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INCLUDE ENCLOSURE.

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FROM : HICOMTERPACIS POLAD, SAIPAN

DATE: January 25, 1971

SUBJECT : An Argument for Micronesian Independence

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1. Enclosed is a paper entitled "Micronesian Independence: The Essential Elements." The paper was authored by Dr. Thomas Gladwin, formerly a staff anthropologist with the TIPI administration, and more recently a Professor of Anthropology at the University of Hawaii. Gladwin recently lost his faculty appointment, apparently after being arrested at a sit-in.

2. The paper is of more than ordinary interest as it forcefully argues for Micronesian independence, with an independent Micronesia to have a one-party government based on the "Chinese, Cuban, or Tanzanian" models. Gladwin also argues for the "elimination" of the growing Micronesian middle-class which he describes as being "parasitic." Most of these elements are provided in the last third of the paper. Much of the first two-thirds of the paper is given over to a critique of the existing situation (with some valid criticism), and to suggestions for change (a few make sense). However, whatever amount of common sense that may be offered is ~~offset~~ offset by ideology of a nonsensical variety -- whether it will be seen as such by Micronesian students and political leaders is something else again.

3. The paper already has been given wide circulation among Micronesian students in Hawaii, and is now circulating among Members of the Congress of Micronesia. The paper was provided to the reporting officer by the District Administrator, Truk District, who claims that the Truk district newspaper plans to publish the paper in serial installments.

Enclosure: Paper on Micronesian Independence

DORRANCE [Signature]

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Enclosure 1  
SAIPAN A-1

December 1970

MICRONESIAN INDEPENDENCE: THE ESSENTIAL ELEMENTS

Dr. Thomas Gladwin  
formerly of the Department of Anthropology  
University of Hawaii

Introduction: The following analysis attempts to apply to Micronesia the lessons learned thus far from the experience of other developing post-colonial countries in seeking, and sometimes attaining, fairly complete independence. It is not intended as an argument against either of the other alternatives political statuses which have been suggested, free association with the United States or commonwealth. Rather the intent is to demonstrate that independence is possible for Micronesia, that Micronesia could survive after completely severing relations with the United States. The analysis suggests the change in life-style which may be involved, but attempts no monetary cost estimates.

Several aspects of the present historical status of Micronesia must be kept in mind because they limit the choices available to Micronesia. First, the colonial powers prior to the United States, Germany and Japan, were motivated by strong economic self-interest in controlling Micronesia. This is not true of the United States. There is nothing which Micronesia produces that the United States could not easily obtain elsewhere. The United States, as the terms of its unique trusteeship imply, has only a strategic interest in the islands. They want to build bases for military operations and testing. They need somewhere to fall back to when they have left Okinawa, Japan, the Philippines and perhaps Korea. They also wish to keep other powers out, although none have thus far shown any interest in entering Micronesia militarily. However, it should be remembered that the presence of bases guarantees attack in event of war. Japan occupied the islands peacefully during World War I, because the Germans had no military installations. But many Micronesians were hurt in World War II only because the Americans sought to dislodge the Japanese from bases they had meanwhile built. More important, however, is the fact that if continuing economic arrangements with the United States, including aid or preferential trade, are relied upon to sustain an independent Micronesia, such arrangements can be terminated by the United States at any time with no sacrifice to itself at all. In other words, if Micronesia depends in any way on the United States for its economic survival, yet the United States does not itself need anything which Micronesia produces, any future bargaining will be very one-sided.

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The second consideration is that time is running out. This is probably the last generation of Micronesians for whom real independence is economically possible. The subsistence economy in agriculture and fishing is weakening every year, although it is still strong enough to be expanded again to support almost everyone. At the same time a small elite is constantly growing in numbers, an elite which is coming to expect as a right to own a car and other expensive gadgets and to live largely on imported food, yet an elite which also occupies the positions of power, both political and economic. Soon so many people will be in this class that they will be able to control the future of Micronesia for their own self-interest. Every wage increase speeds this process -- and note that the Administration has suddenly become very generous with wage increases.

