the quality of medical care in each of the states.

We must recognize the need for global collaboration to combat AIDS and HIV infection. This administration has recently initiated a modest endeavor as part of a worldwide effort to limit the progression of the epidemic. The Department of Human Resources has been working in concert with the centers of disease control, U.S. Public Health Service, WHO and the global program on AIDS in its efforts to provide preventive education as well as control programs in the FSM.

I have created a National AIDS Committee with a National AIDS Coordinator and representatives in the States to coordinate the AIDS activities on prevention and control in the FSM.

EDUCATION

In recognition of the Constitutional function of the National Government, I propose to reinstitute the Department of Education, separating it from the Department of Human Resources. A bill to effectuate this is before Congress, and I urge your affirmative consideration.

A proposed program in the improvement of education is a science education program whose aim is to improve the level of science curriculum throughout FSM. A new program is being introduced through the Australian International Development Assistant Bureau (AIDAB) which will provide to FSM \$315,000 for this program for which we are very grateful. The FSM financial share in this program is a matching fund in the amount of \$132,000. Mr. Speaker, I have submitted for your consideration a bill requesting appropriation to enable the National Government to meet its share of this program.

Initial effort to develop a national vocational education plan had taken place. A funding request to carry this out has been submitted to Congress for consideration.

Congressional funding request for char-

tered non-public schools has been increased to meet corresponding increase in the number of non-public schools. I urge your favorable consideration of it.

Teacher certification program was established to assist the educational system to ensure quality teachers in the classrooms in the FSM. I am happy to report that over a thousand certificates have been issued to teachers in 1991. Efforts are underway to upgrade the qualifications of those teachers with temporary certificates to full certification by the end of next school year.

SOCIAL SECURITY

Mr. Speaker, turning to the social security program, one to the sources for the future livelihood for our citizens, I am pleased to note that the FSM social security administration has been making gradual and steady progress since it took over its administration from the former Trust Territory social security administration. This Congress' enactment of certain laws has enabled the social security administration to resolve certain critical issues which resulted in the expansion of some badly needed investment policies.

However, Mr. Speaker, we are mindful that there is still room for improvement in the management of the social security program. We submitted last year the "redesign act," which will incorporate administrative upgrades and improvements which were the overwhelming concerns expressed by FSM leaders. According to a recent actuarial valuation study, the rapid increase in the FSM social security membership will be accompanied by an even more rapid increase in the number of beneficiaries. Without further changes to our social security program, the average benefits received by each beneficiary will not increase at a comparative pace. I urge your support for an early enactment of this legislation.

I might add here that I feel serious consideration should be given to investing some of the social security funds here at home so that it can in turn provide funding for development projects.

This past year has indeed been a trying one in the economic development area. The price of copra plunged so low it has caused a serious decline in this country's copra export. World market price of frozen tuna, especially yellowfin fell sharply impacting Caroline Fishing Company and Yap Fishing Company seriously. The Gulf War drove the price of fossil fuel up steeply and quickly while the world prices levelled off to pre-gulf war level shortly after the war else where, this has not been the case in the FSM. Mobil oil of Micronesia seemingly got news of the war's end rather late. Just as the incident increased fuel prices it correspondingly constricted the flow of tourists throughout the world, including the FSM.

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Against this background, my administration forged ahead in its effort to strengthen the private sector of our economy. In particular, we have conclude negotiations with the Asian Development Bank (ADB) on the first loan by the FSM Government, a \$6.5 million tuna fisheries development loan coupled with supportive technical assistance. This is a concessional loan with a mere one percent (1%) annual interest rate that spreads over forty (40) years with ten (10) years grace period. It will give birth to the first privately controlled and in time wholly owned tuna longline company, provide a training vessel, and financial expertise plus technical assistance in resources management and conservation.

It would be precarious for us to pin our hope on ADB alone to ameliorate all our financial shortfalls. For this reason, my administration has entered into earnest membership discussions with the International Monetary Fund (IMF). Through IMF, FSM would gain membership to the World Bank. Not only does the World Bank has more financial resources than ADB, it is also has enormous technical expertise upon which we could draw, once we gain full membership.

As you are all aware, I had created an Airline Task Force this past summer to assess the desirability of our equity participation in the acquisition of Continental Air Micronesia which had been up for sale. We decided to do so in order to assure adequate Air Services, especially air freight which has been a bottleneck to fresh tuna transshipment, and to obtain and access vital information that impact our lives. I regret to report that negotiations have broken off between the parties concerned. Let me say, however, that we have learned from the exercise as we were given access to vital information on Air Mike. The task force will work with Congress in an effort to improve air service for our country.

