

Jobs And The Economy: It's Only Going To Get Worse

The U.S. has been funnelling billions of dollars to Micronesian nations since 1986. That money is very likely going to dry up in just eight years. Then what?

OCTOBER 27, 2015 • BY CHAD BLAIR

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A typical store on Chuuk. Photo by Mark Edward Harris



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Pete Mesley runs a diving operation on Weno Island, one of the islands that make up Chuuk which, thanks to a U.S. Navy attack in February 1944 on Japan's Imperial troops, has gained an international reputation as the "wreck-diving capital of the world."

Operation Hailstorm destroyed some 300 Japanese aircraft and ships, many of them in Chuuk Lagoon, then known as Truk. Today, more than 60 of the wrecks remain at the bottom of the lagoon, including a submarine that participated in the 1941 Japanese attack on Pearl Harbor.

Mesley is happily staying afloat taking visitors to the graveyard of sunken ships. But the diving business is a lonely bright spot in an otherwise gloomy economic picture.

Rocky Road Ahead

The waters are calm and warm, and the most popular dive sites are a short boat ride from the Blue Lagoon Resort, which sits in a gated compound at the southern tip of Weno Island.

Tourists from Europe, Australia, New Zealand, Japan and North America are willing to endure sometimes long and expensive plane rides to witness history up close and underwater. Afterward, they can enjoy a meal of fish and chips and a cold bottle of Victoria Bitters in the air-conditioned hotel restaurant, which, like all 54 rooms at the resort, has an ocean view. Well-heeled guests over the years have

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rooms at the resort, has an ocean view. well-reeled guests over the years have included "Titanic" actor Bill Paxton and director James Cameron, John F. Kennedy Jr. and Shawn Weatherly, Miss Universe in 1980.



An employee at the Blue Lagoon Resort's dive shop knows how to greet a visitor from Hawaii.

Diving and tour boats are among the only businesses doing well in much of Micronesia.

But there is little else that most tourists to Chuuk are likely to enjoy.

"Despite its dive charms, Chuuk is not among Micronesia's safe islands," the tour guidebook Lonely Planet warns potential visitors. "A high unemployment rate, combined with general languor and plenty of black market alcohol, means that young men idle on the streets all day — and making catcalls is one of their tamer diversions. Male and female travelers alike should under no circumstances venture out after dark, even in a car."



WATCH VIDEO *Take a drive along the main road on Weno island, a rough ride that locals say terrifies tourists. Video by Mark Edward Harris*

It's not like cars make things easier in Weno. The condition of Weno's main road, which connects the resort to the town and the airport, has been so bad at times that a car ride that should only take a few minutes typically took 30. Cars can travel only a few miles an hour in order to navigate giant potholes that are often filled with rainwater.

"You could imagine the first impression coming in," says Mesley. "Everyone knows it's a Third World out here, but that road just scares the bejesus out of them."



8. 'Island Style'

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Gradvin Aisek and his son, Tryfin Aisek, at the Blue Lagoon Resort dive shop museum.

The Blue Lagoon resort opened in the 1970s by Kimiuro Aisek, a Chuukese who witnessed the U.S. attack on Japanese-occupied Chuuk in 1942. The resort is also doing relatively well, and with more than 100 employees, it's one of the largest businesses in Chuuk. But Tryfin Aisek, who now helps with the family business, says tourism hasn't picked up as a form of economic industry in Chuuk, hastening the out-migration to America.

"People leave, and I understand why they leave," says Aisek, who went to college in Hawaii and worked double jobs to pay for expenses there. "They try to find better living for family and themselves."

That's why some 6,000 miles away near Portland, Oregon, about two dozen young people from Micronesia cheered on their new home team, the University of Oregon Ducks, at the Pub 181 sports bar last January.

This particular group is from Pingelap, which is part of Pohnpei and also in the Federated States of Micronesia, but they are right at home amidst the Pacific Northwest crowd that has gathered for the college football championship game against the Ohio State Buckeyes.

"Ohio suck-eyes," one Pingelapese shouts during a big play.



Mark Edward Harris/Civil Beat



Immigrants from Pingelap in Pohnpei have found jobs and a favorite football team near Portland, Oregon. From left: Doreen Iehsi Clark, Thelma Solomon, Merlyn Yens, Yoko Ezikiel and Nihna Fred.

Lots Of Jobs In America

Smyther Clark says nearly 300 of his fellow islanders live and work in the area, including at printing and microchip companies in Portland. Clark works at another Portland business, Simplex Aerospace, where he is an electronics and avionics engineer who works on helicopters. The wages are decent enough, he says, that he can pay his bills.