Finally, we must remember that the people of Saipan and Tinian have already voted for status as some sort of U. S. colony. This is presumably because the process just described has already gone too far, so that people in the Marianas now themselves want U. S. military bases to provide them with jobs and the money to buy more and more consumer goods. Whatever the reason, it is clear that the rest of Micronesia no longer carry the Marianas with them into independence. Therefore what we are talking about is independence only for the Marshalls and Carolines (and also the Gilberts?). We can hope that the United States will be able to build enough bases on the Marianas to satisfy their needs, especially if they feel they will not be at all welcome anywhere else in Micronesia.

Independence, for the purposes of this analysis, means just what it says: a status for Micronesia such that all important decisions affecting its people and its destiny are made by and for Micronesians. In the world now there are many countries, too many, which are supposedly independent but whose economies are controlled by London, New York or Paris. If a foreign power controls the economy it can always threaten to ruin the country, or bribe it into changing its policies, and the result is almost the same as colonialism. When Kwame Nkrumah tried to chart an independent course for Ghana he was brought down when London artificially lowered the world price for cocoa, a product as important for Ghana as copra is for Micronesia. Similarly, the United States wields great influence in the Philippines by manipulating, or threatening to manipulate, the preferential sugar quota. Because Micronesia is small, has few resources, and lies scattered over great expanses of ocean, it is sometimes argued that it can

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only survive by becoming a "client state", dependent upon the generosity of a patron, presumably the United States. This is a myth. Just the opposite is true. A poor country is so easily dominated by a rich one that it must be constantly vigilant to see that it makes all its deals only on its own terms. These deals may be small, but that is part of being poor. A country which is compact and well placed, like Egypt, or perhaps rich in oil or phosphates, can afford to make big deals and play one power off against another. Micronesia can only make big deals by selling itself and its future. This is not independence.

The question then is whether Micronesia really can survive, without becoming economically dependent on another country at the cost of losing part of its political independence. The answer is almost certainly yes. However, a lot of changes will have to be made. Most of these changes will require sacrifices by some or all Micronesians. At present for every dollar that is earned by Micronesia through selling its export products, four dollars is spent on imports. The difference is at present made up by the United States, largely through payment of wages. Without examining these figures closely it is obvious that something must be done. The needed changes can be discussed under three main headings: (1) ways to reduce losses of income to the outside, (2) how to assure that all economic surplus (profit) works for the growth of Micronesia as a whole and for all the people of Micronesia, not just the middle class, and (3) new arrangements which will increase income without surrendering political or economic control.

Reducing losses of money and income.

1. Foreign capital. There is a myth developed by Western economists that economic growth can only be achieved by capital investment -- the larger the investment the faster the growth -- and therefore that developing countries must go into "partnership" with countries having a lot of capital in order to grow. This myth does not consider the kind of growth involved, healthy growth or unhealthy growth. Part of the myth says that industrialization is essential to growth; the Cuban revolution almost failed in the early 1960's until the Cubans realized this was not necessarily true. The important factor is not the amount of capital investment, but instead how the profits from any enterprise are used, and how much actually goes back into new growth. If a foreign company comes in and builds a luxury hotel, as has just been done on Truk,

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*local Japan*

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but most of the capital, as well as labor and management except at the lowest levels, is foreign, then most of the profit goes back out of the country. What is left for Micronesia is only some low wages and a little taxes. Foreign companies do not invest in a developing country unless they expect to get out more than they put in, and nowadays U. S. companies usually make more profit out of foreign investments than they do at home. Furthermore, foreign capital always means foreign control, the more the capital the greater the control. One of the ways which this control is often used, incidentally, is to demand special tax advantages before foreign capital is invested, thus guaranteeing in advance that the amount of local income will be even smaller.

The essential question to ask about any project is how much money (plus other benefits) will it contribute to the benefit and growth of Micronesia, both locally in the district and nationally? If an enterprise will generate a surplus of let us say \$5,000 a year, available to buy medicine or some other useful import, it makes no difference whether this enterprise was developed with an investment of ten thousand dollars or ten million. Only the available and useable surplus makes a difference in the benefits gained. However, since capital is not available locally for a ten million dollar project, and foreign capital means foreign control, we have to start with developments which produce maximum profits from minimum cash investment. This is something to which we will return later. For now we can conclude that it is better to do what we can with local capital, even though it is small in amount, than to seek outside capital which will take valuable profits out of the country and take control away also.