In March, U.S. overseas private investment corporation (OPIC) led a trade mission consisting of twelve prominent U.S. business persons. I am extremely grateful to the private sector economic developers - our own business people who spent their own money and time in travelling to Pohnpei to meet with the OPIC mission. The cooperation we received from our four States which sent representatives to Palikir for the same purpose is deeply appreciated. The success or lack thereof of the exercise is measurable ultimately by the number and size of investments by the U.S. Private Sector in the future.

We all recognize that energy is a key factor to private sector development. To this end, I am pleased to report the invaluable technical expertise was provided by the South Pacific Forum through an expert in petroleum pricing and sourcing. Furthermore, the expert provided contractual information and professional advice which has assisted us in reviewing the several fuel contracts with Mobile oil. For our part, I am requesting through supplemental budget request funding for a National energy advisor. Your support, Mr. Speaker and members of this august body, for this request is very much appreciated.

Our outer Islands' unique energy need has languished far too long and therefore requires immediate and creative solutions. I am, therefore, submitting to Congress an action plan to meet this

need for which I seek endorsement and appropriation. Parallel to this, we must in my view, adopt a comprehensive intergovernmental approach in facing up to our energy needs. In this regard, I invite Congress and the four States to join my administration in creating a Nation-Wide utilities corporation. As we focus on our infrastructure, it is simply not practical to apply the brakes on development projects that hold great promise for success. A delicate balance between infrastructure building and new development projects must be the guiding principle if we are to progress steadily. This is a fundamental point that we must have clear and concise understanding on in order that we can be united in purpose. I shall consult closely with congress and leadership of the states on this crucial point.

To promote the private sector, I am pleased to advise you and grateful to united nations development program (UNDP) for agreeing to establish a project called Micronesian entrepreneur development center service (MEDCS) in the FSM. The aim of the projects is to stimulate the start-up and expansion of indigenous businesses by integrating entrepreneurial training, financing and consulting services. The project will attempt to correct the existing constraints to private sector business development by providing intensive entrepreneur training and technical assistance in developing project proposals and loan packages. More importantly, the center will provide the hands-on implementation service and periodic monitoring. This program will complement efforts by the states and the FSM development bank.

FSM Development Bank loaned \$7.4 million in Fiscal year 1991, the largest amount in a single year. Consistent with our development priority, more than 50% of the loans approved by the Bank are in fisheries. To meet the growing development needs, the Bank effectuated certain policy changes in FY 1991, which include increasing branch lending authority from \$15,000 to \$50,000; raising single loan ceiling from \$250,000 to \$300,000; increasing loan guarantee to \$500,000; and varying interest rates based on sector from 5% to 7%. Flexibility must guide the policies of the Bank if we are to succeed.

The long term growth of the institution depends on management and technical staff competence. I am happy to report that ADB is assisting FSMDB in upgrading its manpower. While the Bank is earning modest income, it is not sufficient to meet the growing number and volume of requests for loans the bank now has received and expects in the near future. I am, therefore, requesting in FY '93 \$2.5 million to supplement the Bank's resources.

MMA
Micronesian Maritime Authority continued this past year in its mandate to maximize benefits from our 200-mile Exclusive Economic Zone. It exacted \$13.4 million in Foreign Fishing access fees while expanding and improving its data base.

NATIONAL FISHERIES
National Fisheries Corporation has over the past year made significant strides in upgrading its staffing capability. This will be augmented greatly if the ADB loan is realized since a component of the loan is aimed at financial institution strengthening of NFC. Unforeseen circumstances and insufficient funding have caused serious delays in planning of fisheries project in Chuuk and Yap

states. Last year's unfavorable trends for Caroline Fishing Company have been reversed by corrective actions and installation of fish aggregating devices. This has resulted in unexpected larger volume of catches compared to those of last year's.

FSM TELECOM CORPORATION

I am delighted to report on one of the more successful ventures that the FSM has undertaken to date: The FSM Telecommunications Corporation.

The corporation has recently installed an international gateway switch at the FSM Telecom Headquarters which has been put into service on April 18, 1992 which has the capacity for 100,000 subscriber lines.

