

Parliament of the Commonwealth of Australia

Report of the Australian Parliamentary Delegation to

PALAU

and

THE FEDERATED STATES OF MICRONESIA

16 – 24 November 2005

February 2006

## **MEMBERS OF THE DELEGATION**

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**Senator Julian McGauran**

National Party Whip  
Senator for Victoria

**Members**

**Mr Peter Lindsay, MP**

Deputy Speaker of the House of Representatives  
Member for Herbert  
Queensland, Liberal Party of Australia

**Delegation Secretary**

**Ms Effi Juli Tomaras**

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Department of Parliamentary Services

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## **Introduction**

This report details the activities and observations of a delegation from the Parliament of Australia which visited Palau and the Federated States of Micronesia (FSM) between 16 and 24 November 2005.

The delegation completed a successful bilateral visit to Palau from 16-20 November 2005 which included attendance at the 4th Conference of the Pacific Community. The delegation was received at a high level and met with the President, the Vice-President, the Minister of State, the Minister for Health and the Minister for Education.

The delegation also visited the Pacific Patrol Boat headquarters for a briefing by Royal Australian Navy staff, and visited the Palau National Hospital, the Palau National Museum and the Palau International Coral Reef Centre.

The delegation hosted a dinner which was attended, inter alia, by the current Vice-President (the Hon Elias C Chin), the previous Vice-President (Mrs Sandra Pierantozzi), the Chief Justice, the Minister for Health, Dr Jimmie Rodgers (the new Director-General of the Secretariat of the Pacific Community - SPC) and representatives from the Royal Australian Navy Maritime Surveillance Authority. The delegation also attended a function hosted by the President of Palau and the SPC Director-General. On its final evening in Palau, the delegation attended an informal dinner in their honour hosted by Mrs Pierantozzi.

The delegation's bilateral visit to the Federated States of Micronesia (FSM) between 21-24 November 2005 was also a success. The delegation was received at a high level - by the President, the Vice-President, the Minister of Foreign Affairs, the Minister of Justice, the Minister of Finance and Administration, the Minister of Economic Affairs and the Minister of Health, Education and Social Affairs. The delegation also met with the Speaker of the FSM Congress and other Senators, and State Speakers from the four FSM states (whose visit to Pohnpei had been timed to coincide with the parliamentary delegation's visit).

The delegation hosted a lunch for Mr Drew Wright, the new Executive Director of the Western and Central Pacific Fisheries Commission (WCPFC), and Mr Bernard Thoulag, Director of the FSM National Oceanic Resource Management Authority, to discuss fisheries and WCPFC issues. The delegation attended a second lunch with the US Ambassador (to discuss US perspectives on Micronesia) and Fr Francis Hezel of Micronesian Seminar (the leading think-tank in Micronesia) - to discuss economic and social issues). The delegation also visited a Pacific Patrol Boat and was briefed by Royal Australian Navy advisers.

The delegation had meetings about and inspected a number of Australian Government overseas development assistance projects. These included the computerised border management system (with the Chief of Immigration), the sea level and climate change monitoring system, the Pacific Regional Policing Initiative (with FSM and Pohnpei Chiefs of Police), the computerised voter registration system (with the Electoral Commissioner), the Pacific 2020 initiative (with FSM business representatives), and disaster relief efforts (with the Micronesian Red Cross Society).

The Speaker of the FSM Congress hosted a dinner in honour of the delegation, which was attended by the Vice-President, Members of Cabinet, members of the FSM Congress and State Speakers.

### **The Delegation's Aims and Objectives**

The delegation agreed to the following aims and objectives:

1. Renewing and strengthening links with members of the parliaments and other key figures in NGOs as well as promoting greater contact between the Australian Parliament and the parliaments of Palau and FSM.
2. Gaining an appreciation of the key domestic, social, political, economic and environmental issues and challenges facing Palau and FSM.
3. Viewing and assessing the progress of AusAID-funded projects.
4. Meeting with Australian officers who work on the Pacific Patrol Boat program.
5. Reviewing Australia's relations with Palau & FSM and exploring opportunities for enhancement of political/economic relations through trade, investment and tourism and overseas development assistance projects.
6. Examining the prospects for expanding people-to-people ties through cultural, educational and other exchange programs.
7. Examining key activities of other donors.

### **Acknowledgements**

#### ***Australia***

Prior to departure and while in-country, the delegation received detailed written and oral briefings from officers of the Department of Foreign Affairs and Trade, AusAID and Information and Research Services (Parliamentary Library). The delegation wishes to record its thanks to all of those who contributed to these briefings.

The delegation also received excellent administrative support from Lyn Witheridge in the Parliamentary Relations Office.

### ***Palau***

The delegation records its appreciation to the Government and Congress of Palau for the hospitality and courtesy extended to it during its visit, in particular:

The Hon Temmy Shmull, Minister of State

HE Tommy E Remengesau, President

The Hon Elias C Chin, Vice-President and Minister for Justice

The Hon Dr Victor Yano, Minister of Health

The Hon Mario Katosang, Minister of Education

CDR Matt Brown (RAN), Maritime Surveillance Authority, Palau

### ***The Federated States of Micronesia***

The delegation records its appreciation to the Government and Congress of The Federated States of Micronesia for the hospitality and courtesy extended to it during its visit, in particular:

HE Joseph J Urusemal, President

The Hon Redley Killion, Vice-President

The Hon Peter Christian, Speaker of FSM Congress

The Hon Marstella Jack, FSM Attorney General

The Hon Nick Andon, Secretary, Department of Finance & Administration

Mr Lorin S Robert, Deputy Secretary of Foreign Affairs

The Hon Dr Nena Nena, Secretary, Department of Health, Education & Social Affairs

The Hon Akillino Susaia, Secretary, Department of Economic Affairs

Mr Drew Wright, Executive Director, Western and Central Pacific Fisheries Commission

Mr Bernard Thoulag, Director, FSM National Oceanic Resource Management Authority

Mrs Caroline Adams, Weather Service Specialist

LCDR Barry Jones (RAN), Maritime Surveillance Adviser, FSM

Ms Sizie Yoma, Executive Director, Micronesia Red Cross Society

Mr Mohner Esiel, Chief, Division of Immigration & Labor

Mr Pius Chotailug , Chief, FSM National Police

Mr Joe Roby, Chief, Pohnpei State Police

Mr Pernel Edward, FSM Election Director

Fr Francis Hezel, Micronesian Seminar

Mr Del Pangelinan, President, A&P Construction Company

Mr Larry Adams, Owner/Manager, Pohnpei Ace Hardware

Mr James Movick, Private Business Consultant, Micronesia Business & Professional

Ms Jennifer Barnett, Staff Attorney, FSM Congress

The delegation also wishes to record its thanks and appreciation for the assistance provided by the staff of the Australian Embassy in Pohnpei throughout the delegation's visit. In particular, the delegation wishes to thank Ms Corinne Tomkinson, Australian Ambassador to FSM, Palau and the Republic of the Marshall Islands, and Mr Paul Addison, First Secretary and Consul, Australian Embassy, Pohnpei.

**Senator Julian McGauran**  
**Leader of the Delegation**



# CHAPTER ONE

## Palau

### Palau at a glance

|   |   |
|---|---|
| Head of State and Head of Government:       | H.E. Tommy E Remengesau   |
| Capital:                                    | Koror   |
| Official languages:                         | Palauan, English  |
| Surface area:                               | 458 sq km   |
| Population:                                 | 20, 891   |
| Age structure:                              | 35.4% under 18, 6.6% over 65  |
| Currency:                                   | US dollar   |
| GDP:  | \$116.8 million (2003)  |
| GDP per capita (nominal):                   | \$5,678.  |
| National income (GDP + foreign assistance): | \$143 million   |
| GDP composition by sector:                  | Public administration 27%, trade 20%, construction 8%, hotels/restaurants 10%, transport and communication 9% |
| Workforce:                                  | Government – 29%; tourism –18%; other services – 28%; construction – 11%; agriculture – 3%                    |
| Industry types:                             | government, tourism   |
| Exports:                                    | \$34.9 million (2003) - fish, handicrafts   |
| Export markets:                             | US, Japan   |
| Imports:                                    | (\$97 million) fuel, food and beverages, manufactured goods   |
| Import sources:                             | US and Guam (54%), Japan, Singapore, Taiwan, Korea  |
| External debt:                              | \$32.7 million.   |

### Background<sup>1</sup>

1.1 The Republic of Palau, consists of eight principal islands and over 250 smaller islands and situated approximately 500 miles southeast of the Philippines.

1.2 Current challenges facing Palau include: inadequate facilities for disposal of solid waste; threats to the marine ecosystem from sand and coral dredging; illegal fishing practices; overfishing; and improving access to quality basic social goods such as health and education. Given the reduction in sector grants, there is a need for government to encourage and create an environment conducive to broad-based private sector development, supported by good governance and management of those

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<sup>1</sup> The information contained in this part of the chapter is based on written briefings from the Australian Department of Foreign Affairs and Trade (DFAT) and information in DFAT's website [www.dfat.gov.au](http://www.dfat.gov.au)

services, along with the mobilisation of a panoply of creative financing options. Concerns exist about the over-reliance on aid and tourism and prospects for securing sustained growth in the post-US Compact period.

### **Political Overview**

1.3 In July 1980, when a part of the UN Trust Territory of the Pacific under United States administration, Palau adopted its own constitution and it became internally self-governing the following year. In 1982 Palau signed a Compact of Free Association with the United States and following eight referenda and an amendment to the Palauan Constitution, the Compact took effect on 1 October 1994, marking Palau's emergence from trusteeship to independence.

1.4 Palau is a democratic republic with directly elected executive and legislative branches. The executive branch consists of a president (who is both chief of state and head of government), vice president and cabinet. The president and vice president are elected on separate tickets by popular vote for four-year terms. Palau's National Congress, a bicameral legislature, is called 'Olbiil Era Kelulau' (OEK), which means 'Meeting Place of Whispers' and is composed of a House of Delegates (sixteen elected members) and a Senate (nine elected members). All of the legislators are elected by popular vote to serve 4-year terms.

1.5 The Council of Chiefs is an advisory body whose membership is drawn from the highest-ranking traditional chiefs of each of the sixteen states. The Council performs a presidential advisory function on matters relating to traditional law and custom.

1.6 The judicial system consists of a Supreme Court, National Court, and a lower Court of Common Pleas - members of which are appointed for life, and a Land Court.

### **The Economy**

1.7 With a per capita GDP estimated at almost US\$6,103 in 2003 (purchasing power parity), Palau enjoys one of the highest standards of living among Pacific island countries. However, wealth and the benefits and opportunities of development are not evenly distributed throughout the country.

#### **US Compact funding**

1.8 The funding arrangements under the Compact are detailed and rather involved but, essentially, the US Government agreed to pay approximately US\$447 million over the first fifteen years of the fifty-year Compact: from 1994 to 2009. Under the terms of the Compact, US\$70 million was set aside in a Trust Fund, which has so far grown to over US\$144 million, for use after Compact grants cease in 2009. The Compact also provides for major infrastructure projects including the construction of a road around Babeldoab, the largest of the Palauan islands. Provision is also made for continuation of some US federal programs. The Compact and its subsidiary agreements commit the US to continue to provide, at no cost to Palau, many services including air safety, weather prediction, health services and assistance in the event of natural disasters.