2. Waste of local profits. Another myth of Western economics is that the only way an economy can grow is when there is an opportunity for individuals or companies to make profits for their own benefit. This is called "free enterprise." Always it means that some people make a lot of money and some make very little. Even in the rich United States millions of people are still poor. The alternative is for the government to operate most enterprises for the benefit of the people and use any profits for the growth of the economy and the country. This is called "socialism." Americans in particular seem very frightened by this word. Yet even in the United States more and more activities are taken over by the government or else tightly controlled by the government, and in most underdeveloped countries the government frankly calls itself socialist and controls a great deal of the economy.

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In fact, as long as people are allowed to make high personal profits or salaries, they will do so. Furthermore, they will use this income largely for their own benefit. They will buy cars, build big houses, eat imported food, and so forth. All of these consumer goods waste money and prevent its being used to build the country and help all the people. A few people make a lot of money while most people make very little, yet the poorer ones have to work hard for what the richer people pay them. Why not instead of work hard for the country, and therefore for themselves?

We must not, however, at once conclude that anyone who is today making a profit or drawing a large salary is a bad person. That is simply the way the system works now. It is an expensive system, and it encourages wasteful imports and use of money. An independent Micronesia cannot afford it. So we must change the system. Then the people who are now making personal profits, the middle-class elite (foreigners are the upper class in Micronesia), will have to make a choice. They will have to choose between their own selfish interests and the interests of Micronesia. Some will be happy to make the personal sacrifices in return for independence for their country. Some will not. All must realize that there is no middle road. A poor country cannot afford to support rich men, whether these are rich Micronesians or rich Americans. At present there are not a great many rich Micronesians (except perhaps in the Marianas) and many of them will probably be willing to ride busses instead of cars, or even walk, and return to the breadfruit and taro of their youth. But if we wait they will soon be too many and too rich, and Micronesia will be too dependent on them. Now the few who do not accept the sacrifice can probably leave for Guam or Saipan; later only a revolution can bring a change.

Socialism brings its own problems, particularly of keeping the government wise and strong, yet always under the control of its people. However, this is not impossible, and some developing countries have had real success in this. We will return to this subject later.

3. Unnecessary expense and inefficiency. Many activities which are essential are nevertheless carried on in ways which waste a great deal of money. Private cars, for example, are not only very expensive to buy, but also require additional import of fuel, parts, etc., and by using the roads in large numbers damage the road surface and lead to expensive maintenance work. Buses are far more efficient where it is too far to walk. Outboard motors too are very expensive, use of a lot of

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fuel and oil, and often do not last more than a few months before serious breakdown. Throughout most of Southeast Asia boats are driven by simple one-cylinder aircooled Japanese inboard engines which cost very little, are easily maintained, last a long time, and can be installed, including propellor and shaft, by the builder or owner of the boat. These and other substitutions of more efficient equipment and services could save hundreds of thousands of precious dollars every year with little or no loss in effectiveness.

4. Import substitution. Here we deal with the replacement of imported products by things which are produced locally. It is important, but is only worth doing if the amount of money to be saved is large and the cost of local production is not itself too great. Thus it will always be cheaper to import trucks or boat engines than to try to build them in Micronesia. To take another negative example, salt could probably be produced locally without spending a lot of capital, but the amount of money lost in importing salt is probably not enough to justify the building and working of evaporation beds. However, this could change if large amounts of salt began to be used in salting fish.

Fish are in fact the most conspicuous example of wasteful imports. Thousands of dollars are spent each year in Micronesia buying canned Japanese tuna, much of which has actually been caught in Micronesian water in the first place. Some deepsea fish are already caught locally, and this industry can be expanded. However, a probably less expensive and more reliable method is fishponds. These are used extensively in Southeast Asia and the technology is well known and easily adapted to Micronesia. For preservation and distribution, salting of fish is already familiar in most of Micronesia; smoking and drying are also possible. Freezing obviously requires too much capital for a freezing plant, although ice plants would be a help for deepsea fishermen. Using these techniques costs very little and can eliminate any excuse laziness for importing fish.