The FSM Telecommunication Corporation Headquarters new facility is completed, while the new Central Office building in Yap will be ready for occupancy at the end of this Month. The central offices in Kosrae and Chuuk will be completed in June and November 1992 respectively.

The expansion of telephone cables to rural communities that has started throughout the country will be completed by late 1993. The corporation anticipates an increase of subscribers from 2,232 at present to 4,734, when the expansion of telephone cables to rural communities are completed.

For Telecom to successfully carry out its expansion program, I wish to seek assistance and cooperation from the congress and the leadership from the States to secure land easement for buried cables in the states, and funding for the shortfall for the expansion of telephone services to the outer Islands.

PLANNING

As you all know, planning efforts at all levels of Government cannot be done without adequate and reliable statistics. With this in mind, I am happy to report on the continuing progress of the office of planning and statistics in statistical publications such as trade bulletin, social and economic indications. Of particular note is the current consumer price index survey which being carried out in collaboration with the South Pacific commission, which will eventually culminate in a consumer price index system for the FSM. This along with data collection, survey of income and expenditure, Housing, Population census, and establishment of an effective monitoring system, are essential components of our capability building to measure progress in social and economic development programs.

We all recognize the obvious need to carefully assess public development projects, yet we have repeatedly failed to carry out independent economic appraisals and environmental impact assessments. We must take steps at all levels of government to stem the tide of wasteful expenditure of our diminishing financial resources. We have got to focus more attention on the environmental impact of our policies, projects, and activities. Let us not wait for environmental disasters to whip us into hasty stop-gap measures. Because damages to our environment are often irreversible, preventive measures must be instituted and implemented if we are to assure the promise of the future. We must protect the heritage of the past, and we must do so in full recognition of the universal attributes of our environ-

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ment: The air we breath, the rain we often take for granted, the seas that sustain and bring us together, the stars that guided our seafaring ancestors. The United Nations convention on environmental development (UNCED) is a universal attempt by mankind to arrest the deterioration of the environment, repair damages to it, and reverse negative impacts to it. This is the most concrete step taken by mankind toward the universality of our environment.

Here at home, two conferences were convened under the auspices of the South Pacific Regional environmental program (SPREP) of state and national officials which produced a number of suggested environmental management strategies and policies. Prominent among these is the suggested reorganization of the Presidential Task Force on environmental standards to encompass a cross action of our population makeup. In sum, this proposed new board would set minimum standards, direct Nation-Wide public awareness programs, and help train state environmental personnel. My administration is quite anxious to receive these suggestions and we undertake to consult closely with the congress and state leadership on them.

I now turn to the most important resource this nation has: Its people. Manpower development must stay in the forefront of our collective nation building effort. A manpower development plan is long overdue, thus we must be united in purpose as we formulate, approve and thereafter execute it. At this juncture, it is timely for us to focus on our second five-year development plan. While it is more definitive than the first five-year development plan, policies in the various sector must be clearly set to insure that the goals and objectives of the plan are achieved. Action plans, project scheduling must be drawn up to implement such policies. In short, we need to focus our efforts. It is therefore critical that we have in place development policies in our three priority economic development areas; fishery, agriculture and tourism.

As to fisheries policy, I would like to suggest that the absence of such a policy to date has contributed to duplication of efforts, disjointed and irrational activities. The inevitable result is inefficiency, waste of human and financial resources. As this area holds the greatest promise for an economic miracle throughout this land, it is only fitting that we assign it the highest priority.

Mr. Speaker, as you and your colleagues are aware, the recently concluded leadership conference has indeed debated formulated and adopted a fisheries policy, and it is imperative that we get on the more challenging aspect-implementation of the policy. In this connection, I would like for a moment to dwell on fisheries development because as I have mentioned earlier, we have agreed-congress, the four State leadership conference that commercial fisheries development is the highest development priority of this nation. We have also agreed that an integral component of this fisheries policy is that we maximize that total stream of benefits derived from our 200-mile exclusive economic zone and to conserve resources. Consistent with this new nation-wide fisheries policy, I have submitted to congress for consideration a number of fisheries projects that

my administration feels are critical to our fisheries development. Of utmost importance is the western pacific tuna group, incorporated-more familiarly known as WESTPAC.

I believe it is a sound fisheries and economic proposal. It will greatly assist the existing purse seining ventures now in operation, Yap fishing company and Caroline fishing company. Together they will all form a realistic basis upon which to build land base facilities such as larger cold storage and cannery in the FSM. I strongly urge this congress to give this proposal its approval.