1.9 Given the anticipated decline in Compact disbursements, the Palauan Government is under pressure to carefully formulate and implement a medium-term fiscal strategy to create a sustainable fiscal stream.

### **Prospects for sustained growth**

1.10 The Palauan economy is understood to have good prospects for sustained growth. The increase in economic growth in 2004-05 was largely attributed to the growth in tourism. Unsurprisingly, tourism infrastructure development remains a priority of the Government. However, the Government also appreciates the imperative of balancing the level of tourism with the maintenance of Palau's renowned pristine environment. Promotion has therefore been geared to high-yielding, low-volume tourism.

1.11 Major infrastructure development projects, including the US-funded Babeldaob circumferential road and the Japan-funded replacement bridge between Koror and Babeldaob, are expected to assist Palau's economy over the next two to three years by improving access to many tourist attractions and commercial facilities. The Palau Government is also constructing a new capital complex in Melekeok on Babeldaob, which will ease pressure on the heavily congested tourism areas of Koror and the Rock Islands. However, forecasts place the cost of maintaining these new facilities as adding an extra \$2 million a year to the Government budget. The establishment of a central market in Babeldaob, is another project aimed at contributing to growth by providing impetus for agricultural development through the provision of improved marketing facilities. Growth in small-scale agriculture, originally driven by the expanding tourist trade, is continuing as a result of increased demand from the construction sector. Fisheries are also important to Palau, with Japan a major importer of tuna and mackerel, and Chinese and Taiwanese long line fishing fleets also fishing in Palau's EEZ.

1.12 The Government and the OEK have taken a generally conservative approach to government expenditure.

### **Foreign Relations**

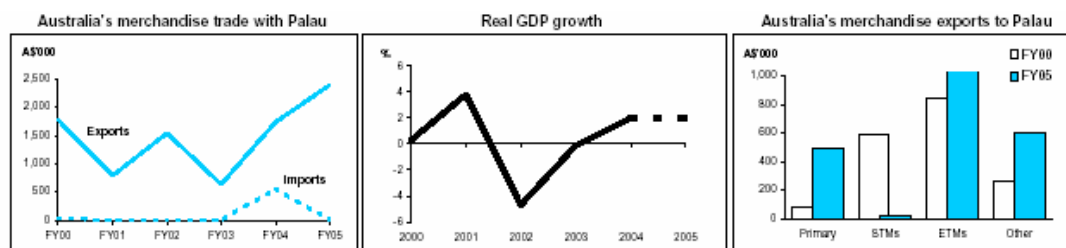
1.13 Palau's relationship with the US remains significant - the Compact of Free Association obliges the US to defend Palau for several decades. It also provides for access to the US by Palau citizens. At the same time, Palau's ties with Asia, particularly Japan, are expanding rapidly. In January 2000, Palau formally recognized Taiwan, which suggests the latter will make an increasing contribution to investment and tourism in Palau. The US, Philippines and Japan maintain embassies in Palau.

1.14 Palau is a member of the Pacific Community (SPC), the Pacific Islands Forum (Palau hosted the 30th South Pacific Forum on 3-5 October 1999) and the Forum Fisheries Agency. Palau is a member of the United Nations and recently became a member of UNESCO. It is an associate member of the Economic and Social Commission for Asia and the Pacific (ESCAP) and is in the process of seeking full ESCAP membership. It also belongs to the Asia Pacific Telecommunity and, since mid-1998, the International Monetary Fund (IMF). It has applied to join the Asian Development Bank (ADB).

## Australia-Palau Relations

1.15 Australia recognized the Republic of Palau and entered into diplomatic relations on 1 October 1994. Australian trade relations with Palau are limited, as their main trading partner is the US. Australian goods exports to Palau totalled A\$2.4 million in 2004-05 (mainly engines, meat, gas pumps, paints and varnishes and milk and cream). Australian goods imports were A\$4,000 in 2004-5 (mainly mechanical handling equipment). The establishment of direct flights to Australia by Palau Micronesia Air may lead to greater market access.

### *Australia's Trade Relationship with Palau<sup>2</sup>*



#### *Australia's trade relationship with Palau:*

| Major Australian exports*, 2004-05 (A\$'000): |     | Major Australian imports, 2004-05 (A\$'000): |   |
|---|-----|--|---|
| Internal combustion piston engines            | 345 | Mechanical handling equipment                | 3 |
| Meat prepared or preserved                    | 229 | Jewellery                                    | 1 |
| Pumps for gas                                 | 209 |  |   |
| Pigments, paints, varnishes                   | 110 |  |   |
| Milk and cream                                | 87  |  |   |

*\*Includes A\$600,000 of confidential items and special transactions, 25% of total exports.*

| Australian merchandise trade with Palau, 2004-05: |       | Total share: | Rank: | Growth (yoy): |
|---|-------|--------------|-------|---------------|
| Exports to Palau (A\$'000):                       | 2,400 | 0.0%         | 155th | 37.9%         |
| Imports from Palau (A\$'000):                     | 4     | 0.0%         | 196th | -99.3%        |
| Total trade (exports + imports) (A\$'000):        | 2,404 | 0.0%         | 169th | 4.2%          |
| Merchandise trade surplus with Palau (A\$'000):   | 2,396 |              |       |               |

| Australia's trade in services with Palau, 2004: |      | Total share: |
|---|------|--------------|
| Exports of services to Palau (A\$m):            | n.a. | n.a.         |
| Imports of services from Palau (A\$m):          | n.a. | n.a.         |
| Services trade balance with Palau (A\$m):       | n.a. |              |

### *Meeting with President Tommy E Remengesau, Vice-President and Minister for Justice Elias C Chin, and Minister of State Temmy Shmull*

1.16 The President, Vice-President and Minister of State warmly welcomed the delegation. The President expressed his deepest appreciation and praise for the Pacific Patrol Boat Program, stressing its critical role in managing Palau's ocean resources.

1.17 The President said that they would very much like to construct a dockage for the patrol boat but they lacked the funds to do so.

### **Transit without Visa**

1.18 The President, Vice-President and Minister of State all thanked the Australian Government for its recent decision to grant Palauans the right to 8 hour visa-free

<sup>2</sup> Source: <http://www.dfat.gov.au/geo/fs/pala.pdf>

transits in Australia. However, they were keen to point out that the timetable of flights available for Palauans transiting in Cairns and the prospect of obtaining seats on those flights meant that 8 hours would not be of much practical assistance to Palauans.

1.19 In overall terms, given the mail service between Palau and FSM and the time taken to apply for a visa, making it to overseas meetings at short notice was very difficult.

1.20 The President also pointed out that Palau has a sustained history of compliance with visa conditions.

1.21 These concerns of the President, Vice-President and Minister of State were articulated in the President's letter of 14 November 2005, addressed to the Hon Prime Minister Mr John Howard. In that letter, the President requested an extension of the Transit without Visa arrangements from 8 to 72 hours.

### **Regional Assistance Mission to the Solomon Islands (RAMSI)**

1.22 The Leader of the Delegation expressed support for the Regional Assistance Mission to Solomon Islands (RAMSI) and hoped that Palau would be able to participate in RAMSI in 2006. He asked about the status of Palau's plan to send two police officers to participate in RAMSI. He stated that Australia would provide training to Palauan officers en route to Solomon Islands, followed up with further training while in Solomon Islands. He pointed out that the regional nature of RAMSI was important to Australia and that Palauan participation would be very welcome. He also mentioned the valuable training and experience which the Palauan participants would enjoy.

1.23 The President advised that they had plans to commit two police officers to RAMSI but as they understood, the situation in Solomon Islands had improved and so Palau had postponed a decision, and sent personnel to Timor- Leste instead.

### **Pacific Technical Assistance Facility (PACTAF)**

1.24 The delegation reminded the President, Vice-President and Minister for State that Australia's bilateral aid to Palau also includes the Pacific Technical Assistance Facility which provides recruitment of senior technical advisors for capacity-building and skills transfer to front-line ministries. The delegation encouraged Palau to take advantage of this assistance. The President responded favourably.

### ***Meeting with Minister for Education Hon Mario Katosang***

#### **Capacity building: youth community leadership skills**

1.25 The Minister for Education lamented the end of support by the US for Palauan students to apply to attend the *Junior Statesmen Summer School* (held on Georgetown, Yale, Princeton, Harvard & Northwestern University campuses). Until recently, Palauan students received support from the US Department of Interior to attend this course.

1.26 The Minister explained the valuable knowledge and skills offered by this program. The program offers students an in-depth introduction to politics and public speaking, including college-level classes, debate workshops and a Speakers Program.

1.27 The Minister articulated the benefits of such programs for building community leadership skills among the youth in Palau.

1.28 The Minister asked if there were similar programs available in Australia which Palauan students might be able to undertake with assistance from Australia.

### **Skills shortage**

1.29 The Minister also raised the issue of a skills shortage in Palau and the failure of Palauan students to get into technical colleges and skills programs. The Minister said that access to technical college spaces followed by an apprenticeship period would be most welcomed.

1.30 The Leader of the Delegation mentioned the Australian Prime Minister's proposal for an Australian Technical College for the Pacific and sought a response from the Minister regarding this proposal. The Leader also asked the Minister if Palau had a preference for where the College may be located.

1.31 The Minister responded by saying that he was happy for the Australian Technical College to be built either in the South Pacific or in Australia although he was somewhat more disposed to having such a college in Australia.

1.32 Australia's bilateral aid to Palau targets education and technical assistance under AusAID's Australian Scholarship and PACTAF programs. Support for community organisations and government agencies is provided through a small grants scheme.

### **Australian Education Assistance**

1.33 Australia's bilateral aid to Palau targets education assistance through its AusAID Scholarship program. With this assistance four Palauan students have completed tertiary studies since 2002. There are currently seven Palauan students studying under this program. The courses being undertaken are: medicine, pharmacy, epidemiology, law, engineering, business studies, and arts (history, politics and international relations).

1.34 The Minister appreciated the availability of AusAID scholarships but wondered if they might be a little more flexible in terms of choice of university available to students. An example was given of a young woman who had applied for a scholarship to study medicine and was awarded an AusAID scholarship for this. However, when she discovered that she could only use that scholarship to attend the University of the South Pacific, she rejected the offer.

1.35 Of course, the Minister understood the desirability of promoting and strengthening confidence in the University of the South Pacific as an institution of higher education.

### ***Meeting with Minister for Health Hon Victor Yano***

#### **Inspection of Palau National Hospital**

1.36 The Minister for Health took the delegation on a tour of the Palau Hospital and offered the following comments regarding the operation of the hospital and its facilities:

1.37 The Minister for Health underlined the need for assistance across all areas of the health sector.

1.38 The Minister expressed his appreciation for the assistance provided by AusAID in the health sector thus far.

#### **Palau National Hospital Inventory Barcode System**

1.39 Under the Small Grants Scheme, in 2005 Australia provided US\$13,800 for the Palau National Hospital Inventory Barcode System. This provided a computerized system (hardware and software) to track and manage procurement, maintenance, distribution and/or disposition of all pharmaceuticals, medical supplies, hospital equipment and furnishings.