Rice and flour are also expensive imports. They can of course readily be replaced by the more traditional foods such as taro and breadfruit. However, if population growth is not slowed it will soon be necessary to find other crops which use the land more efficiently, such as sweet potatoes or yams, increased dependence on manioc, or the introduction where possible of intensive rice culture using the new grains. All of these substitute crops are

*Eric A. Saipan*

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more readily grown on high islands than coral; however, fishponds can readily be built on some kinds of reefs. Thus internal trade between staple-growing high islands and fish-growing low islands will doubtless increase, perhaps becoming as important throughout Micronesia as it once was in the Carolines. In any event, it is clear that Micronesia is able almost at once, and with very little capital investment, to become selfsufficient in feeding itself, an advantage few developing countries have enjoyed at independence and many still do not enjoy today.

5. Consumerism. As is already clear, probably the largest single category of imports is consumer goods. Many of these, like cars, expensive watches, alcoholic beverages, and even occasionally air conditioning, are obviously luxury goods and in no way essential. They are bought at present largely by the middle class elite, who use up a lot more of Micronesia's money than their numbers would justify, as we have already seen. However, to take other examples, many people away from the district centers own watches yet do not live by any set schedule, and certainly a lot more beer is consumed in Micronesia than is good for anybody. One of the things which has to go with real independence in a poor country is tight licensing and control of imports of all kinds, to assure that money is spent only on things which will help the country and help it grow. Here again Micronesia is fortunate. In many countries import controls lead to smuggling. The islands of Micronesia are so remote and the market on each island for smuggled goods would be so small that this will probably never be a serious problem.

Use of economic surplus: the role of government.

Throughout the preceding discussion emphasis has been upon getting the best possible use out of every available dollar, "best" being defined in relation to human needs and national needs. This kind of efficiency is essential in a country with only a little money and much to be done. Such efficiency, however, means in many cases personal sacrifice. Sacrifice is often undertaken willingly by people who understand and believe in the reason for the sacrifice. Much of the sharing which goes on among relatives depends upon this kind of sacrifice. For those who do not understand or share this view, however, there must be discipline. Some discipline is required, too even for those who sacrifice willingly in order that people can work together in a common cause rather than each doing his own thing.

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*Gene A. Jaijan*

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Willingness to sacrifice requires understanding of the need for and the nature of the acts which will be required. This means education in the broadest sense. Education for independence (or any other future political status) must begin now and never rest. It should involve public information in all possible media, especially radio, discussion in groups from families and villages to the highest leadership, in schools and in churches, and through the efforts of informed persons who will travel from one community to another teaching and answering questions.

Without the understanding which results from such education independence will rest on a weak foundation. It is possible that in a plebiscite held right now Micronesians might follow the example of their leaders in the Congress and vote for independence. However, if they did so without knowing what this involved, as soon as things began to get a little difficult trouble would begin. In East Africa, the cry of "Uhuru!" ("Freedom!") came for a lot of people to mean having all the goodies which formerly only the white enjoyed. The realization that freedom instead often meant sacrifice created much bitterness among those unprepared for reality.

Furthermore, this kind of political education cannot cease once independence is achieved. If people are to understand the needs and changing nature of their country it must constantly be explained. In this way they can share in the experience, and also contribute better not only with their work but also with their opinions and advice. Americans often appear to believe that education is only what happens in school, and that political education is the same as "propaganda," which they consider bad. Americans actually engage in a lot of propaganda themselves. For years they have been teaching Micronesians the virtues of the American form of government, of free-enterprise capitalism, of the evils of communism and even socialism, but this they call education because they teach it in the schools they control.

Understanding the broad issues, however, is not enough. There must be careful planning, especially in the economic area, and people must be told how they can each best contribute to the plan. This means a strong government, both central and local. Just how the powers will be divided, what will be the relationship between each of the present districts, and so forth, can only be decided after much thought and discussion. However, if we are to profit from the experience of other successfully independent countries the government in general form will be a strong one-party socialist government with full control over all resources.