Like Clark, the Pingalepese have come to the mainland U.S. because there are no jobs back home. Here in Oregon, Micronesians work for the state government and at the universities, in big box stores like Costco and Wal-Mart, at NORPAC Foods, which packs and sells frozen foods, and in fishing canneries. Many work in the health care industry, including as home caregivers. And some also go to work in Alaska during commercial fishing seasons.

"Some people came for a better life," says Clark, who guesses that there are only about 100 people still living on his home atoll. "Living in America, it's not bad, but I would rather live in Pingalap where the lifestyle is easy. You don't have to wake up and go to work. Here, everyone just keeps on going."

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Cory Lum/Civil Beat

"When we come here, it's not just that we're going to a foreign place, we're actually going to our friends' place."

— Dr. Sheldon Riklon

Contributing to America

Sheldon Riklon, a Marshallese doctor at the University of Hawaii medical school.

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But that idyllic island life isn't easy for everyone. Micronesia is home to extreme poverty, significant substance and alcohol abuse, high rates of diabetes and other serious medical problems that can't be alleviated because medical facilities are lacking or inadequate.

For Giff Johnson, the editor of the newspaper in Majuro, the subject of looming [social and economic disaster](#) is a frequent topic. For him, the exodus from Micronesia is undermining any chance the islands have of saving themselves.

Not only is a serious brain-drain happening — he says the out-migration is as high as 40 percent of the Federated States and Marshall Islands — but, increasingly, crowded urban centers like Majuro are facing numerous challenges including access to basic services such as education, health care and clean water.

Majuro, the capital of the Republic of the Marshall Islands, has enjoyed pockets of significant economic growth, but abandoned structures still dot the landscape and drainage problems from so-called “king tides” have inundated streets.

Although the U.S. gives millions of dollars to the COFA nations every year, most of the aid is slated to end in 2023, making the problems cited by Johnson and others worse. In the next eight years, more islanders are predicted to follow Clark and his fellow Ducks fans to the U.S., where life often offers more of a future than what they've left behind.



A Chuukese child in Pohnpei. Poverty is pervasive throughout the region and it's hard to see what billions of dollars in federal aid has accomplished.

But the exodus is already having serious financial consequences far beyond the region's borders.

Hawaii and Guam have taken the brunt of the new residents and public officials are seriously worried that their budgets will be stretched even more.

Already, Hawaii spends \$163 million annually on its COFA residents, most of it for education, health care and social services. Guam alone — where about 20,000 Micronesians have re-located — has spent more than \$1 billion in the past 30 years on immigrants from the islands. In 2014 alone the cost to the Guam treasury was \$144 million.

Weak And Getting Weaker

Under the 1986 Compact of Free Association, Micronesians are free to emigrate to the United States and its territories. In exchange, the U.S. gets control over more than 2 million square miles of Micronesia and surrounding ocean.

All COFA nations use the U.S. dollar as their currency, an indication of how closely tied each economy is to America. The Federated States and the Marshall Islands economies are weaker, however, making them especially dependent on U.S. financial assistance.

Both countries may be especially vulnerable to a dramatic downturn if and when the federal funnel runs dry.

The Federated States receive more than \$107 million annually in direct assistance — or about half of the \$214 million in revenue it posted in 2013.

For the Marshalls, U.S. direct assistance is about \$70 million each year through COFA — or about 60 percent of the \$117 million it reported in revenue in 2013.

FY 2016 Budget at a Glance for the COFA Nations

Compact of Free Association	2014 Actual	2015 Enacted	2016 Request
Marshall Islands	\$71,526,000	\$74,336,000	\$76,536,000
Federated States of Micronesia	\$107,950,000	\$107,710,000	\$110,902,000
Palau	\$0	\$0	\$40,829,000
Hawaii, Guam, Territories	\$30,000,000	\$30,000,000	\$30,000,000

Source: U.S. Department of the Interior, 2015.

The U.S. Office of Insular Affairs' latest budget requests \$111 million for the Federated States, \$76.5 million for the Marshall Islands and \$41 million for the Republic of Palau.

In 2023, COFA trust funds — which the U.S. established in 2003 and which the COFA nations themselves make contributions to — are supposed to supplant U.S. direct aid. But the funds took a hit during the global financial crisis of 2007 and 2008, and current projections are that they will be woefully short by 2023.

