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Alternative Futures of State-Making in the Pacific Islands: The Case of the Republic of Palau

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Processes of colonization and decolonization, as well as contemporary exposure to various global forces in the form of foreign investment, aid, guest workers, and tourism, have brought a series of changes to the Republic of Palau. What sustains Palau's economy and provides the revenue base for its government are financial arrangements with the United States, aid from other governments, foreign investment, and other mainly foreign sources of income. In short, a significant portion of Palau's livelihood and survivability are secured through external sources of income. Indeed this structure of Palau's government and its national economy can only be sustained as long as those foreign actors continue to invest capital in Palau. Considering the inherent vulnerability of small island-states and the weakening of indigenous means of production and locally sustainable lifestyles, such a decline in investment might lead to real collapse. With this possibility in mind, this study explores potential state-making strategies for Palau's future. Using a deductive forecasting method drawn from the Futures Studies field, it suggests alternative future scenarios for Palau. Its main argument is that Palau should consider major elements of the *Disciplined Society* model in order to strengthen its national foundations, at the same time pursuing the element of *Continued Growth* with more autonomy.

Keywords: Palau, state-making, globalization, futures studies, alternative futures, deductive forecasting method

1. Introduction

The term “weak state”¹ has been used to describe some states in the Melanesian region of the Pacific (e.g. Rotberg, 2004), primarily those in which armed conflicts or ethnic tensions have led to political instability. The term applies differently to states in Micronesia, however, where weak states are associated with perceived economic instability but rarely with ethnic and violent conflict. Although economic problems often trigger serious impacts on state and society—especially in small, vulnerable states like the Republic of Palau²—cases of financial problems

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¹ Papua New Guinea, Solomon Islands, and Fiji are categorized as weak states by Rotberg (2004).

² The Republic of Palau (Belau) is located on the western edge of the Pacific Ocean. The archipelago of approximately 340 islands lies in the western Caroline Islands in Micronesia, and it consists of a high island (Babeldaob Island) and low coral islands surrounded by a large barrier reef. The total land

weakening states have not attracted as much academic attention as when the causes have been more related to actual conflict.

Because it is so close to Asia, Micronesia has experienced more globalization than other areas of the Pacific. Since the 1990s, Palau has seen an influx of investment, guest workers, commercial products, and tourists, not all of which have caused social changes, and not all of which have been necessarily positive. Indeed, the economies of some Micronesian states, sovereign and nonsovereign alike, have worsened; Nauru and the Commonwealth of Northern Mariana Islands (CNMI) are cases in point.³

After a century of colonial control, the Republic of Palau finally achieved sovereignty in 1994. Now it alone is responsible for its future, however, and that future is neither certain nor necessarily bright. Having survived the eras of colonization and decolonization, Palau must now face that of globalization, in which each entity seeks its own good above all else and state control is less effective. Global players' actions and speculations crisscross one another over Palau's economic and social landscape. Direct financial assistance (Compact Assistance or Compact Money) from the Compact of Free Association (COFA) with the United States had been scheduled to cease at the end of fiscal year (FY) 2009 but has now been renegotiated to continue until FY 2024.⁴ Yet the Palau government will rely on the Compact Trust Fund even longer than that. Thus most states in Micronesia are either actually or potentially weak states. Economic uncertainty and instability have spread slowly but steadily throughout the region and may soon reach Palau. Our pressing agenda is to redesign the economic and political structures of already vulnerable states and to draw up a blueprint for stable and autonomous states in the region.

This project raises some questions. Can small island states in the Pacific survive this era of globalization? What courses of action now will enable such states to prosper long into the future? I contend that if each state redesigns its state-making policies for the future—for example, by considering factors of change and reassessing its own resilience—it should be able to build a sturdy state that will not be exploited by the external forces of globalization.

In considering the current situation of Micronesia as described above, this paper seeks to guide developing small-island countries toward desirable futures. Using the Republic of Palau

land area of the country is 494 km² (Lal and Fortune, 2000: 598).

³ Nauru's government has failed financially due to the depletion of phosphate resources. The Commonwealth of Northern Mariana Islands (CNMI) has experienced a severe economic downturn as the garment industry disappears and tourism declines steeply, which factors have also affected CNMI government and society. Assessments have further illustrated the limited economic potential of the Federated States of Micronesia and the Republic of the Marshall Islands (U.S. General Accountability Office, 2006).

⁴ In January of 2010, the United States and Palau agreed that the U.S. will offer a total of \$250 million in assistance to Palau during the period up to 2024. The U.S. Congress must approve this aid package in order for Palau to receive it (Carreon, 2010).

as a case study, this study investigates the implications of the modern state at a time in which the forces of globalization infiltrate deep into Pacific Island developing states.

This paper is divided into six sections. Section 2 discusses theories and perspectives associated with Futures Studies and reviews future-oriented studies of the Pacific Islands region. Section 3 discusses social changes in Palau. Section 4 offers four possible models for the country's future. Section 5 presents the results of a survey intended to reveal Palauans' preferences regarding future state-making. Based on this survey's results and our models of alternative futures, section 6 offers guidelines for development suitable to small island states desirous of maintaining survival and sustainability in the harsh era of global competition.