#### **Palau Ministry of Health Archive Center**

1.40 In 2004, under the Small Grants Scheme, Australia also provided USD15,000 to the Palau Ministry of Health Archive Center. This was used to acquire a computerised system (hardware and software, including scanning capability) to archive, store and provide access to all medical records, health information, professional publications, hospital files for national medical research and statistical purposes.

#### **Equipment Maintenance**

1.41 The Minister indicated that he would welcome further assistance especially in terms of the maintenance of complex medical equipment and support for the training of persons in this area.

1.42 The Minister said that there was a serious shortage of medical staff across all areas. He thought that greater flexibility of choice in terms of universities in which Palauans might receive education and training might improve the uptake of scholarships in the medical field.

#### **Medical Library**

1.43 The Minister also pointed out that the hospital medical library was poorly resourced.

### ***Visit to the Pacific Patrol Boat headquarters for a briefing by Royal Australian Navy staff***

1.44 The delegation was met by Royal Australian Navy Staff at the Pacific Patrol Boat (PPB) headquarters and given the following briefing by Commander Matt Brown.

1.45 In 1982 the United Nations Convention on the Law of the Sea created a 200 nautical mile exclusive economic zone (EEZ) around coastal nations. The offshore marine resources associated with these zones are frontiers of significant economic and strategic potential; they provide both Palau and FSM with a major amount of revenue, from licences and also from fines when illegal fishers are apprehended.

1.46 In practical terms the EEZ significantly increased the area of ocean requiring surveillance, monitoring and policing. Many south-west Pacific countries had the arduous task of policing an expanse of ocean far greater than their landmasses. Small island states lacked both the resources to conduct such patrols and the 'know-how' to create such capacity.

1.47 Policing these waters is thus one of the biggest challenges faced by Palau and FSM. In recognition of the importance of their having effective maritime surveillance and a credible maritime presence, Australia provides assistance in the form of the Pacific Patrol Boat Program. This program is a major element in Australia's bilateral relationship with Palau and the Federated States of Micronesia.

1.48 Australia donated a Pacific Patrol Boat ('PSS President HI REMELIIK') to Palau in 1996, originally designed for a 15-year lifespan, with a refit schedule at the 7 year point. Australia announced in October 2000 the establishment of a program to extend the lifespan to 30 years, with additional refits at the 15 year and 22 year points.

1.49 The PPB is Palauan-flagged, and has a Palauan captain and Palauan crew. The personnel, operations and maintenance are funded by Palau. Australia continues to fund technical support of the PPB as part of our defence relationship. Australia provides 3 Australian navy advisers. Most of the training is provided by the Australian Maritime College (AMC) in Tasmania through its commercial arm.

1.50 Generally, the PPBs are the only fisheries enforcement surface assets operated by the island nations. Aerial surveillance is limited, and relies on Australian, New Zealand and some French assistance.

1.51 The PPBs are also important for search and rescue, counterdrug, VIP, disaster relief and transportation missions.

#### **Progress and achievements of the Pacific Patrol Boat Program include:**

##### **1.52 91 Patrol Days in the 12 months to November 2005**

- 3 medivacs
- 2 search and rescue missions
- 84 boardings
- 14 apprehensions
- 19 admin Seizures / Citations
- 1 election support mission

##### **1.53 Operation Big Eye**

Operation Big Eye commenced in FSM in 2000/01. In recognition of their mutual interests and the proximity of their EEZs, in February 2002, the Presidents of FSM, Palau and the Republic of the Marshall Islands (RMI) signed the Niue Treaty Subsidiary Agreement (NTSA). This agreement enhanced the cooperation between



the 3 island nations, aimed at tackling illegal activity in the region, focusing on anti-smuggling, enforcing customs, immigration and fisheries laws, serving to protect the sovereignty of these states. The three states agreed to engage in trilateral surveillance operations and other efforts designed to give effect to the object and purpose of the subsidiary agreement.

1.54 Palau and RMI joined Operation Big Eye in 2003. Operation Big Eye was headquartered in Palau for the first time in April-May 2005 and was one of the largest and most complex maritime surveillance operations to be held in the Pacific region. Australian-funded patrol boats from Palau, the Federated States of Micronesia and the Republic of the Marshall Islands (RMI) completed their fourth successful joint surveillance operation.

1.55 Operation Big Eye has gathered momentum as a multinational effort aimed at tackling illegal activity in the region. Its success has inspired growing support and interest from the United States of America.

1.56 From the headquarters, which the delegation visited in Palau, Australian personnel assisted in coordinating the operations of 8 ships and 3 aircraft over 1.5 million square miles of ocean for 14 days. Operation Big Eye represented a combined front against illegal activity in the region and presented an opportunity to strengthen relationships and build and share skills.

1.57 The outcomes of the 2005 Big Eye Operation were:

#### 31 Boardings

- 5 apprehensions and 7 citations, of which:
- Palau - 2 apprehension, 7 citations
- FSM - 2 apprehensions
- RMI – 1 apprehension

#### 1.58 **The key strengths of the Pacific Patrol Boat Program include:**

- Capable, stable and well trained workforce
- REMELIIK's high levels of serviceability
- Strong community and political support for program

1.59 The challenges faced by the operation include a lack of operational funding and the absence of agreement on seabed boundaries manifested in an operational focus on 'sovereignty' issues.

## *Fourth Meeting of the Conference of the Pacific Community*



1.60 On 17 November 2005, the delegation attended the Opening Ceremony of the 4th Conference of the Pacific Community and on 18 November 2005, the delegation attended the 4th Conference of the Pacific Community.

1.61 Pacific regional organisations are an important resource providing a pool of expertise often not available in individual countries. Through important contributions over a wide area of endeavour, regional organisations contribute to stability and increased prosperity in the Pacific. A significant portion of Australia's development assistance to the Pacific island countries is provided on a regional basis.

1.62 Australia believes that the Pacific Community (SPC) is an organisation of significant importance to the region. It is a major vehicle for delivery on a regional basis of technical assistance, drawing on funding from member contributions and from donors both within and outside the region. Australia is the largest donor member with a contribution of around \$A10 million annually in recent years. SPC's identification of priorities and efficient conduct of its activities affect directly Australia's interests in the pursuit of good development policies in the region.

The key events of the conference were:

**1.63 Appointment of Dr Jimmie Rodgers as Director-General of the Secretariat of the Pacific Community's (SPC)**

Dr Jimmie Rodgers comes from Solomon Islands and has been with SPC since 1996, first as Director of Programmes and since 2000, as Senior Deputy Director-General based in Suva, Fiji Islands.

**1.64 Approval of the SPC draft Corporate Review.<sup>3</sup>**

The review, conducted by an external team, consulted during three months with representatives from almost all of SPC's member countries and territories and a large number of regional and international organisations operating in the Pacific. Their aim was to suggest ways to help improve SPC as a regional institution. The review team "found SPC to be in good organisational health" but added that there was still some room for improvement. The review resulted in 11 key recommendations including the need for more resources for SPC programmes relating to women, young people and Pacific cultures.

**1.65 Signing of an agreement between SPC and the Asian Development Bank (ADB) to further the fight against HIV/AIDS.**

Under the agreement, the ADB will contribute US\$8 million over five years to regional, national and community-based activities to control the spread of HIV/AIDS. The funding will help implement the Pacific Regional Strategy to Fight HIV/AIDS, which was initiated by SPC.<sup>4</sup>

**1.66 Adoption of strategic plans for a range of SPC programmes<sup>5</sup>**

In terms of the Marine Resources Division, the Pacific Delegates adopted the three strategic plans for the Regional Maritime Programme, Ocean Fisheries Programme, and Coastal Fisheries Programme.

With regard to the Social Resources Division, the Pacific Delegates adopted the seven strategic plans for the programmes of the Community Education and Training Centre, Cultural Affairs Programme, Information and Communication Technology Section, Pacific Women's Bureau, Pacific Youth Bureau, Public Health Programme, and Statistics and Demography Programme.

**1.67 Endorsement of the draft Pacific Youth Strategy** presented at the Youth Ministers meeting in Port Moresby, PNG, in early December 2005.

**1.68 Delegates also gave a vote of thanks to outgoing Director-General Lourdes Pangelinan, praising her leadership, vision and achievements.**

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<sup>3</sup> This summary comes from <http://www.spc.org.nc/AC/SPCorpRev.htm>

<sup>4</sup> [http://www.spc.org.nc/AC/art\\_ADB\\_agreement.htm](http://www.spc.org.nc/AC/art_ADB_agreement.htm)

<sup>5</sup> This summary comes from <http://www.spc.org.nc/AC/stratplan.htm>

1.69 The agenda items discussed at the conference included regional policies and inter-agency cooperation on key issues:

- Influenza pandemic
- HIV/AIDS regional strategy
- Regional Health Fund
- Regional statistics, economics/trade
- Tuna fisheries
- Deep-sea trawling
- Pacific Plan / Hughes Report

1.70 The theme of this year's conference was *Youth Empowerment for a Secure, Prosperous and Sustainable Future*. The reality of Pacific island countries' demographics underscores the relevance and importance of this theme.

1.71 Approximately 31 per cent of the total population of the Pacific island countries and territories are between 10 and 24 years of age. This translates to 2.7 million people.<sup>6</sup> These population dynamics have important implications in terms of policy planning for healthy, effective and sustainable futures in these communities. Already there are insufficient employment opportunities to absorb school leavers. There is also the problem of creating healthy, independent and secure futures for the vast proportion of early school leavers. Associated with current youth picture is an increasing incidence of social ills as evidenced by increasing levels of:

- Poor self esteem and anti-social behaviours
- Sexually-transmitted diseases, teenage pregnancies and septic abortions
- Mental health problems and family break-ups
- Alcohol consumption and involvement with hard drugs

1.72 Areas identified for youth empowerment strategies/projects included:

- Relevant and appropriate education
- Good and healthy living
- Employment creation

## **Conclusions and Recommendations**

1.73 The Delegation to Palau considers that its visit was very successful and its members feel that the aims and objectives of the visit were met. The delegation was warmly received and was grateful for the opportunity to further strengthen links and have frank and open discussions with key members of the Palauan Congress on a number of important issues.

1.74 The visit was beneficial in improving the Delegation's understanding of the political, economic and social challenges facing Palau.

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<sup>6</sup> 4<sup>th</sup> Meeting of the Conference of the Pacific Community, Koror, Palau, 18 November 2005.

1.75 The Delegation's attendance at the 4<sup>th</sup> Meeting of the SPC was beneficial in providing an opportunity to meet and have exchanges with key leaders and experts in the region.

1.76 The Delegation also noted the very high profile and valuable work of the Pacific Patrol Boat Program.

1.77 The delegation noted the value of the overseas development assistance provided by Australia and its continued importance.