The government of the Marshall Islands announced last week it had just dumped another \$650,000 into its trust fund. That along with a U.S. government contribution in 2015 of \$14.5 million and another \$2.4 million from Taiwan brings the total in the Marshall Islands fund to more than \$240 million, the Marshalls government reported.

The Federated States' trust fund is currently valued at \$280 million.

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▶ LISTEN Charles Paul, the ambassador to the U.S. from the Marshall Islands doesn't believe his nation can survive without American aid.

Without more help from the U.S., Charles Paul, the Marshall Islands' ambassador in Washington, D.C., has little expectation that his country can survive on its own.

Paul wants the U.S. government to beef up the money it is putting into the trust funds. While the Micronesian nations also contribute funds, the U.S. already puts in the lion's share. In the Marshall Islands' fund, 73 percent of contributions are from the U.S. In the Federated States, the U.S. share is 90 percent.

It's unlikely, Paul acknowledges, that the U.S. will do more. "They say pretty much that we are on our own," he says.

What, then, can Micronesia do to stand on its own economically? The answer, it would seem, is: Not much.

Tourism Is Just Not Enough

On the edge of a dense jungle in Pohnpei, a collection of private thatched huts used to attract hundreds, even thousands of "eco-tourists" every year to a picture-perfect beach and colorful birds and wildlife. The Village Hotel was the very definition of tropical rustic, many of its rooms open to the elements, the beds draped elegantly with white mosquito netting.

But after 40 years, the venerable resort was shuttered in 2013, putting about 50 people out of work. The business, run by Southern Californians Bob and Patti Arthur, closed after negotiations for the land lease [became too complicated](#).

"We started off with four landowners to start with and the second time around we had 26," Bob Arthur told Radio New Zealand International at the time, "and if you have ever tried to negotiate with people in one setting or one instance, it can't be done."



Gorgeous scenery and warm blue-water beaches attract tourists to Pohnpei in search of an off-the-beaten path experience. But tourism hasn't caught on and experts don't think it will ever bring economic salvation.

The Arthurs, who retired to California, had experienced "bumps" over the years in running their business. These included being placed under house arrest by a

running their business. Those included being [placed under house arrest](#) by a Federated States court in 2009 for non-payment of a loan from Pohnpei to a corporation that produced gourmet black pepper and buttons. The Arthurs alleged that the Pohnpei government destroyed that business.

Still, the Village brought significant eco-tourism to Micronesia, enough that officials improved the infrastructure of Pohnpei to accommodate the visitors. The airport was substantially upgraded and “what used to be a rough track to a few communities on the coast has been transformed into a paved road that goes around the island,” [a 2012 profile in the Marianas Business Journal explains](#).

Guests at The Village could take a boat ride along the coast to Nan Madol, a large ancient ruin built on a coral reef on the southeastern side of Pohnpei. The stones and columns are so heavy, a recent visitor wrote [in Smithsonian Magazine](#), that no one knows how they were constructed.

Nan Madol is on the U.S. National Historic Landmark and has been nominated to the World Heritage list of UNESCO's World Heritage Committee.

But it is far less known than comparable archeological sites around the world, such as Easter Island. If Nan Madol had a higher profile, and if the grounds were tended to and made more accessible to visitors — there is no signage and the site is covered by mangrove — it might well be a top attraction, helping bolster the island's economy.



The ruins of Nan Madol on Pohnpei are famous, but not enough to draw the large numbers of tourists the region needs.

John Ehsa, Pohnpei's governor, says that efforts to restore Nan Madol have been stymied by “misunderstandings” between the state government and the Nahnmwarki, the traditional title given to the rulers of five districts on Pohnpei.

“It's not a new concern,” says Ehsa, but he's disappointed that a solution has yet to be reached.

Nan Madol might also benefit from cruise ship businesses, which [have expressed interest](#) in remote Micronesia locations, helped by their relatively close proximity to

ASIA.

One Chinese real-estate developer, for example, sees promise in Yap as a tourist destination, with plans to build a \$1 billion, 4,000-room casino and golf resort on the island, which has a population of 11,000. Yap would be about a three-hour flight from Shanghai and is a close tropical paradise for Chinese tourists.

According to [a 2013 Wall Street Journal report](#), Deng Hong, the developer, was moving forward with the project that he predicted would vastly increase the island's annual economic output. He signed a development agreement with the governor of Yap, but locals were not as sold on the idea, raising concerns about gambling as well as what the influx of an estimated 1 million visitors would do to their simple lifestyle.