2. Alternative Futures

2.1 Futures Studies

In order to choose the sort of future a place and its people and leaders want, we can forecast probable futures based on past and present trends, then identify those preferred. Contemplating the kind of society we want to design for the future is fundamental to protecting and encouraging livelihoods and lifestyles. Futures Studies is designed to accomplish this. Among a range of Futures Studies methods, deductive forecasting is one of the most influential, and it is the most effective method for the purposes of this study.

The primary intention of Futures Studies or future-oriented studies is not to "predict" what will happen in the future without any evidence, but rather to "forecast" possible alternatives by analyzing past and present phenomena in the target society and in its surroundings. Dator states that Futures Studies does not try to predict the future in the sense of "saying precisely what will happen to an individual, organization, or country before it actually happens," but aims instead to "forecast a wide variety of alternative futures" (Dator, 1998: 301). The purpose of Futures Studies, quoting Bell (1996), is "to maintain or improve the welfare of humankind and the life-sustaining capacities of the earth itself." Constructing possible futures is necessary in order for a state to plan its course. Dator notes that these possibilities are not to be evaluated as being "right or wrong" (Dator, 1998: 303).⁵ Thus Futures Studies tends to create participatory studies through which we can contribute directly to society and especially to policymaking in practical ways.

Nemoto defines Futures Studies as an academic field meant to help obviate long-term risks, discover new opportunities, and contemplate coping strategies by forecasting long-term trends

⁵ Dator continues that the work of most futurists attempts to appeal to decision makers by pointing out things that "will become problems (or opportunities) in the near future, asking, Why don't we deal with them (or take advantage of them) now, while they are more malleable?" (Dator, 1998: 305-306).

in society (2008: 2). According to Nemoto, in these processes, we should not accept forecasts uncritically but instead think about how to divert and overcome the situations they depict in order to protect ourselves from risks. In other words, we can forecast other futures that avoid these risks; this approach contributes to risk-avoidance strategy.

One of the primary methods of Futures Studies is to seek plural future images. Bell emphasizes that it is important “to have an accurate and detailed description and analysis of past trends and ‘initial conditions’ of the present as a basis for both forecasting and designing the future” (1996: 15). Critical investigation of the past and present is therefore vital to the field.

In this study, I use the deductive forecasting method to present four alternative future scenarios. These are: (1) *Continued Growth*—hypothesizing that current mainstream trends proceed based on development and growth driven by external forces within the nation-state framework; (2) *Collapse*—forecasting what might occur if such growth stops and in particular hypothesizing political and economic collapse following either the termination of U.S. funding or the onset of a severe global economic crisis; (3) *Disciplined Society*—forecasting on the premise that there is no perpetual growth and attempting an image that avoids collapse through endogenous use of local resources and networks, based on a shift to endogenous development that utilizes indigenous networks, lifestyles and wisdom; (4) *Transformational Society*—introducing new ideas or systems that might transform future society through a confederation with other small island states in the region.

2.2 Futures Studies of the Pacific Islands State

A future-oriented study describing alternative futures for Palau has not yet been conducted. Some scholars, however, have attempted to produce futures-oriented images for the Pacific Islands region as a whole.⁶

Fossen’s significant work *South Pacific Futures: Oceania toward 2050*, published in 2005, is a rare example of such a work (Fossen, 2005). Fossen employs five future scenarios, drawing on scholars’ and experts’ views as expressed in five major Pacific Islands studies. He classifies futures theorists into the categories of (1) globalizationists, (2) Oceanians, (3) dependency analysts, (4) MIRABers, and (5) Asianization and ethical decisions scholars. Fossen sees globalizationists as being best represented by Rowan Callick,⁷ who imagined a doomsday scenario for the Pacific Islands in 1993. Globalizationists assert that without liberalizing

⁶ A precedent study was conducted by Dator (1981). Dator’s study on alternative futures for the CNMI identifies and projects factors that could be quantitatively analyzed over time, analyzes attitudes toward the future of people in the CNMI, and identifies and analyzes existing external plans that may affect them.

⁷ See Callick (1993).