1.78 The delegation encourages the Australian government to give consideration to the following issues arising out of the delegation's visit:

- The Delegation appreciated the constraints which prevented the 8 hour Transit without Visa from being of any practical assistance to Palauans. The Delegation supports the extension of Transit without Visa time for Palauans so they may enjoy its practical benefits.
- In recognition of the importance of a robust, well-resourced health sector, the Delegation recommends assistance for the maintenance of medical equipment, and also resources for the medical library at Palau's National Hospital.
- The Delegation noted that the combination of a large youth population and serious skills shortage is a serious developmental concern for Palau. The Delegation recommends the continuation of bilateral aid targeting education and technical skills training. In this context, the proposed Australian Technical College, as announced by Prime Minister John Howard – at the Pacific Islands Forum in Papua New Guinea in 2005 – is a timely and valuable initiative.

## CHAPTER TWO

### THE FEDERATED STATES OF MICRONESIA

#### The Federated States of Micronesia at a glance

|   |   |
|---|---|
| Head of State and Head of Government:       | H.E. Joseph Urusemal                                  |
| Capital:                                    | Palikir, on the island of Pohnpei                     |
| Official language:                          | English   |
| Major political parties:                    | No formal parties                                     |
| Surface area:                               | 702 sq km   |
| Population:                                 | 112,700 (2004)  |
| Currency:                                   | US dollar.  |
| GDP:  | \$240 million.  |
| GDP per capita (nominal):                   | \$2,200.  |
| National income (GDP + foreign assistance): | \$360 million   |
| National income per capita:                 | \$3,100   |
| GDP composition by sector:                  | Services 77%, agriculture 19%, industry 4%.           |
| Industry types:                             | government, fishing.                                  |
| Exports:                                    | (\$19 million) fish, garments and buttons, betel nut. |
| Export market:                              | Japan (80%)   |
| US Imports:                                 | (\$133 million) food, manufactured goods, fuel.       |
| Import sources:                             | US (73%), Japan, Australia.                           |
| External debt:                              | \$111 million.  |

#### Background<sup>7</sup>

2.1 The Federated States of Micronesia (FSM), a country occupying more than one million square miles of the Pacific Ocean with a grouping of 607 small islands, became independent and signed a Compact of Free Association with the United States in 1986. An Amended and Perpetual Compact entered into force in June 2004. Under the Compact of Free Association, FSM controls all domestic and foreign policy with the exception of defence and security, for which the United States is responsible.

2.2 FSM is a confederation of four States – Chuuk, Kosrae, Pohnpei and Yap - which are home to its population of approximately 112,000 people. Each State has its own government, language(s), and identity. Combined with the fact of geography and thus the physical isolation of the country, and the States from each other, this provides another dimension to the developmental challenges confronting the FSM.

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<sup>7</sup> The information contained in this part of the chapter is based on written briefings from the Australian Department of Foreign Affairs and Trade (DFAT) and information in DFAT's website [www.dfat.gov.au](http://www.dfat.gov.au)

2.3 Current challenges facing FSM include: high unemployment, generating secure and meaningful employment opportunities for their young population, a poorly resourced education system, overfishing, overdependence on US aid, and sub-optimal public service management and delivery.

### **Political Overview**

2.4 FSM has an American-style constitution adopted in 1979 which provides for a government composed of an executive branch, a legislative branch and a judicial branch. Each of the four states of the Federation has an elected governor, a lieutenant governor and a unicameral legislature. The National Congress is also unicameral and consists of 10 members elected by popular vote for two-year terms from congressional districts in each state apportioned by population, and four members (one from each state) elected for four-year terms. Both the president and the vice-president are elected by the Congress from among its four-year members and both serve a four-year term. Their congressional seats are then filled by special elections. An appointed cabinet supports the president and vice-president.

2.5 FSM is a confederation with a relatively constitutionally weak central government. Each of FSM's four states has its own constitution, elected legislature and governor. The state governments maintain considerable power, particularly regarding the implementation of budgetary policies. Varying spending priorities among individual states have made it difficult for the Federal government to implement programs uniformly across states so as to achieve certain national goals.

2.6 A priority of the new Presidency is transparent and accountable governance.

### **The Compact of Free Association**

2.7 Under the Compact of Free Association, FSM controls all domestic and foreign policy with the exception of defence and security, for which the United States is responsible. The Compact also provides direct financial assistance from the US for the development of FSM (US\$2 billion provided from 1986 to 2001). Following renegotiations, a second Compact came into force in 2004. The new Compact provides less generous levels of funding, but still equivalent to about US\$1.8 billion over twenty years. That amount includes contributions to a trust fund which, from 2024, will replace direct financial assistance. FSM itself contributed US\$30 million to the trust fund in 2004. From 2007, annual grants from the US to FSM government will decrease each year, while contributions to the trust fund will increase accordingly. The amended Compact also provides for the adoption of new performance requirements. These include new procedures for the specification, tendering, and contracting of major public works. Assistance under the Amended Compact will be distributed via grants in the six sectors of education, health, infrastructure, public sector capacity-building, private sector development and the environment. As well as financial assistance, the Compact also grants FSM citizens access to US federal programs, and favourable provisions for travelling to and working in the United States.

2.8 In response to a diminution in the flow of funding under the new Compact arrangements, the Third FSM Economic Summit, held in 2004, agreed that available expenditure would be targetted at identified priority growth and essential services areas including: health facilities, roads, electricity and airport maintenance. The Summit also encouraged measures designed to inspire strategic domestic and foreign investment, supported by new and/or amended laws and regulations.

### **The Economy**

2.9 The post-World War II economy of FSM has been dominated by the US Trusteeship and subsequently by the financial provisions of the 1986 Compact of Free Association. This has created a government-led economy largely reliant on external grants with only a modest private sector. In 1996, the FSM Government moved to embrace an economic reform program assisted by the international community and institutions such as the Asian Development Bank and aimed at stabilising public finances and removing regulatory obstacles to foreign investment and private sector development.

2.10 The Government is implementing a program of public sector downsizing which seems to account for the contraction in GDP by 3.3 per cent in 2004. The FSM public sector plays a key role in the economy as the administrator of the Compact Funds. The national and state-level governments employ over one-half of the country's workers and provide services accounting for more than 40 per cent of GDP. Nationwide, there has been little movement in real wages over the past decade, and there has been negligible expansion in the number of jobs in the economy. Private sector jobs offer significantly less remuneration than public sector jobs; however, both national and state government salaries continue to fall in real terms.

2.11 The large inflow of foreign assistance to FSM allows it to have a much lighter tax burden than other states in the region (11 per cent of GDP in FSM compared to 18-25 per cent elsewhere).

### **Development potential for fisheries and tourism**

2.12 The fisheries sector is regarded as having the greatest development potential. With an EEZ of 2.5 million square kilometres, FSM bestrides major equatorial tuna migratory paths and the fishing industry has been boosted by the construction of cold storage facilities and processing plants.

2.13 The fishing industry is of significant economic importance with foreign commercial fishing fleets paying over \$20 million annually for the right to operate in FSM territorial waters. These licensing fees provide FSM with almost 30 per cent of its domestic budgetary revenue while the export of marine products (mainly re-exports of fish to Japan) accounts for around 85 per cent of export revenue.

2.14 Tourist attractions include scuba diving, World War II battle sights, and the ancient ruined city of Nan Madol on Pohnpei. The islands receive an estimated 15,000 tourists annually although current levels are lower at around 10,000. Even though the Asian Development Bank identified tourism as one of FSM's highest potential growth industries, the realisation of that potential has been hamstrung by a lack of infrastructure (including roads, power and water) and by limited and costly commercial air connections.



## **Farming and Manufacturing**

2.15 Farming is mainly subsistence, and its importance is declining. The principal crops are coconuts, bananas, betel nuts, cassava, and sweet potatoes. Less than 10 per cent of the formal workforce and less than 7 per cent of export revenue are agricultural.

2.16 Manufacturing is modest, consisting mainly of two garment factories in Yap.

## **Foreign Relations**

2.17 FSM's principal bilateral relationship is with the United States. It has diplomatic missions in Washington, Honolulu, Guam, Tokyo and Suva, a permanent mission to the United Nations in New York, and has diplomatic relations with over 40 countries. There are four resident diplomatic missions in FSM - Australia, United States of America, Peoples Republic of China and Japan.

2.18 FSM became a member of the United Nations in September 1991. FSM has been active in regional affairs, with a focus on environmental issues, fisheries and transportation issues and the economic reform agenda. FSM is a member of the Pacific Islands Forum (it hosted the 1998 Forum meeting) and a number of other regional institutions including the Pacific Community (SPC), Pacific Islands Development Program, Forum Fisheries Agency, South Pacific Regional Environment Program, and the Council of Micronesian Chief Executives.

2.19 FSM is also a member of the Asian Development Bank (ADB), the World Health Organization, the International Civil Aviation Organization, the Economic and Social Commission for Asia and the Pacific (ESCAP), the United Nations Development Program, the Food and Agriculture Organization and the Asia Pacific Parliamentary Union.

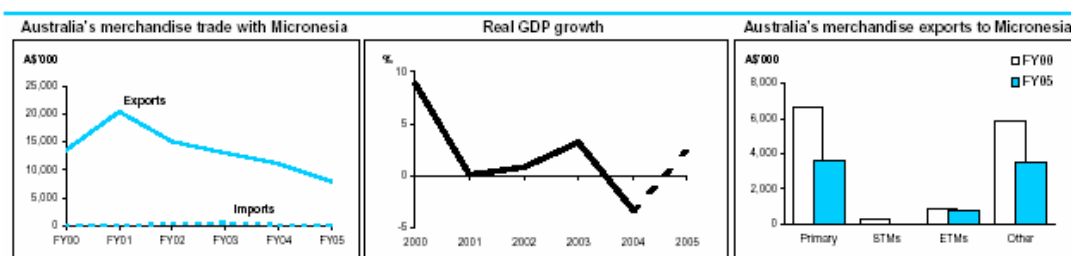
## **Australia-FSM Relations**

2.20 Significant Australian contact with FSM dates back to Australia's participation in the United Nations mission which visited the entities of the Trust Territory of the Pacific Islands in 1973. Australia established diplomatic relations with FSM in July 1987 and the Australian Embassy in Pohnpei was opened in November 1989. Australia continues to enjoy a close and friendly relationship with FSM.

2.21 Australia is one of FSM's main sources of imports after the US. Australian exports to FSM (mainly basic food stuffs) totalled A\$7.9 million in 2004-05. Australia's imports from FSM (mainly engines, ceramic articles and clothing) totalled A\$38,000 in 2004-05.

2.22 Australia first provided small-scale development assistance to FSM in 1979 following the establishment of constitutional self-government. The development assistance program has increased since then and for 2005-06 will total approximately \$1.2 million.