Many remain unconvinced even though Hong, according to the Journal report, promised to pay every Yapese \$400 a year.

Besides Tourism, What Else?

With tourism so far failing to take hold, Micronesians are struggling to develop other industries that could provide jobs and economic ripples throughout the small communities.

In the mid-1990s there was even debate in the Marshall Islands over whether they should offer one island as an international dumpsite for nuclear waste and warheads. Government leaders believed revenue generated from charging for disposal would pay for the rehabilitation of other radioactive islands, which could then be resettled by their former owners. Strong opposition ultimately killed that idea.



This gas station in Sansrik, Kosrae, illustrates the rural character of many islands in Micronesia.

Today, commercial ocean fishing is perhaps Micronesia's best hope for economic development. As the world's stock of tuna and other kinds of fish are depleted, Micronesia's relatively untapped marine resources are only increasing in value. More than 60 percent of the world's tuna is caught in the Pacific by boats from Asia and North and South America, and tuna licenses have become a potentially lucrative source of revenue.

Agriculture also is being looked at for economic salvation. Breadfruit, for example, is a staple in much of Micronesia and is being developed as a gluten-free flour for local use, food security and export to the U.S., Asia and Europe. "And it seems the stars are aligned since the market in the U.S. for gluten-free products – especially products made from gluten-free flour – has skyrocketed," a [recent report in The Samoa News](#) gushed. "It is currently \$3 billion in 2013 and is projected to double by 2017."

In the Federated States, more than a quarter of the gross domestic production

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comes from agriculture, but in the Marshall Island, the economic impact is small, just 4 percent of the GDP.



A store along the central road of Weno, the main island in Chuuk, displays limited offerings typical of many small shops.

Micronesia experts don't believe breadfruit alone could save the economy any more than tourism or fishing.

Indeed, Francis X. Hezel, the Jesuit priest who has written extensively on the COFA nation economies, says there is little expectation that the Federated States and the Marshall Islands will develop self-sustaining economies by the time U.S. funding ends.

Nor does he believe the trust funds for the two nations will be sufficient to meet the needs of the two countries.

Hezel points out that tourism has stayed at about the same level for 35 years and it's unlikely to grow significantly stronger.

"I think the U.S. and financial institutions hoped that there would be some sort of starter to the economy that would kick in before the end of the Compact funding period, but that's fantasy," he says. "What sort of thing would kick in? I mean, offshore banking? Come on."





Father Francis X. Hezel giving communion at a Chuukese service, Parish of Santa Barbara, Guam.

The Secret Of Palau

The Republic of Palau is a different story. But the lessons to be learned from Palau simply may not apply to its COFA neighbors for simple geographic and political reasons.

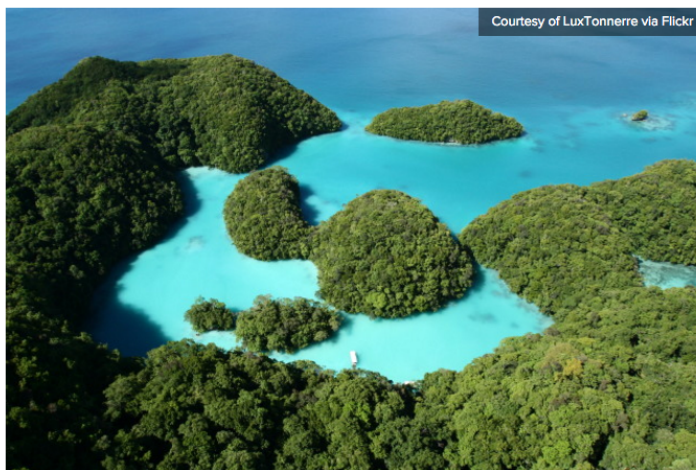
On the far western edge of the Micronesian islands, Palau has a thriving tourism industry, in no small part due to its proximity to Japan, China, Taiwan and South Korea. Its government also actively supports tourism.

Palau's gorgeous tropical islands and blue waters are perfect for diving and snorkeling. It's famous for its jellyfish lake, which hold jellyfish that have no stingers. It also has lots of remnants from World War II, when it was occupied by the Japanese. One [tourism guide](#) calls Palau "inimitable."

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Courtesy of LuxTonnerre via Flickr

The Rock Islands in Palau, which is enjoying a thriving tourism industry.

The unemployment rate in Palau is just 4.2 percent and it ranks with Barbados, Costa Rica and the Virgin Islands in terms of its economic measures. Its per capita income is roughly double that of the Philippines and much of the rest of Micronesia.