reforms the region will face overpopulation, unemployment, environmental degradation, falling prosperity, or even total collapse (Fossen, 2005: 8–17). A desirable society for globalizationists is “individualized, entrepreneurial and free enterprise” and therefore privileges the wealthy (Fossen, 2005: 9). Fossen contrasts globalizationist theory with Oceanian theory as advanced by Hau‘ofa,⁸ a scholar and writer of influential and empowering articles for Pacific Islanders from an indigenous perspective. Fossen characterizes the Oceanian perspective as being optimistic and empowering for the people of Oceania, a theory centered on self-determination that views regional unity as an attainable goal provided the people of Oceania can revitalize their cultures (Fossen, 2005: 8–24). Hau‘ofa’s vision of the Pacific’s future can be used as a theoretical foundation for Futures Studies, one highly relevant to the *Transformational Society* model of confederation. Dependency analysts, Stewart Firth among them,⁹ foretell that the Pacific will be “locked into a peripheral position within the capitalist world-system” (Fossen, 2005: 24). Dependency analysts consider that the Pacific Islands have difficulty achieving self-reliance but that global elites gain from the region. MIRABers such as Bertram and Watters¹⁰ believe that the current pattern of wealth accumulation for Pacific Islanders through migration, remittances, aid, and bureaucracy (MIRAB) will continue and expand (Fossen, 2005: 18, 24). Theorists of Asianization and ethical decisions, best represented by Crocombe,¹¹ think that Asian states (especially China) will play a significant role in the economic activities of the Pacific region. According to their forecasts, Pacific Islanders, who have more flexibility in movement than any other peoples of the world, will respond to Asia’s pressure by making the best deals they can for their own benefits, thus threatening “regional unity” (Fossen, 2005: 21). Crocombe anticipates that Asianization will “create extreme economic inequality, ecological depletion, moral paralysis, and the danger of unstable societies” (Fossen, 2005: 22).

These theories of the region’s future introduce important considerations, but they sometimes overlap and therefore do not provide five distinct scenarios. Fossen does not indicate his preferred future and so does not make recommendations for the betterment of the region. In this

⁸ Hau‘ofa indeed is a major critical thinker on the futures of the Pacific Islands (see Hau‘ofa, 2008). His works are some of the most influential materials for students and scholars who study the region. One of the main themes of his articles and novels is empowerment of Pacific Island peoples (he prefers the term “Oceanians”). The Oceania region has always been belittled and disempowered by mainstream values of colonialism and imperialism from Europe and elsewhere. The people of Oceania have lived in and used the vast Pacific Ocean fully since ancient times, and he believes that they can describe and determine their futures by themselves. In other words, Hau‘ofa stresses Pacific Islanders’ creative powers. The strong regionalism of Hau‘ofa’s work suggests that the current compartmentalization of Pacific Island states is an artificial situation imposed by former colonizers and imperialists.

⁹ See Firth (2000).

¹⁰ See Bertram and Watters (1985).

¹¹ See Crocombe (2001).

sense, his work is somewhat different from much of Futures Studies.

Another book that cannot be ignored is *Pacific Futures*, edited by Powles (2006). This volume includes discussions of government and politics, economics, regionalism, society, culture, and other fields. It is a comprehensive collection of works in which each writer presents the current situation and challenges in his or her area of specialization, and it provides rich material for conceiving future policies. It is not exactly a work of Futures Studies as we define it, however. It is necessary to find preferred directions of development appropriate for island-states that will protect their viability, locality (or regionality) and identity in the era of global competition.

As stated above, no existing study gives a comprehensive and plural forecast for Palau. The aim of this study is to provide several possible images of Palau's future, including those preferred by the author, with the goal of designing better state-making policies for the Republic of Palau.

2.3 Creating Alternative Futures to Avoid Collapse

The Republic of Palau will not be able to sustain its government finances and its citizens' quality of life when the negative impacts of globalization hit. Palau's national revenue consists mainly of taxes from foreign investors and aid from donor states. If current growth patterns persist, Palau can continue to prosper into the future. I contend, however, that political and economic structures dependent on external sources of income are vulnerable because global dynamics do not guarantee positive effects in perpetuity to microstates in the Pacific; instead, they may suddenly be withdrawn or downscaled in accordance with international market trends. If this happens to Palau as it has to Nauru and the Northern Mariana Islands, the Palauan government and economy may collapse.

In an age of globalization when powerful actors are creating futures based on benefits and profits, weaker states will be swallowed up unless they face those regimes with the determination to defend themselves against exploitation. The future of Palau and its people is not predetermined, but external forces will dictate it if Palauans do not begin implementing their own policies. To minimize undesirable consequences of foreign exploitation, Palauan leaders in various sectors need to decide the country's direction and construct its future. Otherwise, Palauans may cede control over their own futures to others. The future is often considered an unavoidable fate, and it may have been so for Palauans under colonial control, but since independence Palau has had the ability to determine its own future.

3. Factors of Social Change in Palau

This study offers models of alternative futures using the deductive forecasting method. Possible scenarios for Palau's future are presented and explained. In order to forecast, the mechanisms of social change in Palau must first be considered.

3.1 Recent Trends

Social change in Palau during the past century can be attributed mainly to the external forces of colonization, decolonization, and globalization.

Colonial control has been a major factor. Spanish and German rule brought Christianity, the foundations of a monetary economy, and plantation labor into Micronesia (Ishikawa, 1987). During the Japanese administration, other modern institutions such as capitalism, schools, and bureaucracy appeared. These newly introduced systems had profound impacts on Palau's social structure, political system, economy, and culture (Mita and Mita, 2005). Politics and the economy also became intertwined. Palauans, who had enjoyed a subsistence economy, had to enter non-subsistence activities on a large scale.