## Australia's trade relationship with Micronesia<sup>8</sup>



### Australia's trade relationship with Micronesia:

#### Major Australian exports\*, 2004-05 (A\$'000):

|                            |       |
|----------------------------|-------|
| Meat prepared or preserved | 1,153 |
| Refined petroleum          | 450   |
| Milk and cream             | 428   |
| Flour of wheat             | 380   |
| Sugars, molasses and honey | 364   |

#### Major Australian imports, 2004-05 (A\$'000):

|                                    |    |
|------------------------------------|----|
| Internal combustion piston engines | 21 |
| Articles of ceramic materials      | 16 |
| Clothing                           | 2  |

\*Includes A\$4m of confidential items and special transactions, 45% of total exports.

#### Australian merchandise trade with Micronesia, 2004-05:

|  |       | Total share: | Rank: | Growth (yoy): |
|--|-------|--------------|-------|---------------|
| Exports to Micronesia (A\$'000):                     | 7,935 | 0.0%         | 119th | -28.8%        |
| Imports from Micronesia (A\$'000):                   | 38    | 0.0%         | 173rd | -82.1%        |
| Total trade (exports + imports) (A\$'000):           | 7,973 | 0.0%         | 141st | -29.8%        |
| Merchandise trade surplus with Micronesia (A\$'000): | 7,897 |              |       |               |

#### Australia's trade in services with Micronesia, 2004:

|  |      | Total share: |
|--|------|--------------|
| Exports of services to Micronesia (A\$m):      | n.a. | n.a.         |
| Imports of services from Micronesia (A\$m):    | n.a. | n.a.         |
| Services trade balance with Micronesia (A\$m): | n.a. |              |

## Meeting with Deputy Secretary of Foreign Affairs, Mr Lorin S Robert

### 4<sup>th</sup> Meeting of the South Pacific Community

2.23 The Delegation reflected on the 4<sup>th</sup> meeting of the Pacific Community, commenting on the positive tone of the meeting.

2.24 The delegation praised the impressive evolution and work of the Pacific Community and the clean bill of health it recently received. This inspired confidence in countries such as Australia to continue supporting the work of SPC.

2.25 The delegation mentioned the critical role of individuals such as Australia's Bob Dunn in contributing to the current robustness of the organisation and made congratulatory remarks about SPC's leadership, referring to the efforts of SPC's outgoing Director General Lourdes Pangelinan and the integrity of the organisation she had left to be handed to her successor.

2.26 The delegation referred to Australia's role in pushing for a rigorous selection process resulting in the appointment of the new Director-General of the SPC, Dr. Jimmie Rodgers.

<sup>8</sup> Source: <http://www.dfat.gov.au/geo/fs/micr.pdf>

2.27 The delegation also noted the remarkable teamwork, determination and commitment to accountability and quality outcomes on the part of those within the SPC.

### **Transit of drugs through FSM**

2.28 The Secretary of Foreign Affairs was keen to emphasise the significant problem of drug shipments going through FSM waters often resulting in packages of cocaine washing ashore. The Secretary said that the area to the north of FSM was a drop off point for drug shipments. In this respect, the Secretary extended his thanks to Australia for the invaluable work of the Patrol Boat Program.

### ***Meeting with the President HE Joseph J Urusemal and Vice-President the Hon Redley Killion***

2.29 The President and Vice-President and Minister of State enthusiastically welcomed the delegation.

2.30 The President recalled that Australia had been the first country to establish a permanent presence in FSM after its independence in 1986 (before the US), and that this had been much appreciated. The President had participated in an FSM Parliamentary visit to Australia in the late 1980s, which he described as a great and valuable experience. The President was especially impressed with the operation of our parliamentary system and its resources. The President hoped that this visit by an Australian Parliamentary delegation marked the beginning of many more visits.

2.31 The Leader of the Delegation mentioned that the delegation would be presenting the Speaker of FSM Congress with an invitation for a reciprocal visit to Australia and that this reflected the growing intensity of the relationship between Australia and the Federated States of Micronesia.

### **Pacific Patrol Boat Program**

2.32 The Leader of the Delegation also commented on how pleased he was to be told by the Attorney General (the Hon Marstella Jack) and the Secretary of Foreign Affairs how valuable the Patrol Boat Program was to FSM.

2.33 The President echoed this praise and asked for continued and increased assistance with the Patrol Boat Program. The President noted that the cost of diesel meant that patrolling could not operate at full capacity.

### **Better governance through more efficient government**

2.34 The delegation asked if the President felt that FSM had too many levels of government. The President responded that this seemed to be the case and that they were looking at rationalising functions in federal and state governments so as to make better use of the available budget. The President indicated that there was some unnecessary and inefficient duplication of functions.

## **The challenge of unemployment**

2.35 The President indicated that one of the key emerging issues for FSM was how to develop and expand its economy so as to meet the challenge of providing meaningful employment for FSM's growing labour force.

## **Food security**

2.36 The delegation noted the significant reliance on food imports and asked if FSM had considered reducing reliance on food imports and engaging in import substitution for certain foods. This would ease budgetary pressures and create employment. The President replied that it was not cost effective and indicated that FSM was at the mercy of the weather.



*Mr Peter Lindsay MP, HE President Joseph J Urusemal, Speaker of FSM Congress Hon Peter Christian and Senator Julian McGauran, Leader of the Delegation.*

## ***Meeting with the Speaker of the FSM Congress, the Hon Peter Christian, and Congress members and State Speakers***

2.37 The Speaker spoke of the burdensome impact of fuel prices rises on the FSM economy, and the problem of the Mobil oil monopoly. The Speaker indicated that the government was exploring the possibility of creating its own petroleum corporation in an effort to inject a greater incentive for competition in the market.

2.38 The problems of air and sea transport in Micronesia, and of the Continental Airlines monopoly were also highlighted as being a concern to the economic development of FSM.

2.39 The members of the meeting expressed their appreciation for the assistance provided by Australia, especially that which is community-oriented such as sports facilities in villages and scholarships.

***Meeting with Mr Drew Wright, Executive Director of the Western and Central Pacific Fisheries Commission (WCPFC), and Mr Bernard Thoulag, Director of the FSM National Oceanic Resource Management Authority***

2.40 Mr Drew Wright, the new executive director of WCPFC provided the delegation with an excellent summary briefing on the significance of the work carried out by the WCPFC.

2.41 The tuna resources of the western and central Pacific are the world's largest and most valuable fisheries of their type and are of significant economic importance to the Pacific island countries through whose waters they migrate. The enforcement of the *Convention on the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean* (the Convention) therefore has particular significance for these states.

2.42 The *Convention on the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean* established a Commission (the Western and Central Pacific Fisheries Commission -WCPFC) to conserve and manage migratory fish resources in the western and central Pacific Ocean. Australia had an active role in negotiating the Convention, recognising the importance of the Convention to the long-term future of Australian and Pacific fisheries. The object and purpose of the Convention is to ensure, through effective management, the long-term conservation and sustainable use of highly migratory fish stocks in the western and central Pacific Ocean.<sup>9</sup> In pursuing these objectives, the Commission's work is guided by the principles of sustainable use, long-term conservation, effective monitoring, control and surveillance and the precautionary approach.

2.43 The world's largest tuna fishery is in FSM. Like other Pacific island countries, FSM relies heavily upon its fishing resources for its national income. The work of the WCPFC seeks to establish effective management of the fisheries in order to secure their long-term sustainability as a resource. Australia has a considerable interest in the economic stability and development of neighbouring Pacific Island countries. Both FSM and Palau have developing economies and the careful and effective management of their fisheries will assist these countries to improve their economic self-reliance. Mr Drew Wright explained that an ecosystem-based fisheries management approach, including for biodiversity in the high seas, is increasingly seen as essential in the Asia-Pacific Region. This is part of a global movement to improve management of ecosystems. The ecosystem-based fisheries management approach, will address the impacts of a heavily industrialised and state-of-the-art fishing fleet on the environment, on coastal communities, on water quality and through by-catch. It also

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<sup>9</sup> <http://www.oceanlaw.net/texts/westpac.htm>

increases the emphasis on recording the total catch whereas up until recently, target species had been the focus of data collection and monitoring.

#### **Australia's bilateral aid program in FSM<sup>10</sup>**

2.44 Australia's bilateral aid to FSM concentrates on governance, scholarships, building up the border-management system, and technical assistance under the Pacific Technical Assistance Facility program. Support for community organisations and government agencies is provided through the Small Grants Scheme. Aid totalled A\$1,217,760 for 2005-06.

#### ***Meeting with Secretary of Health, Education and Social Affairs, the Hon Dr Nena Nena***

2.45 The Secretary of Health, Education and Social Affairs expressed his deep appreciation for AusAID in a variety of health-related areas. For example, the arrival of an Ear Nose and Throat specialist in early November 2005, and scholarships supporting those wishing to study medicine.

2.46 The Secretary also thanked AusAID for funding the National Youth Policy.

2.47 The Secretary enthusiastically reported the preparation by Fr Francis Hezel of a funding request to Australia to assist with a youth suicide prevention program.

#### **Medical Equipment and Equipment Maintenance**

2.48 The Secretary said that FSM was in great need of medical equipment. He also indicated that he would welcome further assistance especially in terms of the maintenance of complex medical equipment and support for the training of persons in this area.

#### **Microcomputer Patient Administration System<sup>11</sup>**

2.49 In 2003, the Small Grants Scheme provided funding of the amount of US\$ 15,000 for a "Microcomputer Patient Administration System". This computerised system (comprising hardware, software and peripherals) improved the management of health care facilities and services at all state Hospitals in FSM. The networking of health information systems improved data flow and sharing of medical records and vital statistics between the four states and the national government.

#### **Teacher Certification and the reinstatement of the Australian Volunteers International Program**

2.50 The Secretary said that quality teaching and educational outcomes was a major issue and challenge for FSM. Currently most of the teachers only have 2 year certification and require a further 2 years of training. This would require volunteer teachers to replace them during their study leave. The Secretary was perplexed by AusAID's decision to stop sending Australian volunteers - through Australian Volunteers International - to FSM.

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<sup>10</sup> The information in this paragraph was taken from the briefing material provided by AusAID

<sup>11</sup> Ibid

#### **2.51 Other issues in need of attention**

- Lack of school facilities such as science labs.
- As in the case of Palau, the elimination of US study programs have noticeably impacted on students.
- Youth suicide.
- The abuse of betel nut and the associated health effects.

#### ***Meeting with Secretary of Economic Affairs, the Hon Akillino Susaia***

##### **Fuel Prices**

2.52 The Secretary of Economic Affairs echoed the concerns raised by the Speaker of the FSM Congress regarding the undesirability of Mobil's oil monopoly in FSM and the generalised negative economic consequences of fuel price increases. He noted that the increased cost of diesel made it difficult to operate the Patrol Boat Program at full capacity.

##### **Consideration of a value added tax (VAT)**

2.53 The Secretary of Economic Affairs discussed the pursuit of revenue reform to help alleviate fiscal constraints. In 2005, the FSM Government and Congress took positive steps to revamp and rationalize the national tax system to improve collections and more fairly distribute the tax burden. Under consideration is the introduction of a value added tax (VAT) to replace the gross revenue tax. A VAT is seen as having the appeal of providing a sound basis for raising overall revenue collection.

2.54 The delegation reflected on the Australian experience and asked whether a goods and services tax (GST) had been considered. The delegation offered a brief summary of the virtues of a GST and how it might best be applied.