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The term "one-party" is used to point to two ideas. One is to reject the idea of a two-party or multiparty state. Almost without exception -- certainly in the rich United States or the poor Philippines -- two-party systems soon lose any distinction which may once have separated the political beliefs of the two parties. They simply compete for office on the basis of power and personalities. Increasingly elections go to the highest bidder and cost more and more (in the last Philippine election President Marcos won by using the same public relations firm which Nixon had used). This means that government increasingly obeys not the people but instead the special interests which contribute money to one party or the other (or both).

"One-party" also means that the government still rests on a political base, upon the people and the consent of the people. This is hard to maintain when all the power rests with the government, but it is possible. It is another myth to say that one-party government is the same as dictatorship. But it does take a lot of thinking and constant vigilance to see that a powerful central government will remain responsive to the will of the people and their needs as they feel them. Three of the most successfully independent countries, all with one-party state socialism, have each adopted different, ways of doing this, but all have been quite successful. No one but an uninformed outsider (of which there are many) would call them dictatorships. It is worth taking a moment to look at how each keeps the government in touch with its people, for each is different. They include a large country, China, a smaller but fairly rich country, Cuba, and a very poor country, Tanzania in East Africa.

China depends principally on self-criticism to control the government. At all levels supervisors and officials are required to examine and criticize their own work publicly along with the people who work under them. They are criticized by these same people and have to answer the criticisms. They also have to explain why they are not doing the things the people feel they should be doing. Even this, however, is not enough because in time people get used to doing things in a certain way and no longer think to examine it. So every few years there is a campaign of intensive criticism all over the country. The recent Cultural Revolution was such a campaign, and the Red Guards a principal source of internal criticism. The Red Guards are the challenging youth of China. Most governments are afraid of their youth; the Chinese government encouraged them. Westerners often laughed at the Red Guards, without understanding them or their purpose.

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They made each bureaucrat live up to the ideals of the revolution. There are many things about China which have no value for Micronesia, but the system of self-criticism is well adapted to a country like China or Micronesia which is so far-flung that it is difficult for leaders to get around.

Cuba uses a different system. It emphasizes informal discussion. Each enterprise, a school, a factory, or a fishing cooperative, is required also to conduct another activity in which everyone works together and cooperates on an equal basis. All around Havana, for example, there are little farms growing vegetables, pigs, and so forth. Each one is the responsibility of an enterprise in Havana. However, the man who is in charge in Havana is not in charge on the farm. If they are raising pigs and the janitor of the plant in Havana knows a lot about pigs, then he is in charge of the farm, and supervises his supervisor. On the farm they all live and eat and talk together, and are free to discuss any aspect of their Havana enterprise. At a higher level, all Cuban government officials, even Fidel Castro, are required to drive around the country, stopping to talk to people, listen to their ideas and complaints, explain what they are doing, and then when they return to their offices to do something about what they learned. Fidel and others also give long frank educational talks about what the government is doing over the radio and television. This system is very effective, and visitors to Cuba over and over again report how enthusiastic the people are about their shared participation in the work of their country and their government.

Tanzania also has a one-party government, but they regularly hold elections even though there is only one candidate. (This is also largely true in many parts of Micronesia at the present time.) Everyone must go out and talk to and listen to the voters. The people can vote for the candidate, or not vote for him. If he does not get votes from most of the people he has to explain the reasons both to the government and to the people. Often he is then replaced. Consequently government officials take meeting their people very seriously and work hard at it.

These examples, although none of them may be just right for Micronesia, nevertheless show that a one-party government can really serve the people it governs, and be controlled by them so that they become a part of every decision. However, the government can only really serve its people if it makes good decisions and bases these decisions on good plans. Planning means deciding where and how to spend money and use the skills and energy of people. However, it also means examining and sometime radically changing all the institutions in the country. A good example is education.