In the process of decolonization under the American administration, Western political concepts such as the nation-state, constitutional government, elections, and bureaucracy became the foundations for a social and political framework anticipating independence. At the same time, traditional leadership roles in village society weakened or transformed (Mita, 2003). In addition to political and economic interactions with foreign countries, the development of modern technologies has greatly affected Palauan society. Automobiles and outboard motors have modernized Palauan lifestyles. Airplanes have allowed foreigners to visit Palau and Palauans to move to wealthier states. Palauan diaspora communities created the new phenomenon of remittances, an additional source of income for the country. Advanced communication technologies such as cable TV and the Internet have exposed Palauans to a wider world and led to greater identification with American cultural values.

In contemporary Palau, in addition to external government aid provided since the Trust Territory period, tourism development (mainly promoted by Asian investors) has become a major element of state-making. Compact Money from the United States, along with private sector development, has raised Palau's GDP. Globalization has hurt as well as helped Palau's economy, however: wealth leakage, an influx of guest workers, environmental degradation, excessive urbanization, and loss of indigenous culture have been some of its more adverse effects.

There are many signs that Palauan society is losing its indigenous culture and systems. Many traditional survival practices, including the cultivation of taro, are now being ceded to

a non-Palauan workforce. Indeed, few Palauans now inherit the indigenous way of life that suited their ancestors and environment so well for centuries. Its new dependence on foreign investment makes Palau vulnerable to global trends: if growth declines or stops, Palau could find itself in a catastrophic situation. It must grow empowered and resilient if it is to cope with the negative consequences of globalization. Palau needs to avoid excessive or blind dependence on external resources, including investment, labor, and aid; there must be a paradigm shift that allows the country to utilize its own human and natural resources in order to sustain itself. People and products entering Palau through various global channels should be considered secondary resources, and policies should be put in place to monitor them.

3.2 External Factors

It is worth exploring possible future causes of change before proceeding to the futures scenarios. In the context of contemporary Palau, we can classify such causes as external or domestic, though external factors seem always to be more influential.

The first possible external source of change is foreign investment. Since Palauan domestic capital is limited, trends in the number and size of foreign investments significantly affect the state's economic development.

The second external factor is tourism. The largest factor in present-day economic growth, other than Compact Money and other forms of foreign assistance, is the growing tourism sector. Tourists' spending directly determines the scale of economic activity in certain sectors. Palau's annual number of visitors may remain constant for some time, but decline is always possible. Tourism, of course, depends on economic conditions in the tourists' home countries. Recessions in tourist-providing countries such as Japan or Taiwan would decelerate international tourism, which in turn would affect the usual recipients of tourism. Palau thus has no power over its supply of tourists, and if that supply plummets, its economy will do the same. On the other hand, if tourism expands, so will Palauan prosperity. Such trends may also influence the nation's environmental conditions.

The third external factor worth noting is income from the Compact Trust Fund after Compact Money disappears in 2025. Until FY 2009, the national budget as well as a large part of the national economy depended heavily on Compact assistance.¹² The Palauan government will need to draw approximately \$15 million per year from the Compact Trust Fund to sustain itself, but the Fund may not last until FY 2044, the final year of the current Compact. If its balance is depleted, financial conditions will grow harsh for the government and its employees, who

¹² Approximately \$14 million comes from Compact funding out of an annual budget of about \$50–55 million.

account for more than 60% of the Palauan labor force.

The fourth external factor is the number of guest workers, or the presence of a significant population of foreigners, which has always been influential in Palau. A third of Palau's population today is of foreign origin, and most of these are temporary laborers. Whether this continues to be the case will determine many aspects of Palauan society. President Toribiong launched a new policy limiting the number of guest workers in Palau to 6,000 (Office of the President, Palau, 2009), which may affect economic performance. Thus immigration trends play a major role in Palauan society.

Fifth, there is the question of whether the United States will use Palau as a location for a military base. The Compact of Free Association gives the U.S. the right to construct and maintain military bases in Palau. If it chooses to do so, Palau's society and environment could face massive adverse impacts, though there might also be economic benefits. The Compact lasts fifty years, effective from 1994. Although there is no U.S. military base in Palau at present, the possibility of one being built will exist until 2044.

Sixth among external considerations is development assistance from foreign governments such as Japan or Taiwan. Japan's Official Development Assistance (ODA) for Pacific Island states has remained stable, but the ODA budget in general has been decreasing since 2000 (Ministry of Foreign Affairs, Japan, 2009). This trend may affect assistance for Palau if the Japanese Ministry of Foreign Affairs starts to question its priority given Palau's high per capita GDP. Taiwan's aid to Palau has increased significantly in the past few years and seems likely to continue as long as Palau maintains diplomatic relations with Taiwan. Certain influential Palauan politicians now want to establish relations with mainland China, however—a move that would certainly affect assistance from Taiwan (Mita, 2010a).

The seventh external determining factor in Palau's future is the global trend of rising sea levels, a consequence of global warming. Raised sea levels disrupt coastal areas of the Pacific Islands through inundation and erosion (Shea, 2001: 28–30). Coastal erosion and flooding, especially affecting residential areas in Koror, during high tides at the time of the full/new moon have been noted throughout Palau since 2005 or so and may have been caused by climate change (Mita, 2010b). Although most of Palau's inhabited islands are not atoll-type landforms, those who live near the ocean or in mangrove wetlands may be forced to relocate to higher land by noticeable changes in sea level.