##### **Import substitution**

2.55 The Secretary of Economic Affairs also mentioned that FSM was obtaining the advice of a Chinese agriculturalist with regard to what crops might be grown as part of an import substitution strategy. In 2004, as part of the UN Food and Agriculture Organization's Special Program for Food Security, China announced that it would send 36 agricultural experts and technicians specialized in agronomy, irrigation, livestock and fisheries, to eight Pacific island nations, with the aim of contributing to a strengthening of cooperation among developing countries, improving agricultural productivity and securing access to food for all.

##### **Other issues of concern**

2.56 The Secretary of Economic Affairs advised the delegation that the key challenges facing FSM include the high level of unemployment, limited natural resources and limited land available for projects. Associated with the latter point is the problematic nature of the land tenure system.

2.57 The delegation thought it was unfortunate that there appeared to be lack of serious efforts to farm the land and to value farming as an economic activity. The delegation felt that important farming skills and associated employment opportunities and general economic and social benefits were being lost as a result.

### ***Reinforcement of bilateral parliamentary links***

2.58 The Speaker of the FSM Congress, the Hon Peter Christian, hosted a dinner in honour of the delegation, which was attended by the Vice-President, Members of Cabinet, members of the FSM Congress and State Speakers. At that dinner, one aim of the delegation - to maintain and strengthen links between the Australian Parliament and the parliament of FSM - was met when the Leader of the Delegation, Senator Julian McGauran presented the Speaker of the FSM Congress with an official invitation to nominate an FSM parliamentary delegation visit to Australia.

### **Visit to the Pacific Patrol Boat headquarters for a briefing by Royal Australian Navy staff**



*Delegation members, together with Lieutenant Commander Barry Jones and Ambassador Corinne Tomkinson during a visit to the Pacific Patrol Boat headquarters*

2.59 In recognition of FSM's vast EEZ and the importance of the fisheries sector to its long-term economic viability, Australia has provided it with three Pacific Patrol Boats worth A\$18 million and continues to support its maritime surveillance. The 2005-06 Defence Cooperation Program in support of these patrol boats totalled A\$867,000.



## *Inspection of Australian development assistance programs*

### **FSM Weather Service Station - the Sea Level and Climate Change Monitoring SEAFRAME Station**

2.60 This is a 19-year program from 1991-2010, solely funded by Australia, which aims to address concern over the potential greenhouse effect on Pacific climate and sea levels. Automated SEAFRAME (SEA Level Fine Resolution Acoustic Monitoring Equipment) stations have been installed in the Republic of the Marshall Islands (1993) and FSM (2001). One Continuous Global Positioning System (CGPS) station was installed in FSM in 2003.<sup>12</sup>



*Members of the delegation being given a tour of the FSM Weather Service Station facilities*

### **Micronesian Red Cross Society - disaster relief efforts**

2.61 In 2003 and 2005, AusAID provided the Micronesian Red Cross Society with “Disaster Preparedness Container Replenishment” (USD 10,000 in FY 2003 and USD 17,420 in FY2005). This enabled the procurement of supplies to restock the Red Cross disaster preparedness containers in Yap, Chuuk and Pohnpei following devastation wrought by Typhoons Chata’an (in Pohnpei and Chuuk) and Sudal (in Yap).<sup>13</sup>

2.62 The delegation praised the commitment of the volunteers working for the Micronesian Red Cross Society and was impressed at the level of spirit and efforts of

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<sup>12</sup> The information in this paragraph comes from the briefing material provided by AusAID

<sup>13</sup> Ibid

the organisation given the minimal funding with which it was operating. The delegation also noted the need for ongoing funding for disaster relief efforts.

### **Pacific 2020 initiative**

2.63 This Australian-funded initiative examines the economic growth prospects in the Pacific, PNG and Timor-Leste looking ahead to the year 2020. A series of round table meetings were held in Australia and Fiji in June and July 2005, covering political governance, land, the private sector, employment and labour markets, agriculture, fisheries, forestry, tourism and mining and petroleum. Representatives from FSM actively participated in the private sector, tourism and mining and petroleum round tables.<sup>14</sup>

2.64 The delegation was impressed with the insights, knowledge and valuable work of the FSM representatives with whom it met: Mr Larry Adams, Mr James Movick and Mr Del Pangelinan. These representatives explained that more extensive dialogue at a national and regional level was being pursued, working through existing organisations such as local chambers of commerce. They pointed out that in the absence of a full-time secretariat to coordinate and provide synergy between the relevant policy areas and stakeholders, the successful support for and implementation of their plans remained frustrated. They sought support for this endeavour.

2.65 The Pacific 2020 representatives indicated that one of the immediate policy areas in need of attention was education and manpower planning in FSM. In this regard, they said that the recent proposal by Australia for an Australian Technical College for the Pacific was most welcome.

2.66 The representatives also felt that there was a need to make FSM government leaner and to expand employment opportunities in the private sector by strategically targeting certain sectors. Related to this issue was a concern that foreign investment was misplaced. It seemed that foreign businesses were simply duplicating and often unnecessarily replacing local businesses. They felt that the current ADB concept of an open economy was a sub-optimal policy and that it would be better to focus on attracting foreign investment in export-oriented areas.

### **FSM Improved Border Management System**

2.67 This computerized immigration/emigration network provides accurate, comprehensive tracking and reporting of arrivals, departures, movements, overstays and fraudulent travel between and from all four FSM states. Computer hardware (including passport scanners) and specialised border management software are being installed in nine national immigration offices throughout FSM. The total allocation of funding for this project is A\$700,000.

2.68 Mr Mohner Esiel, Chief of Migration, expressed his appreciation for Australia's assistance with this project. He said that this would be especially useful in monitoring the serious overstayer problem that FSM experiences. The system is expected to be completed and operational by mid 2006. They are still waiting on immigration software and require IT training.

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<sup>14</sup> Ibid

### **Pacific Regional Policing Initiative (PRPI)**

2.69 The Pacific Regional Policing Initiative is a 5-year programme jointly funded by Australia and New Zealand. This initiative aims to contribute to a more secure and stable environment in Pacific island countries through strengthening and enhancing the capacity and quality of Pacific policing services. The programme uses a strategically flexible and comprehensive mixture of training, capacity-building and resource development activities. The programme is working with Pacific police agencies at national and regional levels to enhance skills and target capacity in a range of areas including: leadership and executive management, technical policing skills and procedures, police training, forensics and investigation. In-country training for National Police was conducted in 2004 and 2005. FSM, Palau and RMI participate in this program.<sup>15</sup>

2.70 The delegation met with Mr Pius Chotailug (Chief, FSM National Police) and Mr Joe Roby (Chief, Pohnpei State Police). The Chiefs of Police commented on the value of the PRPI and also the police training program which has provided much appreciated valuable skills and experience for FSM police officers, as well as enabling a close and good working relationship to be built with the Australian Federal Police.

2.71 The Chiefs of Police advised that they were seeking to establish a regional forensics crime laboratory in Guam. They would welcome financial and technical assistance for this endeavour.

2.72 The Chiefs of Police were enthusiastic about the participation of FSM in RAMSI - FSM is expected to join the next rotation in February 2006 offering 2-3 officers.

2.73 The Chiefs of Police advised that the most common crimes in FSM seemed to be alcohol-related crimes such as assault and disturbing the peace. They mentioned that FSM does not seem to keep a good record of crime statistics and clean-up rates.



*Ambassador Corinne Tomkinson, Members of the Delegation and Mr Pius Chotailug (Chief, FSM National Police) and Mr Joe Roby (Chief, Pohnpei State Police)*

<sup>15</sup> The information relating to the PRPI was taken from the briefing material provided by AusAID

### **FSM Electronic Voter Registration project**

2.74 National elections are held in FSM once every two years. The next election will be held in 2007. FSM has approximately 84,000 registered voters.

2.75 Computer hardware and specialised electoral software were installed in nine national and state election offices by the Australian Election Commission (AEC) in 2003. AEC technical advisers also provided training to national and state election staff. A 2005 follow-on mission upgraded the voter registration software, provided updated training and addressed many IT issues. The total expenditure provided by Australia for this project had, at the time of the visit, reached AU \$349,273.<sup>16</sup>

2.76 Mr Pernel Edward, FSM Election Director praised the new computerised system and the training provided by the AEC. Mr Edward explained the system's role in efficiently and confidently registering approximately 5000 new voters. The system had also been valuable in identifying a significant number of duplicate voters.

2.77 The delegation was impressed with FSM's plan to issue photo identity cards (containing social security and health insurance numbers) for the whole of its population.

### **Conclusions and Recommendations**

2.78 The delegation's visit to the Federated States of Micronesia was very successful and the delegation feels that the aims and objectives of the visit were met. The delegation was warmly received, and had the opportunity to discuss a range of issues with key FSM political leaders, NGO workers and business leaders.

2.79 The visit was beneficial in improving the delegation's understanding of the political, economic and social challenges facing FSM.

2.80 The delegation noted the value of the overseas development assistance provided by Australia and its continued importance.

2.81 Once again, the delegation noted the invaluable work of the Pacific Patrol Boat Program in FSM. The delegation also noted the impressively high maintenance standards for the patrol boats in the FSM. It was very evident to the delegation that the local officers and men who crewed the boats took great pride in their fleet.

2.82 The delegation encourages the Australian Government to give consideration to the following issues arising out of the delegation's visit:

- The delegation appreciates the valuable role that Australian volunteers have played in FSM's education sector in the past. Currently most of the teachers only have 2-year certification and require a further 2 years of training. This would require volunteer teachers to replace them during their study leave. The

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<sup>16</sup> Ibid

Delegation believes that the return of Australian volunteers through Australian Volunteers International is particularly important given the teacher shortage which FSM will experience as many of their teaching staff take study leave.

- The Delegation acknowledges the importance of contributing to the integrity of FSM's education system as one of the touchstones for securing positive future development outcomes. The delegation notes the imperative of establishing a technical college for the South Pacific. The delegation also notes that there was no objection expressed in either Palau or the FSM for having such a college located in Australia. The Delegation recommends the continuation of bilateral aid targeting education and technical skills training, as well as school facilities.
- As part of planning for a contraction in Compact disbursements, FSM necessarily faces a search for efficiencies in the public sector and a corresponding contraction in employment opportunities in that sector. The imperative of providing a context conducive to expanding private sector activity underlines the continued importance of supporting the work of the Pacific 2020 initiative.
- The Delegation recognises the important work of the Micronesian Red Cross Society and supports the continued funding of its disaster relief activities.

## **APPENDIX ONE**

Below is the full text of the keynote address delivered by HIS EXCELLENCY TOMMY ESANG REMENGESAU, JR., PRESIDENT OF THE REPUBLIC OF PALAU at the opening of the 4th Pacific Community Conference on Friday, November 18, 2005.

Heads of States, Heads of Governments, Ministers, Heads of Delegations, Representatives of SPC's 26 member countries and territories, Representatives from International and Regional Agencies, Representatives from our development partners and the international community, representatives from the private sector and civil society, representatives of the media, Director General of the SPC and your team, invited guests, ladies and gentlemen.