It's no wonder then, that out-migration from Palau is just a fraction of what it is in

the Federated States and the Marshall Islands.

Palau, the least-populated of the COFA nations, receives the least amount of direct aid from Washington, D.C., and Congress has not renewed its funding since 2011.

Asterio Takesy, the Federated States ambassador to the U.S., sees Palau as a model for self-sustainability, making good use of the resources it has.

"It's a matter of doing it right, it's a matter of leadership, it's a matter of taking responsibility," he said in an interview. "I think the Palauans have done a fantastic job in pointing us in the right direction, not just for the COFA countries but the Pacific countries — and I might say globally."

Yet even Palau can't keep "mining the taro patch without replanting," Takesy said, implying that tourism alone can't be the only industry.

'Neglected By The Federal Government'

Bob Jones is worried about how increased out-migration from Micronesia is going to hurt his retail and wholesale stores on Majuro, Ebeye and other islands. His company, [Triple J Enterprises](#), employs 665 people on Guam, Saipan and what he calls "greater Micronesia."

"It's been tougher now than it used to be to make a dollar," he says over coffee at his department store on Ebeye, lamenting that his revenue is down about 20 percent over the past few years. "It's probably more, because it cost more for a bag of rice when I started 29 years ago."



North Carolina transplant Bob Jones, who owns the Payless Supermarket on Majuro, says it's harder now to keep the business running. He worries about what will happen when federal aid runs out in eight years.

Jones, a North Carolinian who now lives in Saipan, calls Micronesia "a beautiful part of the world that has been neglected by the federal government. We were a U.S.

of the world that has been neglected by the federal government. We were a U.S. trustee for the islands and given the responsibility to help them develop, and we didn't do it. And it still needs developing and it still needs the help."

Jones's stores on Ebeye, the Payless Supermarket and the Triple J general supply store, restaurant and bakery across the street, are clean, well-stocked stores that are just about the only options for island residents. The selection is limited — there are just a handful of wines and beers, for example — but the stores have basic consumer goods like lamps, comforters, and the colorful backpacks that are ubiquitous among the 2,000 school kids on Ebeye.



Despite an economy in trouble, families still need the basics of life, including backpacks that appeal to kids.

The stores have made Ebeye a nicer place to live than it was just 25 years ago, but should out-migration continue or should the military base on Kwajalein three miles away shut down, Jones say everyone on Ebeye will be vulnerable.

Hezel, the Jesuit priest, has analyzed the economic potential of the Federated States and the Marshalls. In many ways, the title [of his 2006 study](#) captures his conclusion: "Is That the Best You Can Do? A Tale of Two Micronesian Economies."

In the study, Hezel worried that Compact funds during the first 15 years of the agreement had

been "poorly spent, if not wasted outright, and the attempt to promote economic self-reliance as a failed enterprise."

In an interview earlier this year, Hezel said the U.S. hasn't come to terms with the fact that the COFA trust funds won't be sufficient to meet the needs of the islanders.

"I don't think that the U.S. appreciates how worried the Federated States and the Marshalls are about the money situation," he says. "I think even people who come out all the time don't seem to be conscious of that."

Even the money flowing back to Micronesia from family members who have migrated to the U.S. has begun to taper off significantly, particularly in the Federated States.

Hezel is mystified as to what has caused the drop-off in so-called "remittance" money, but says, "I honestly think that people are running out of family members to send it to. I think a lot of the people who are worse off have followed the flow out."

Lack of financial support has led some Chuukese to start a movement to secede from the Federated States. A ballot question in March even asked if Chuuk should secede from the Federated States, but an executive order from Chuuk's governor removed it from voter consideration.

Takesy, the Federated States' ambassador, downplays the secessionist movement's strength. "Always in a legislative body, some feel they are not getting the fair share of the booty," he says.

Takesy also says that, should the Federated States not be up to speed economically by 2023, the country might approach Congress to revisit COFA and amend the original treaty.



Mark Edward Harris/Civil Beat

This store on Majuro sells the kind of processed American foods that have contributed to high rates of diabetes.

For its part, the Federated States plans to examine where budget cuts can be made, Takesy says, as well as where more revenue can be generated, and where foreign investment might help. The World Bank, for example, recently contributed \$50 million to install a marine fiber optic telecommunications cable to connect the major states.

But many are skeptical that Congress will be receptive to Micronesian efforts. Most members, with the exception of delegations like the one from Hawaii, have little understanding of Micronesia and its needs. Nor do the COFA nations have the resources to lobby Congress effectively to change that.