Last in this list of external forces that may affect Palau's future is the introduction, diffusion, and further development of information technology (IT). IT essentially reduces the distance between islands for information exchange and e-commerce, and thus it may profoundly change styles of government, business, and everyday life in the Pacific Islands.

Other external forces may also bring change to Palau's society in the future, including developments in science and technology and the effects of natural disasters. The introduction and adaptation of new technologies or systems can therefore be added to the above considerations.

Almost all of these factors rely on global economic trends. If the global economy thrives, the private sector and the governments of donor states will prosper. The converse is true if the global economy declines or collapses, which will also severely affect Palau's economy and government.

3.3 Domestic Factors

There also exist possible endogenous or internal causes of future change. In Palau today, these are a mixture of externalities and Palauan reactions to them, not genuinely indigenous forces.

The first is the Compact Road Project. Based on the Compact Agreement with the United States, a circuit road and a branch road totaling 53 miles in length were constructed on Babeldaob Island. This road is significant for Palau's state-making and private sector development. No road previously connected the ten states on the island of Babeldaob to one another or to the former capital state of Koror. When people traveled between states, they had to go by boat.¹³ Construction of the Compact Road began in 1999; most portions of it were ready for public use by 2006, and the official handing-over ceremony occurred in 2007. This new road system has enabled the opening of a new capital, officially relocated to Melekeok State, and inspired hopes for future development on Babeldaob Island. The Road has also brought challenges such as environmental damage, an influx of outsiders into rural communities, and cultural erosion, however.

This relocation of the capital from Koror State to Melekeok State becomes a second significant domestic factor in Palau's future. With the Compact Road nearly complete in 2006, Palau's government officially relocated its capital to Melekeok, a provincial state on Babeldaob Island about 20 miles northeast of the former capital. The principal functions of the administrative, legislative, and judiciary branches were transferred to the newly constructed building. Approximately 300 public officials and elected leaders now commute to Melekeok from the former capital, Koror, because until 2006 all political, administrative, economic, and educational activities were concentrated in Koror. The primary goals of relocating were to disperse the dense population of Koror and promote the development of Babeldaob (Constitution of the Republic of Palau, Article 13, Section 11). Whether the new capital triggers development will be a significant question in Palau's future.

¹³ Northern states in Babeldaob were largely isolated due to lack of roads. Some were connected by unpaved roads in poor condition, but most relied on speedboats.

The third domestic determining factor would be Palauans' reactions if the U.S. established a military base there. The latter is not immediately likely in a post-Cold War world, but some Palauan politicians do advocate for it. In April of 2010, the Senate of the Palau National Congress adopted a resolution to ask the President of Palau to request that the U.S. Marines' Futenma Air Base in Okinawa, Japan move to Angaur State (Marianas Variety, 2010). A similar resolution was passed in 2001 in response to the antimilitary movement in Okinawa.¹⁴ If international circumstances change and a need for militarization in the western Pacific materializes, Palau's enthusiasm with regard to this issue would make militarization more likely. On the other hand, although Palau agreed to the Compact, any Palauan resistance against militarization would expose the U.S. to international censure if it did try to use Palau for military purposes. Thus domestic forces will play a major role even in this seemingly external issue.

Palauans' proactive adaptation to newly introduced systems and technologies could become a fourth domestic force for social change. The Internet and mobile phones, both of which Palau has readily embraced, change people's lifestyles.

Fifth, Palauans are losing their indigenous knowledge and traditions. It is hard to tell whether such a phenomenon is an effect or a cause of social change. We may consider it an accelerating factor, however.

Sixth in this list is the overuse of natural resources or unplanned use of land. For example, the depletion of marine resources may impact traditional lifestyles and their capacity for subsistence production. Land use on Babeldaob Island, which is the largest island but remains largely undeveloped, will help determine the sustainability of Palau's natural resources.

Finally, there is the possibility of change in political leadership. Palau's president wields considerable power in its government, so a new president or new presidential policies could have a noticeable effect on Palau's future.

These lists of external and domestic forces for social change in Palau may not be comprehensive; other factors may exist. The classification into exogenous and endogenous factors becomes less important today than it was in colonial times as Palauans take the initiative to adopt more foreign habits into their lives. It is now difficult to distinguish between change brought by outsiders and that resulting from the choices of indigenous Palauans.

¹⁴ The construction of the U.S. military facilities itself would be an external factor; however, if Palau advocates for this aggressively while the United States remains noncommittal, it can be seen as a movement generated on Palau's side. This resolution was not actually adopted in the Senate then, though this would have little relevance to U.S. plans as the Compact of Free Association already permits it to construct military bases in Palau without Palau's consent. The Compact gives the United States the right to use Palau's land and water for its own military purposes.

4. Alternative Futures of Palau

This section uses deductive forecasting to illustrate alternative future scenarios for Palau based on the factors described above. Deductive forecasting is considered an effective method for understanding and forecasting futures (Dator, 1998, 2009). It was developed and has been practiced extensively at the Hawai'i Research Center for Futures Studies in the Political Science Department of the University of Hawai'i at Manoa (Dator, 2009).

