

Challenges and Ways to Improve FSM Commerce

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Outline of Presentation

- In Retrospect re Ocean Transportation
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In Retrospect re Ocean Transportation

- Shipping plays a key logistic role in the marketing channel of goods.
- A Private Sector Initiative. ATOSSCOM was formed during the US Administration of the TTPI to work. US-controlled maritime authority was in effect at the time.
- TTPI Micronesian entities evolved into different political entities within the Micronesian Sub-region, but basic socio-economic demands for imported goods remain the same.
- Guam is the transshipment point for all incoming cargoes into the Micronesian Sub-region.
- Micronesian Shipping Commission (MSC), an intergovernmental agreement executed among the Freely Associated States (FAS) - ROP, FSM and RMI - in 1997,
- C.B. No.17- 200 introduced in the 17th FSM Congress in 2017 to create the Micronesian Shipping Commission and endow it to FSM National Government, but failed to pass.
- FSM Trade Policy adopted in 2011
- Establishment of local port authorities
- Micronesian Shipping Commission as established does not have the regulatory authority on shipping in the Micronesian Sub-region of FAS entities.

The Challenges We Face

- High dependence on imported goods.
- Uneconomical routes - small, dispersed markets with low demand result in small inbound cargo, and outbound empty containers. (Fuel Surcharge).
- Limited and inadequate port facilities and equipment across FSM.
- High cost of port development to meet regional or international standards.
- High transshipment cost in Guam
- Limited skill workers
- Underutilization of port technologies
- Corruption at the ports

Improving FSM Commerce

- Foster closer collaboration between the private sector and the government to strengthen the overall economic development of FSM.
- ATOSSCOM members should support their State and National Chambers of Commerce as the private sector representatives to advocate for improved shipping services in FSM and FAS region.
- Enhance private sector awareness of climate finance, empowering businesses with the knowledge and skills required to navigate.

National & Micronesian Sub-regional Maritime Legal and Regulatory Regime Micronesian Shipping Commission

Strengthen the Micronesian Shipping Commission through amendments to national maritime laws to endow with regulatory power to carry out following objectives:

1. Ensure adequate and reliable frequency of shipping services to Members to guarantee uninterrupted delivery of sufficient goods.
2. Monitor shipping costs to ensure affordable services are provided.
3. Ensure fair and cost-effective shipping services to support local economies.
4. Promote fair competition to support carriers to be commercially viable, and avoid monopoly of services.
5. Promote commercial trading of locally produced products to fill “empty” outboard containers to international markets.

National & Micronesian Sub-regional Maritime Legal and Regulatory Regime Micronesian Shipping Commission (continued)

- Micronesian Shipping Commission should receive funding support from the Governments it serves. It should discontinue using license fees paid by shipping companies they award Entry Assurance Certificates as it creates a “conflict of interest” situation.
- Shipping companies that are licensed by MSC should not be part of ATOSSCOM.
- Membership in ATOSSCOM should be limited to local port operators and stevedoring companies which are likely to be overseen by State Port Authorities.

Micronesia Sub-regional Shipping Line

- Micronesian Sub-region FAS Entities to launch a feasibility study for the establishment of a commercial Micronesian Sub-Region Shipping Line with Public Private Partnership investment to take over the transportation of cargo in the sub-region, designating Palau as the transshipment port for cargo coming from the East and Majuro for cargo coming in from the West.
- The government-owned vessels should be included in Micronesian Sub-regional Shipping Line to ensure more frequent intra and inter-state shipping services are adequately provided.
- Improved shipping services to the outer islands will help improve FSM commercial activities.

Micronesian Sub-regional Shipping Routes



THANK YOU