*Education*

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At present in Micronesia, and many other countries of the world, education is mostly for children and mostly takes place in schools. As we have seen, education outside of schools can sometimes be more important than what goes on inside, but for the moment we will just consider what goes on inside. The schools of Micronesia now emphasize liberal arts, a course of study based on Western traditions and having very little to do with the realities of Micronesia. There is some vocational teaching, but it is seen as second-best. More important, students take the vocational courses they wish to. This means that if there is an urgent need for people to build boats but most students would rather take a course in automobile mechanics, more automobile mechanics will be produced than boat builders -- and more than either of these will be the number of liberal arts graduates who have learned nothing useful and can only take jobs with the government. Every developing country who follows this system (and most still do) suffers from a surplus of unemployed liberal arts high school or college graduates, or even people with higher degrees such as lawyers or teachers of philosophy. These people are unhappy and frustrated, and they used up in their education a lot of the scarce resources of the country.

In a few other countries, however, including the three mentioned earlier, education is directly related to national manpower needs. The national or local plan determines how many people are needed for everything from fisherman to soil analyst to medical officer. If a person wants to be educated he can choose one of the available specialities. If the one he wants is filled, he can choose another (if he is qualified). If he does not find one he likes or can handle, his education will end. This may seem ruthless, but it is no worse than a situation in which the amount of education a person receives depends on the wealth and power of his family or upon his religion. It is also far less wasteful of resources and assures that there will be enough people available to fill the needed jobs.

Education is only one of the institutions which requires a completely new kind of planning and thinking in Micronesia. Food production, communications and transportation, and the system of justice are others. There are many more. However, this kind of new thinking and planning will only be possible if it is done by and for Micronesians, learning from but not limited by the experience of any other country, and with the power to carry out its plans and the ability to listen to its people. This is possible, even though Americans, like most colonial rulers, do not believe it is.

*Lucia / Japan*

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The need for additional income and control over income.

No government, however effective in utilizing its income and other resources for the benefit of its people, can succeed if it does not have at least a minimum of income coming from the outside -- that is, foreign exchange. Furthermore, it must have sufficient control or influence over the source of that income so that it can rely upon receiving the income regularly, regardless of the political positions the government may adopt. Some otherwise attractive sources of income must be avoided simply because they are too easily manipulated by foreign countries to the disadvantage of the local government, in this case the government of Micronesia.

One source of income which many countries are learning to avoid is foreign aid. Even though it may claim there are "no strings attached," no country grants aid without demanding political loyalty in return. The United States in particular is notorious for the special provisions which angry congressmen write into aid bills, trade legislation and other international agreements to punish uncooperative or unsympathetic governments. Cuba is a well known example. Within a year after the Cuban revolution, in which the pro-American dictator, Batista, was overthrown, the United States had not only cancelled all aid and trade agreements, but established penalties against any other country or company which traded with Cuba. The American government was especially angry with Cuba because it had formerly been a dependency, almost a colony, of the United States, which it now rejected. After independence Micronesia would be in the same situation, and any aid from the United States would be endangered by any act of Micronesia which might seem to be a rejection of the U.S. All the other major powers have at one time or another taken similar actions to "punish" the political disloyalty of client states.

Another disadvantage of foreign aid is that it is almost never given in the form of simple cash payments. It is always tied to a specified project or program. Aid projects usually require the contribution of labor, materials, and often land and other resources by the receiving country. It has been estimated by the U. S. Agency for International Development that for every dollars of aid given to the average country that country invests the equivalent of four dollars in goods, services, etc. What this means from the standpoint of the receiving country is that it is being bribed to spend its resources on projects whose nature and priority are decided upon by foreigners, not by the country itself. These priorities necessarily reflect the directions in which the donor country hopes the receiving country will develop, which may not be the

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same direction as the receiving country would otherwise choose for itself. Yet it is hard to turn down "easy" money, especially if you are poor. Even before independence, the Micronesian Economic Development Loan Fund is already operating in exactly this fashion, shaping the direction in which the economy will grow by the selection of projects for approval or disapproval.

In seeking to increase levels of outside income another situation to avoid is excessive reliance upon export products whose price is determined by the so-called world market. This price is actually determined in most cases by what the major powers are willing to pay for the product, since for most items which are traded in this fashion they are the largest buyers. If the price falls the producing country is helpless to avoid serious losses. Even worse, the world price of some products is manipulated deliberately to punish uncooperative governments. An example of such apparent manipulation has already been mentioned in the case of Ghana and cocoa. Right now the United States is trying to blackmail Brazil, whose principal export product is coffee, with threats to drop out of an international coffee price-stabilization agreement. American buy more coffee than any other country in the world, so the threat is real.