Cory Lum/Civil Beat

Hawaii Sen. Brian Schatz says Congress needs to be educated on the problems and needs of Micronesia.

"Nobody knows anything about this in the Congress, other than our delegation and a few others," says U.S. Sen. Brian Schatz, a Democrat from Hawaii. "We have to undertake an education process with other members."

He's referring specifically to the federal funding for health care. But he could just as well be talking about Micronesian immigrants as a whole.

'Island Style'

The Micronesians might also have created their own problems when it comes to convincing Congress to send more cash their way.

Misspending and even corruption have been rampant in the islands since the COFA payments started. At the very least, it's hard to see what hundreds of millions

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of dollars in U.S. aid has gone for — abandoned buildings, rusting vehicles, crumbling roads and substandard school facilities are among the most obvious signs that the infusion of American dollars hasn't helped as much as expected.



Alcoholism and substance abuse plague many on the islands. This man was photographed along a street in Pohnpei.

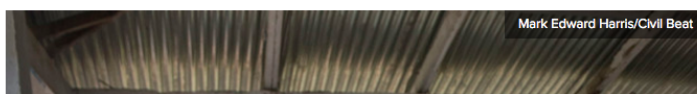
Esther Kiaaina, the assistant Secretary of the Interior for Insular Affairs, says the very problems detailed in government reports “will raise red flags all across Washington, D.C., both within Congress as well as with the federal government.”

She's primarily referring to audits by the General Accounting Office that have identified significant fraud, waste and abuse of the Compact monies. GAO reports paint a dismal picture of government accountability throughout the COFA nations, citing concerns that public facilities are only marginally improving.



Bob Jones, a businessman on Ebeye has seen a big drop in customers due to out-migration..

The GAO did credit schools in the Marshall Islands with having good levels of student enrollment and appropriate education levels for staff. But there was a lack of data on the dropout rates on the outer islands, student proficiency levels on standardized tests were inconsistent or unknown and data on completion and graduation rates were undependable.



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John Ehsa, the governor of Pohnpei, says the U.S. makes it too difficult to spend the money coming in for direct aid.

But John Ehsa, the governor of Pohnpei, says it's sometimes difficult to use the COFA funds because of "all the strings attached."

"I want to change the way the U.S. looks at the (Federated States), as a nation mature enough to take care of its own accounting," he says one evening over dinner at the 7 Stars Inn and Riverside Restaurant in Kolonia. "They look down on us. We did not know accounting before, but now we have good audit reports. There is mistrust. ... we have come a long way as a nation, we have been educated and experienced, yet some folks in Hawaii control all these details."

Ehsa was involved in the discussions that led to the creation of COFA. He says today that, in some ways, he wishes the Compact were no longer necessary, as it impedes Pohnpei's ability to grow its potential economically, politically and internationally.

"It is unfortunate that the relationship is all about money, and sometimes we feel like they are spoon-feeding us too much to make us more dependent, rather than seriously saying, 'Develop this place,'" he says.

Ehsa says they have come a long way as a nation, which is why it can be frustrating that American officials still control all the details.



Esther Kiaaina of the U.S. Department of the

For her part, Kiaaina, whose agency is tasked with administering federal assistance to the COFA nations, says she witnessed the Micronesian out-migration firsthand. She is a Native Hawaiian who was born on Guam, and her parents ran a landscaping company on

Interior says critical reports about fraud and waste will hurt chances of extending aid to the COFA nations. Guam that often hired Chuukese workers.

She later served as chief of staff and legislative director for Robert Underwood, the former U.S. representative from Guam.

Kiaaina says the unrelenting flow has been a surprise to the U.S., making it increasingly important to foster economic activity and improve the quality of life in Micronesia to slow down the exodus.

"If we do not address health and education, we will have continued migration," she says.

Kiaaina recognizes that the \$30 million Hawaii and Guam receive in Compact impact money is simply not enough, but she says it's unlikely Congress will amend COFA to provide more assistance. Congress also limits her office to just \$1.3 million in discretionary funding for Compact migration.

With Republicans in control of both houses of Congress, the chances that they'll [restore Medicaid eligibility](#) for COFA citizens in the U.S. — a relatively easy solution to alleviate health care costs for both COFA immigrants and for the states they flock to — appears slim.

But "island style," Kiaaina says, "is to take care of your family members, and we need to do better."



WATCH SLIDESHOW A traditional ceremony in Pohnpei includes sakau, a mildly narcotic drink.

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