The method helps us produce four generic images of the future: *Continued Growth*, *Collapse*, *Disciplined Society*, and *Transformational Society*. It allows us to “understand that there are a wide variety of different images of the future” (Dator, 1998). In this section, I employ this method to depict some alternative futures for Palau based on the trends discussed in previous sections.

I will employ four basic models:

- (1) *Continued Growth*—hypothesizing that current mainstream trends proceed based on development and growth driven by external forces within the nation-state framework;
- (2) *Collapse*—forecasting what might occur if such growth stops and in particular hypothesizing political and economic collapse following either the termination of U.S. funding or the onset of a severe global economic crisis;
- (3) *Disciplined Society*—forecasting on the premise that there is no perpetual growth and attempting an image that avoids collapse through endogenous use of local resources and networks, based on a shift to endogenous development that utilizes indigenous networks, lifestyles and wisdom; and
- (4) *Transformational Society*—introducing new ideas or systems that might transform future society through a confederation with other small island states in the region.

These four models are the results of integrating information about past and present trends with knowledge of possible future forces. They are key scenarios of Palau's possible futures, but they are not the only possibilities. We have assumed that most communities' alternative futures can be summarized in these four ways (Dator, 2009); however, variation in the causes of change could lead to other scenarios. A discussion of models differentiated to that extent is beyond the scope of this paper.

4.1 *Continued Growth*

The *Continued Growth* model describes an extension of the present situation. In contemporary

Palau, this scenario is based on the economic growth that has resulted from external investment and development. It is an optimistic model that corresponds to the views of many political leaders, and it is an attractive future image to many ordinary citizens.

[Scenario]

The form of state is an independent nation-state under the Compact of Free Association with the United States. Democracy with a presidency is the main pillar of the political system, but a substantial portion of government revenue comes from foreign assistance, including the Compact Money. Palau renegotiates with the U.S. to secure another aid package after the Compact Money is scheduled to end in 2024. Local governance is divided into 16 states, each of which has strong authority.

Economically, Palau receives more investment from foreign investors and developers. Tourism expands as a result, increasing air traffic in turn. Manufacturing businesses such as garment factories and fisheries are established, and fisheries are transformed by modern technologies and equipment for mass production. Agricultural production relies on imports due to the enhanced purchasing power of Palauan citizens and increased demand in the tourist sector.

The labor force that sustains this industry consists mainly of guest workers from Asian countries. Guest workers also serve ordinary Palauan families as domestic helpers and have taken over the traditional subsistence farming that was for centuries the work of Palauans. Guest worker and foreign resident populations increase in all sectors of society. With increased economic activity, Palau's GDP rises.

Americanization and globalization proceed while indigenous culture declines. Purchasing power is enhanced so that people can buy more automobiles and other imported products. Dependency on foreign goods escalates.

This is overall an optimistic view explaining aspects of Palau's current development based on a belief in perpetual growth. If we use GDP as a measurement of economic growth, Rostow's (1960) modernization theory (referring to stages of economic growth) serves as a model to support such a progressive, development-oriented approach to state-making. Various neoliberal globalization discourses, especially those of the IMF, the WTO, and their allied industrialized countries, would support this view. Examples of this type of society in Micronesia are Guam and Saipan (CNMI) during Japan's bubble economy in the 1980s.

4.2 Collapse

The *Collapse* model examines what the repercussions would be if *Continued Growth*

reached a threshold and collapsed.

[Scenario]

The Republic of Palau has difficulty sustaining itself as an independent state with its limited population and resources. Financial disaster strikes when the Compact Trust Fund is depleted. The government faces critical budget problems.

Palau has been a democratic republic since constitutional government was established in 1981, but trust in the government has been damaged by perceived corruption and further eroded by ineffective management of the public sector. The tiny scale of government leads to inefficiency, and the state system makes collaboration between neighboring states difficult, causing functional disorder throughout the nation.

The economy, which has been driven by foreign investors, faces recession or stagnation as foreign companies withdraw or freeze investments in response to downturns or crises in their home countries. Palau has no control over tourist demand, which is determined by economic conditions in supplier countries such as Japan or Taiwan, which in turn depend on global dynamics. Wealth produced by foreign investors and laborers returns to their home countries as profit. This wealth leakage brings little benefit to Palauans; the trickle-down effect is minimal for them.

Mass tourism, always prone to burdening environments, has triggered indiscriminate development and environmental damage. Since Palau has promoted its pristine environment as its only tourist attraction, it ceases to attract visitors. Fisheries, modernized and commercialized on a massive scale, have engaged in over-fishing and depleted marine resources.

The labor that sustained Palau's economic development has been that of guest workers, but financial problems reduce Palauans' capacity to hire employees from abroad. The existing foreign population becomes a burden on education, social welfare, and other urban systems.