Micronesia is in a similarly risky situation with regard to copra. Although there is no evidence so far of manipulation, the price of copra has been falling as a result of increasing use of cheaper substitutes for some copra products, especially soybean oil and cake, and increasing copra production in the Philippines. Because the cost of shipping copra is high, the profit is already small. Just a little additional pressure to lower prices could bring economic disaster to Micronesia. We can hope that copra prices will remain high enough to provide a profitable export for Micronesia in the years ahead, but any expansion of copra production will only add to the dependence of Micronesia upon a potentially treacherous market.

A sounder basis for expanding exports is to look for products which can be sold to countries which really need those particular products and are eager to get more of them. The first question in planning for increasing external income, therefore, should not be "What can we produce?" but instead "What do other countries need which we might produce?" A good example is the banana market in Japan. Bananas are becoming increasingly popular in Japan. Much of their supply comes from new plantings in the Philippines. However, these are not producing

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enough to meet the demand and, because they are getting developed by American companies, the bananas are being carried to Japan in American ships. The Japanese have a lot of their own ships and they like to carry their imports on their ships. Most of the islands of Micronesia are well suited to growing bananas (although new varieties would have to be planted to withstand shipment, fertilizer is needed, etc.), and Micronesia is closer to Japan than the many other Pacific island groups which are already preparing to enter the Japanese banana market. In a case of this sort, the sales would not be on the basis of a fluctuating world market, because bananas are perishable, and the Japanese shipping companies and fruit companies need to have a supply they can rely upon. Therefore contracts would be signed between Japanese companies and the Micronesian government in which the Japanese would be guaranteed certain quantities of bananas, and Micronesia would be guaranteed certain prices at the dock in Micronesia, a much more reliable arrangement. As production increases additional contracts can be negotiated with Japan, or new contracts sought with Hong Kong and perhaps other countries such as Australia or New Zealand, always on the basis of guaranteed deliveries and prices.

Papayas are another product which could also be developed in this way, and there are doubtless others. A recent report issued by the Division of Agriculture in Saipan discusses these products, as well as a number of the other issues reviewed in this analysis. It points out that the present Trust Territory administration has made no effort in this direction, thus allowing other areas of the Pacific to get ahead of Micronesia in the tropical fruit markets.

The example of bananas also illustrates another factor to be considered in economic planning for a poor country. Banana production can be started quite fast and with very little capital investment. (Here again there is an advantage over the Philippines, where irrigation is needed to grow bananas, adding a lot to the costs). Papayas are also inexpensive to develop, but take more time. They both require few new skills, and therefore few training costs. All these things are extremely important to a small, poor country trying to build up its income and resources. However, the present administration seems to be pushing tourism. Yet tourism is very expensive to develop, requires a lot of new skills which are either met by expensive training or by importing labor, is slow in growing and is a very unreliable source of income. It also develops a large labor force whose skills are useless in any other kind of business. Many new small countries are now following the example set years ago

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by Trinidad and Tobago (whose president is an economist) in discouraging rather than encouraging the growth of a tourist industry. Where it is now being encouraged the country is usual under the control of a foreign power which stands to profit from the development -- as in the case of the United States in Micronesia.

To sum up, new income can be brought in best by looking for products which other countries really want, and will therefore be willing to pay guaranteed prices to get and which can be started up with a minimum of capital and manpower training. For most small countries, including Micronesia, this usually begins with agricultural products. With even a small increase in import income, plus a sharp reduction in the tremendous waste and loss of Money now takes place in Micronesia, and with careful planning and discipline in the use of what money is available, there is no reason why Micronesia cannot survive economically as an independent nation. However, with every year that independence is delayed, there is growth in the size and power of the wasteful middle class and of such destructive forces as tourism and pressure for military bases. In a very few years the chance for independence will probably be lost forever to Micronesia.

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