With respect to agriculture, I am pleased to report that the Asian Development Bank has completed its country review of the FSM and has submitted a report to us which contains a number of important recommendations. We have distributed copies of the report to all the States and the Congress for their respective review. I look forward to receiving your thinking on the report. If the recommendations of the report are acceptable to the FSM and ADB, a project loan package will then be formulated with the Bank in consultation with the state and national Governments. Port meat export potential ranks high in the findings of the ADB. U.S. Territories (Guam and CNMI) are the greatest potential markets; however, FSM's meat products cannot enter U.S. They require a U.S.D.A. certified veterinarian certification to enter U.S.

Similarly, banana and pineapple are also singled out for their export potentials; however, reliable air transport and the seasonably nature of the fruits are impediments to export. Both problems are elusive; one can only be solved over a relatively long period of time while the other depends on our collective effort.

While recognizing the national agriculture policy, I am deferring to the states to take the lead on this while the national government provides the supportive role that is required of it.

I now turn to tourism, a sector that has enjoyed steady progress. 25,000 tourists visited FSM last year compared with 12,000 the previous year. However, let us be reminded that more than fisheries and agriculture, tourism is very much affected by external factors most of which are beyond our control. Recognizing our national tourism policies, I nevertheless, believe that a sustainable tourism industry for the FSM should be one that is founded on offering a unique atmosphere and taste. We cannot and must not compete with established tourist destinations near and around us for we are "Air-locked." We, of necessity must be pragmatic yet imaginative and creative. The financial implications for our governments for a large scale tourism expansion are huge and complex. Private investment in this sector, therefore, must take account of this reality. Large scale developments in this sector also potent social and environmental degradation of large magnitude. With proper care and environmental standards as safeguards, sustainable tourism in the FSM is indeed achievable.

Having said all that, you will agree with me Mr. Speaker that private sector development of tourism has indeed taken root. Government's involvement should be minimal. As the American saying goes, "Don't fix it if it ain't broke."

Mr. Speaker, my fellow citizens, having seen a panoramic view of ourselves, how and where do we proceed from here? Ladies and Gentlemen, I

would like to suggest that our second five year development plan provides the soundest place to shop for the answer to this seemingly simply question. This document represents the consensus of the state and national governments, therefore, it becomes the most suitable chart for navigation onward into the future - a future whose destiny is reasonably predictable by this plan. It has received not only input but also scrutiny and subsequent approval from the state and national governments. The United Nations, through united nations development and the South Pacific forum, supplemented the technical expertise that underlies the professional nature of the plan. Because the plan is a wealth of useable information, it is a powerful tool that we can not afford to ignore.

The second five year development plan is not a perfect document, for no plan can be; thus we must continuously monitor and revise it to take into account unfolding realities of tomorrow. It is a dynamic process that cries out for collective effort of all of us in government and the private sectors.

The engine for powering the plan into reality is the private sector. our ultimate goal is economic self-sufficiency. I firmly believe this goal is realistic and, therefore, it is achievable; however, it will not be an easy task. We must rise to that challenge now. It requires hard work, dedication, goodwill, sacrifice, and personal commitment of our people in government, public sector, and private sector - individually and collectively. It requires firm faith in ourselves.

In my inaugural address last year, I stated my administration's priority, private sector development. This is consistent with our second five year plan development plan. Experience of most countries of the world around us support this policy. Continued reliance on the government sector will lead to disappointing consequences because a government by its very nature is a consumer not a developer.

I am in no way implying for a moment that government has no role in development for indeed it does. Let us, therefore, dwell on this role because it is crucial to the very survival of this federation.

In a capsule, the role of government in the promotion of private sector development is to provide a conducive environment. The sweeping parameters of this statement encompasses the essence of government-our government. It puts before us what our people expect of us as public servants at all levels of government, for we collectively are the face of the otherwise faceless government.

In conclusion, let us be reminded that ours is a changing world. Together, across Micronesia, we must anticipate rather than react to changes by planning and thinking ahead. Let us built upon the good will and progress achieved by the recently concluded state/national leadership conference, so that together we can achieve the needed delicate balance between infrastructure building and development project implementation - after all, they are both development efforts. To this end, Mr. speaker, honorable members, my fellow citizens, I pledge my fullest cooperation and total commitment of this administration. I thank you very much.