The food supply, mostly imported, decreases along with purchasing power in the downturn as international grain and fuel prices rise. The cultural foundations of Palauan society have been infiltrated by Western culture, and the clash between indigenous and foreign values eventually causes cultural identity to disintegrate. Traditional life, with its subsistence economy of taro and tapioca cultivation and reef fishing, has become dependent on foreign labor. This causes a loss of traditional knowledge and reduces the viability of the old lifestyle. When Palau has trouble securing imported food as a result of the recession, Palauans' security is jeopardized, and some fall into poverty.

This model rests on the assumption that no trend can continue eternally. Some of its

elements are already observable in contemporary Palau, which means its future scenario is very possible. This future will be realized if the finances of the national government collapses, a probable event should the Trust Fund become depleted. In the private sector, the majority of businesses target locals rather than tourists, and the collapse of governmental finances would affect these private businesses severely. Many Palauans are on the government payroll, and their diminished purchasing power would also affect the private sector. Even barring a government financial disaster, Palau's reliance on foreign investment and tourists alone may lead to the *Collapse* scenario when its supplier countries enter recessions or face other crises prompting economic retrenchment. In an extreme case, in which investors withdraw and would-be tourists stay home, impacts on Palau would be catastrophic.

If Palau's path resembles the *Collapse* model, it would be difficult for this small island state to recover. Some of the phenomena it describes are already present in Palau, and certain island societies in Micronesia have already experienced situations similar to the one this model describes. Saipan, the main island of the Commonwealth of the Northern Mariana Islands, has experienced economic stagnation since the end of the 1990s due to the Asian economic crisis and the withdrawal of the garment industry.¹⁵ Nauru has experienced de facto bankruptcy since 2003 due to substantial depletion of its phosphate resources. It is a pattern that Palauans will want to break.

We can say that much of what affects Palau's political economy is decided in the metropolitan centers of the world. Palau, being located on the periphery, has little power over the global activity that affects it so profoundly.

Palau is also powerless to determine prices of consumer items. A population of 20,000 is too small to form a real market; all prices of imported products are pre-determined by the suppliers. There is no leverage for negotiating prices, which are controlled by the global economy and foreign actors.

¹⁵ CNMI (Saipan) in the early 1990s, with a per capita GDP of 14,200 USD, seemed almost a poster child for economic progress in the Pacific region. Korea's economic crisis and Japan's recession in the late 1990s, however, severely damaged Saipan's economy. The number of visitors from Japan dropped to 376,539 in 1998 from 447,882 in 1997 (Bank of Hawaii, 1999). Visitors from Korea dropped drastically from 141,510 to 27,813 in the same period. Since investment in Saipan's tourist industries continued in 1998 based on predictions of increased tourist numbers, the number of hotel rooms continued to grow even after Asian tourism plunged. The average hotel occupancy rate recorded in 1998 was only 58.1%, compared to more than 80% in the mid-1990s (Bank of Hawaii, 1999). This indicates a huge loss for Saipan's economy. With the influx of guest workers during the 1990s, CNMI's per capita GDP in 1998 was only \$8,367 (Bank of Hawaii, 1999). Many shops and restaurants closed down in resort areas such as Garapan and Susupe, as observed in 1999. The entire island seemed inactive after the Asian economic crisis hit this tourist destination so dependent on foreign visitors. This is an example of collapse due to heavy dependence on external sources of income.

This is the flip side of the *Continued Growth* image. Dependency theory (Frank, 1969) and world system theory (Wallerstein, 1974) have revealed that within the processes and structures of modernization, developing states are subordinated to and exploited by developed states. If we take this perspective and consider that Palau is on the periphery of the world system, we can surmise that Palau's political and economic future is determined by metropolitan countries and by decisions made elsewhere. For example, the economy and Palau's existence as a nation-state could crumble when the Compact Trust Fund is exhausted. This would cause the deterioration of Palauan society and possibly to severe poverty. Recovering traditional means of production, including subsistence production, is going to be difficult because people have already lost the relevant knowledge and techniques.

4.3 *Disciplined Society*

The *Disciplined Society* tries to avoid collapse through self-reliance. This model does not assume perpetual growth but rather tries to stabilize society in order to minimize the confusion brought about by change. Preferably, it strengthens a society's traditional norms and culture by valuing the practices that have characterized it for centuries. It is, in a way, a conservative model. Its forecasted scenario attempts to recover what has been lost or devalued in the process of modernization, offering ideas indispensable to sustainable development, a concept often referred to as Palau's national goal.

[Scenario]

In the *Disciplined Society* model, the state is comparable to a precolonial independent political realm that has few interactions with the outer world. It is not a realistic image in the contemporary context, however, in which the nation-state is regarded as virtually the only mode of existence. The political regime can be imagined with reference to traditional Palauan politics, conducted through consultation. This can be replaced, in the contemporary setting, by a system in which the wisdom of traditional leaders is consulted as frequently as possible even though traditional leaders are not the main actors in politics. National finances depend not on foreign funds but on tax income from people and companies in Palau. The government streamlines its budget and human resources to an adequate level. Public sector efficiency is promoted. State or local governance is once again united or integrated with the central government. Daily local administration occurs through the channel of traditional leaders, a custom that has survived in Palauan society for centuries.