In the languages of the Pacific, Ha'afadai, Bula vinaka, Kia Orana, Malo lelei, Talofa Lava, Fakalofa Lahi atu, Mauri, Talofa, Hamamas, oraet nomore, Bienvenue, giddy, welcome, Alli and Ungil tutau to our distinguished guests from the Pacific nations and beyond, here gathered for the opening of this, the 4th Conference of the Pacific Community, in Koror, Palau.

As the President of the Republic of Palau, and your host for this historic event, please allow me to formally welcome you all to our shores. Palau is honoured that you have accepted my government's offer to host the 4th Conference of the Pacific Community. We are honoured by your presence and I hope that your stay in Palau will not only be an enjoyable and memorable one, but more importantly, it is my hope that the outcomes of our deliberations at this conference will help shape the region's journey into the future, and in particular the role that this great organisation, our very own organisation, the SPC will play, in helping shape that future – a future so important for the future generations of Pacific Islands people.

The people of Palau are truly honoured and privileged that our great ship, the Secretariat of the Pacific Community, in its journey around the Pacific has decided to weigh anchor at the Port of Palau, one of her northern most constituencies for the fourth gathering of its governing body. This is the first time that my country has hosted the highest decision-making body of this grand organization.

Despite this being our first time to host the SPC conference however, this is not the first time the Conference has been held in Micronesia. Saipan stands in the annals of SPC as the venue that has influenced the direction of the organisation over the past two and a half decades.

For those that have followed the SPC history, it was historic 1983 Saipan Conference that changed the membership status of SPC forever. At that meeting, Conference decided to extend full and equal membership to all Pacific island countries and territories in the area served by SPC.

That historic decision offered Micronesia the opportunity to interact fully and on an equal footing with our brothers and sisters from the rest of the Pacific. Thirteen years later in 1996, Saipan again made history because the SPC conference that year charted the new direction for SPC in Pacific regional development and charged the

organisation with a new vision centered around the ‘safeguarding’ the livelihoods of Pacific people.

The fiftieth Anniversary Conference in Canberra in 1997 made another landmark decision by changing the name of the organisation from ‘South Pacific Commission’ to the Pacific Community. This decision, simple as it seemed, had tremendous positive impact on the northern members of the organisation. It removed the shackles of uncertainty and doubt, that despite the historic 1983 decision of full and equal membership, the northern members were not visible in the name of organisation. The 1997 name-change transformed not just the organisation, but what the organisation was about, SPC was finally a ‘pan-pacific organisation’ not only in deeds, but also in name. It was fitting that the name change took place at the city of the organization’s birth, Canberra, Australia. This organization had truly become ours – a fact resoundingly conveyed by the recent corporate review of the organisation.

Allow me now for a minute to say a few words on behalf of Micronesia. The Micronesian Governments, as a whole, are extremely pleased at what we perceive to be a steady increase in the range of services that members of the Council of Regional Organisations of the Pacific (CROP and particularly SPC are doing with and for the northern Pacific region. Benefiting from these services in a spirit of partnership can only lead to the stability and progress of the Pacific region and our people. The future of our region requires that our people be secure, prosperous and healthy. In the vast Pacific region in which we live, it requires partnerships, recognition of what we can do with and for each other, as individual countries, collectively as one people, from one region. The people of the Northern Pacific countries and territories can play a key role to help enhance regional security, stability and prosperity in partnership with SPC and other CROP agencies such as the Pacific Islands Forum Secretariat.

Let me now refer briefly to the ‘Pacific Plan for strengthening Regional Cooperation and Integration’ that was endorsed by Pacific Forum Leaders in Papua New Guinea last month in the light of this new regionalism – of mutual recognition and partnership. The Forum leaders had the foresight to recognize that regional cooperation and integration are at the heart of their vision of a region that:

>>> can be a region of peace, harmony, security and economic prosperity where all of its people can lead free and worthwhile live;

>>> treasures the diversity of the Pacific and seek a future in which its cultures, traditions and religious beliefs are valued, honoured and developed,

>>> is respected for the quality of its governance, the sustainable management of its resources, the full observance of democratic values, and for its defence and promotion of human rights, and

>>> strengthens partnerships with our neighbours and beyond to develop our knowledge, to improve our communications and to ensure a sustainable economic existence for all.”

I am very happy to note that SPC has had considerable input into the development process of the Pacific Plan and that, throughout its development, SPC has placed particular emphasis on ensuring that the non-Forum members of SPC are included in the consultation process. This consultation is essential if the Plan is to weave the

region closer together, as it proposes to do. In particular, the proposed new Forum policy on associate membership at the Pacific Islands Forum Secretariat is one of great interest to SPC members that are not members of the Forum. Now that it has been formally adopted by the Forum Leaders, a new opportunity exists for even closer cooperation between our territories and Forum Secretariat.

We also look forward to the discussions at this Conference on the consultation report of the independent review of regional institutions in the Pacific, commissioned by the Forum secretariat, as part of the Pacific Plan process with particular reference to strengthening the capability of regional institutions to work more closely together.

We recognize the lead role SPC has taken to help Pacific countries and territories better utilize the Millennium Development Goals in the Pacific and enhance our capacity to assess and monitor social development in the region. The MDGs were adopted by the international community, including SPC members through the Millennium Declaration in 2000. The MDG goals and their associated targets can become effective planning devices to fight hardship and poverty, which is being experienced in an increasing number of Pacific Island Countries and Territories, and to address other emerging problems such as gender equality, child mortality and maternal health, HIV/AIDS, environmental sustainability and global partnership for development.

Responding to emerging challenges is a constant feature of SPC's assistance to the region. SPC is widely regarded by its members as the best available source of technical assistance for meeting their development objectives. We therefore welcome SPC's efforts and success in producing the Pacific Islands MDG Report and in setting up an MDG task force to strengthen our abilities to integrate MDGs into our National Plans and to meet our international commitments. This concrete assistance, cutting across all SPC programs, is extremely valuable to us and can only lead to improved standards of living and security in our region.

Indeed, we recognize that SPC has become the leader in many of the sectors it works in through the technical and policy advice it provides to its members. Of particular interest to members is the SPC assistance in the development of regional sectoral policy frameworks and strategic plans. This assistance is particularly effective demonstrating the extent of SPC's knowledge of these issues and its proven record in the delivery of concrete services.

In addition to other issues I have already mentioned, I take particular interest in a number of emerging issues on the agenda of this Conference, including the preparedness plans for pandemics such as to counter the threat posed by Avian Influenza, the proposed HIV/AIDS Pacific Regional Strategy Implementation Plan for 2004-2008, the Framework Convention on Tobacco Control and its proposed endorsement at the Pacific Community regional level, the growing impact of non-communicable diseases, the proposal for a Pacific Health Fund, the concept proposal for an integrated SPC statistical information service, the new Pacific Islands Regional Ocean Policy process, the impacts of tuna fisheries, and the conservation and management of straddling fish stocks.

The Palauan people pride themselves in their protective stance towards the marine environment. Palau is known around the world as a policy-leader in environmental protection, not only on land but more particularly in our seas. We have just taken up



co-Chairship of the International Coral Reef Initiative and two weeks ago we hosted the International Coral Reef Initiative Meeting. Recently, we have been particularly concerned about the environmental risk posed by unregulated high seas bottom trawling, particularly to seamounts, and have conveyed this concern both to the United Nations and the Pacific Islands Forum.

We hope that this Conference will agree that it is necessary to take concerted regional action which will make this threat legally controllable, and will agree that the SPC Secretariat start working on the issue, in partnership with the Forum Fisheries Agency, as suggested by the Pacific Islands Forum.

I also hope that the Conference will agree to convey regional worries about high seas bottom trawling and threats to the biodiversity of seamounts to the UN General Assembly when it next debates the issue.

With respect to the impacts of tuna fisheries, we are also concerned to note that the indicators for the regional stock of bigeye tuna remain pessimistic and that those for yellowfin tuna are now triggering warnings. We need to manage these regional resources wisely for the future of our children.

We also recognize that the Pacific is a maritime region with approximately 98 percent of its total area of more than 33 million square kilometers covered with water. All Pacific island countries and territories without exception rely almost totally on sea transport for their trade, their survival. This is one area that best demonstrates the inappropriateness of the term 'level playing field', in that despite the smallness of Pacific island nations, the application of such IMO conventions as the STCW 95 and the ISPS Code apply equally to our tiny countries as they do to the large, well developed metropolitan countries. I wish to recognize the sterling work performed by the regional maritime programme of the SPC and the development partners supporting the programme; their contributions ensure Pacific Island countries are still on the shipping charts and routes. This is one area where the impact of such assistance is immediate, and the livelihoods of every person living in Pacific island nations is safeguarded.

On another health front, the region faces new challenges. Because of our proximity to Asia, we are at risk of being affected by a possible avian influenza pandemic. The problem is already widespread in South East Asia. This risk is real. All countries need to develop pandemic preparedness plans. No country can fight this influenza on their own; it requires a global response and for the Pacific a 'pan-Pacific' response.

We welcome the preparedness measures put in place by SPC through the Pacific Public Health Surveillance Network, and in particular the early warning system through well-established regional electronic lists, the diagnostic methods put into place to verify and confirm the threat through a regional network of laboratories, the development and training of national EpiNet response teams in the region and the development of guidelines for target diseases to re-enforce the national capacity of SPC members.

As the President of Palau, I know that collaboration and partnerships with governments, NGOs and regional partners are key elements of effective surveillance. Because of SPC's wide membership, the cross-cutting partnerships and linkages developed by the Secretariat offer us all true opportunities for international

collaboration and additional services. For instance, within the context of the Pacific Public Health Surveillance Network that provides technical assistance in public health surveillance, outbreak investigation and communicable disease epidemiology, we value SPC's close collaboration with WHO, the Fiji School of Medicine, the Global Fund, and the US Centers for Disease Control as well as with the French Institut Pasteur, in addressing epidemic diseases such as influenza, tuberculosis, malaria, HIV/AIDS and STIs. We also recognize also the recent commitments of resources by our development partners to help the Pacific prepare for possible incursion of the influenza virus to our shores. These types of collaborations breed success!

Infectious diseases such as HIV/AIDS and STIs or tuberculosis, together with non-communicable diseases such as diabetes, cardiovascular disease and obesity, pose a significant threat to the security of our individual countries, as well as to the Pacific as a whole. As President of this nation, I give particular attention to the possible economic, social and cultural implications and impacts that these diseases can have on my people. These diseases are a major concern, because they not only impact on the health and well-being of individuals but also significantly influence the future social and economic development of our island nations. Because they damage the social and economic fabric of our traditional societies, they largely contribute to political, social and economic instability, and are a factor of national and regional insecurity.

I therefore welcome the assistance of SPC's Public Health Program to strengthen our capacity for an effective and sustainable multi-sectoral response, particularly in the areas of epidemic surveillance, HIV/AIDS, tuberculosis and malaria, as well in the areas of tobacco and alcohol control, obesity and fitness, diabetes, heart and cardiovascular disease.

Most of us in the region find ourselves in the unfortunate position of having significant rates of both infectious and non-communicable diseases, a situation that complicates the provision of health care for our populations. I am therefore greatly encouraged to see on the agenda of this Conference items such as the HIV/AIDS Pacific Regional Strategy Implementation Plan, the Framework Convention on Tobacco Control and the concept of a Pacific Health Fund. I encourage you all to take an active part in these debates and to provide a coherent and coordinated response to these diseases. As the leaders and planners of the Pacific, we must strive to make our islands "healthy islands" for our people and particularly our youth.

This was one of the central ideas during the Ninth Festival of Pacific Arts that we were truly honored to host in 2004. It was very important to us that this Festival of 2,500 performers from across the entire Pacific and some 4,000 members of the public, remained "safe" and that participants and visitors protect themselves from HIV and other STIs. Palau, as the host country, and in collaboration with SPC, saw this Festival as a perfect opportunity for close cooperation between organizations and countries, to raise awareness not only of the Festival itself and of our rich cultures, but also of plant and human diseases in our region.

Palau is particularly appreciative of the valuable assistance of SPC's cultural Affairs Program in helping us organize and document this immense event, and promote the Festival and Palau in the world through well-planned daily media coverage during the event. The SPC Regional Media Centre, the Public Health, Translation/Interpretation, and Agriculture and Quarantine Programs also helped us considerably. The integrated

SPC response between its Cultural Affairs and these other Programs helped us to develop and distribute a variety of well-targeted information and education materials, survey and evaluate these materials, and promote the Festival, in close collaboration with UNAIDS/UNICEF, the Palau Community Planning Group, the Milad 'L Dil Women's Organization of Palau, and the Palau Ministry of Health. For me, as President of this nation, it is a very encouraging and successful example of close and integrated cooperation and sharing between different stakeholders; and I want to thank SPC and its Cultural Affairs Program very warmly for this.

National governments and administrations have to rely on the kind of regional assistance and expertise that SPC provides to tackle regional issues that affect us all. For this reason, I am particularly interested in the new integrated approach in crops, animals and forests, of the SPC Land Resources Division.

I acknowledge the increasing presence of the SPC LRD in the Northern Pacific over the last 15 years. Several useful outcomes are evident including more effective border control that prevents incursion of dangerous exotic pests and diseases as well as in biosecurity policies and legislations that are harmonized with International standards to facilitate trade.

I also take note of the work carried out in germplasm and biotechnology at the regional level and of new services available to members in developing their national agriculture and forestry related policies. This is precisely the kind of policy assistance that governments of the region value and that SPC is in the best position to provide. I am also encouraged to see that the restructured Land Resources Division is going to specifically target youth to make use of opportunities in the agriculture and forestry sectors. This is a very important initiative as we see more and more of our youth moving away from agriculture into more glamorous and lucrative positions or sectors. We must see our youth not as liabilities but as real stakeholders and partners in and beneficiaries of development. However, for young people to truly benefit from sectoral initiatives or issues, they must be actively involved in developing and strengthening these development sectors.

This brings me to the theme of this Conference: "Youth empowerment for a Secure and Prosperous and Sustainable Future". This theme was chosen by Palau in consultation with SPC, because we believe that we need to empower our young people now if our region is going to be safe and prosperous. I have a personal interest in this topic, as I had the honor of being the youngest Senator ever elected to the Palau National congress and the youngest Palauan ever elected to the Office of Vice-President and then of the President. I believe that it is not mere words to say that 'our youth are our future', but we must put our words into action. This is our challenge. I invite you all to take an active part in the discussion on this theme and exchange ideas and experiences on national and regional programs, so that we can reach a concrete outcome.

Our actions today will need to focus on providing young people with opportunities to actively contribute to building the future of our nations. We may need a new way of thinking, or a new way of doing things, the bottom-line is our young people, our youths are too important to neglect. Their issues are our issues. Their future is our collective responsibility. We must act, appropriately and aptly for it is the future of our children that is at stake. I am confident that we can all do our part now and that

we can adopt a “Koror Statement on Youth Empowerment for a Secure, Prosperous and Sustainable Future” that will be both visionary and concrete.

I’m also most delighted to note that the Koror Statement accompanied by the draft Pacific Youth Strategy 2010 will guide the deliberations of the 2nd Conference of Youth Ministers of the Pacific Community to be held in Papua New Guinea next month. I look forward to seeing the final outcome of their deliberations with the confidence that the Youth Ministers will deliver a tangible framework for youth development in the Pacific region to the year 2010 and beyond.

SPC is now in transition as we appoint a new Director-General who will select a new Executive Team. I am confident that we will make the best collective decision for the region and for the organisation and that we will appoint a worthy Director-General to succeed Ms Lourdes Pangelinan of Guam. I am particularly proud of the work carried out by this daughter of Micronesia during her three mandates at the helm of SPC. On behalf of us all, I extend to Ms Pangelinan our heartfelt gratitude and thanks for her dedicated service and for the heart and soul she injected into this organization, to ensure that it responds to and anticipates the needs of the region and emerging challenges.

We are also at the crossroads of new corporate directions with the conduct of the SPC Corporate Review conducted at the request of Conference. The review team was headed by Senator Caleb Otto of my country, and I would like to thank him and the review team for a job well-done. I am heartened to know from the review that SPC is a strong and valued regional organization and that it has continued to adapt to changing needs and provide excellent service to its membership. This is a tribute to the vision and leadership of the outgoing Director-General Lourdes Pangelinan supported by her executive team, Senior Deputy Jimmie Rogers and Deputy Yves Corbel. Let me thank them all on your behalf.

Naturally, as in all such reviews, there are suggestions on areas for further improvement. I trust that we can discuss these recommendations fully and provide effective guidance to the new leadership of this organization.

In closing, let me invite you in thinking about our region, to address how we can strategically position our countries and territories to engage more effectively with each other and with the international community for a secure and prosperous future we all aspire for. Let us consider how we can realize the developmental potential of our young people in our countries and territories. Let us further consider that as leaders and decision-makers of current generation of Pacific island people, our decisions today will impact not only the upon the lives of our people today, but will determine what kind of a future we leave for future generations of our children. In all that, let us consider how our organisation, the SPC and other CROP agencies can position themselves to more effectively assist our people in responding to the challenges facing our countries and territories, some of which I have highlighted in my address.

Ultimately, the main question for us to consider is ‘what legacy do we as leaders and decision-makers of today want to leave behind for our children, our people for the future? How do we want to be remembered? I am sure you will all agree with me, that we would like to leave a legacy that future generations of Pacific Islands people, will look back and say, ‘their decisions and sacrifices made it possible’ for us to benefit

from the resources of our region. The Pacific region is at the cross-roads of development.

The theme of this Conference is about the future of our children, their involvement, and their survival. I encourage you all during the course of this conference to dig deep, draw from your inner strength and wisdom, and help chart the path for our region and our great ship the SPC to follow to better address and assist our countries and territories in the areas that we have entrusted to their confidence.

Finally allow me to thank you most sincerely for allowing me some time to share these thoughts with you. May God bless and guide your deliberations, may He grant you knowledge and wisdom, as find solutions that will uplift the people of the Pacific region.

## APPENDIX TWO

### DELEGATION PROGRAM

#### Palau:

##### Thursday, 17 November 2005

- 0900 Call on the Hon Temmy Shmull, Minister of State
- 0930 Call on HE Tommy E Remengesau, President of Palau, and the Hon Elias C Chin, Vice-President/Minister for Justice
- 1015 Call on the Hon Victor Yano, Minister of Health, and the Hon Mario Katosang, Minister of Education
- 1100 Visit to Pacific Patrol Boat Headquarters. Meeting with Commander Matt Brown
- 1230 Lunch with Royal Australian Navy staff
- 1700 Official Opening Ceremony of the 4<sup>th</sup> Conference of the Pacific Community
- 1830 Cocktail Reception hosted by the President of Palau and the SPC Director-General

##### Friday, 18 November 2005

- 0900 Opening report of the 35<sup>th</sup> Meeting of CRGA by the Chairperson, Financial Year 2006 Budget, SPC Corporate Review
- 1030 Thematic Discussion Regional Policies and Interagency Cooperation  
*“Youth Empowerment for Secure, Prosperous and Sustainable Future”*
- 1530 Appointment of a new Director-General  
Year 2007 Conference Statements by Observers Adoption of Conference Declaration
- 1800 Farewell Reception, hosted by the Chairperson of Conference and SPC Director-General at the Ngara Amayong Cultural Centre, Koror

**Saturday, 19 November 2005**

1900 Dinner function at Aussie Acres

**Sunday, 20 November 2005**

945 Tour of Palau International Coral Reef Centre

1100 Tour of Palau National Museum

1900 Dinner hosted by former Vice-President, Mrs Sandra Pierantozzi

**Federated States of Micronesia:**

**Monday, 21 November 2005**

1830 Informal Meeting with the Hon Marstella Jack, FSM Attorney General

**Tuesday, 22 November 2005**

0900 Call on Lorin S Robert, Deputy Secretary of Foreign Affairs

0930 Call on the President, HE Joseph J. Urusemal, and Vice-President, the Hon Redley Killion

1030 Call on the Speaker of FSM Congress, the Hon Peter Christian, and other members of Congress

1200 to 1400 Lunch at South Park Hotel with Mr Drew Wright, Director Western and Central Pacific Fisheries Commission (WCPFC), Mr Bernard Thoulag Executive Director, FSM National Oceanic Resource Management Authority (NOPRMA).

1430 Call on the Hon Dr Nena Nena, Secretary of Health, Education and Social Affairs

1500 Call on the Hon Nick Andon, Secretary of Finance and Administration

1530 Call on the Hon Akillino Susaia, Secretary of Economic Affairs

1830 Reception hosted by the Hon Peter Christian, Speaker of the FSM Congress

**Wednesday, 23 November 2005**

- 0900 Visit to the FSM Weather Service Station – Sea Level and Climate Monitoring SEAFRAME Station. Meeting with A/g Station Manager, Mrs Caroline Adams, Weather Service Specialist
- 0930 Visit to Pacific Patrol Boat Headquarters. Meeting with Commander Robert Malwerang and Lieutenant Commander Barry Jones.
- 1030 Call on Micronesian Red Cross Society. Meeting to discuss disaster relief issues.
- 1100 Meeting with FSM delegates to the Pacific 2020 Roundtable – Mr Del Pangelinan, Mr Larry Adams, Mr James Movick.
- 1200 Lunch with HE Suzanne Hale, US Ambassador to FSM, Fr Francis Hezel (Micronesian Seminar think-tank) and Ms Jennifer Barnett, Australian lawyer at FSM Congress
- 1500 Call on FSM National Election Commission. Meeting with Mr Mohner Esiel, Chief of Immigration.
- 1530 Call on FSM and Pohnpei Chiefs of Police, Chief Pius Chotailug and Chief Joe Roby.
- 1615 Call on FSM National Election Commission. Meeting with Mr Pernel Edward, FSM Election Director.
- 1830 Dinner hosted by Australian Ambassador Corinne Tomkinson.