Economic activity in precolonial Palau was based on subsistence. In a contemporary and especially a capitalist context, subsistence can mean working, producing, earning, and living in

self-reliant way without depending on external resources such as foreign labor. Palau shifts its economic and financial structure into a paradigm in which Palauan actors utilize their natural and human resources. Control of foreign investment improves so that the violent exploitation of Palauan resources can be prevented. The strict application of foreign investment laws and regulations protect domestic players from exploitation. Everything possible is made domestically. Once surplus and value-added products are produced, Palau earns income from exports.¹⁶ A first step would be to break away from extreme dependency on foreign imports.

Domestic food production, as represented by marine and agricultural products, secures the country's food supply and is sustained by domestic industry as well as subsistence/semi-subsistence farming and fishing. Fishing focuses on small coastal and in-reef resources intended for domestic consumption. Fishing moratoria are observed both by species and by period, utilizing indigenous knowledge and practices to cope with marine resource depletion. A revitalization of subsistence activity guarantees a basic livelihood for Palauans regardless of difficulties obtaining external income or sudden downturns in tourism. This accords with Palau's indigenous values. The tourist industry downsizes from mass to small-scale marketing. If necessary, the number of visitors to Palau or to particular areas is limited in order to maintain the sustainability of Palau's ecosystem and the serenity of village life. Wealth produced by the labor of Palau's own people recirculates within the country, avoiding the phenomenon of wealth leakage.

Palau strives for the revitalization and further development of its culture, reassessing the impacts of Western culture. A unique culture, survival techniques, indigenous language, and the cultural identity of the Palauan people are bequeathed to future generations.

A significant feature of this model is that it attaches importance to growth and fulfillment in society without relying on modern capitalistic values. It utilizes wisdom and practices nourished by Palauan socio-political systems and social norms in order to equip Palau against *Collapse*. It attempts to achieve a self-reliant society with modest growth.

Successful large-scale bonito and pineapple processing factories operated in Palau during the Japanese administration; these activities contributed to Palau's prosperity and self-reliance during that era but have never been resumed in the postwar period. Their history suggests that Palau has the potential to succeed in such industries, which profit from the country's location and natural resources.

The theory of endogenous development (Tsurumi, 1989) suggests an alternative path that could be taken by smaller-scale units than a nation-state. A shift to endogenous development

¹⁶ However, the issue of foreign market-driven pricing remains.

utilizing indigenous networks and lifestyles is more of an ideal for the older generation of Palauans, who maintain a critical view of developmentalism and the fast pace of social change. This scenario draws on concepts related to those of sustainable development (Overton and Scheyvens, 1999), human development (UNDP, 1999), and endogenous development as described by Tsurumi (1989). Endogenous development here substitutes for mainstream external development, using community development initiated locally to construct society.

Some elements of this model may not be easy to retrieve or implement in contemporary society. Yet recognizing this perspective creates the possibility that something important that has been submerged will be retrieved, or that traditional wisdom may be integrated with that of today to become applicable in the contemporary context. Especially as Palau sees its future in terms of sustainable tourism development, many aspects of the Disciplined Society model may be instructive. In short, this model takes self-reliance as its central value. The island of Yap in the Federated States of Micronesia may provide a relevant precedent.¹⁷

4.4 *Transformational Society*

The *Transformational Society* model attempts to introduce and employ new concepts, systems, and/or technologies in order to transform the way society functions.

[Scenario]

The framework of the nation-state is a historical product of Western society. The nation-state is only one form a state can take—a form that, with its huge bureaucracy and complicated state-level government, is too large and inefficient for a very small state like Palau whose population is only 20,000. Alternative models are needed.

One possible image for the *Transformational* model is political and economic confederation with other small island states of the region. Cooperation among neighbors increases political and economic power in the international arena and reduces costs in the public sector. Confederation also decreases the administrative burden for each sector. Since fewer bureaucrats are needed in the government, surplus expertise can be employed in productive private sectors, which would also help minimize the number of guest workers. This new political framework could be used to resist the forces of metropolitan-based globalization. High-technology long-distance communication systems facilitate links between political entities in the region despite their being scattered geographically across the vast Pacific Ocean.

¹⁷ The state of Yap did not use up all its allocated Compact Money by the end of the Compact period and maintained its State entity in a relatively sustainable way without huge external development or exploitation.

Government revenue is secured by regular tax income generated by the economic activities of the private sector. The local governance system is reformed to increase efficiency.¹⁸ Most local authority returns to the national government, since Palau is small both in area and in population. Each state performs limited functions, and the national and local governments coordinate their administrative activities effectively. As a whole, Palau acts as one efficient political unit within the confederation.

Economically, a new network with neighbors such as the Federated States of Micronesia, the Republic of the Marshall Islands, the CNMI, and Guam (a U.S. Territory) makes up for some of the disadvantages of being a small island state. Food is produced within the region, and trade between members of the confederation is encouraged. The surplus is exported out of the region with a cooperative effort that reduces cost. Fisheries shift from consumption of natural marine resources to aquaculture. High-value agricultural products are exported. Tourism is based on a sustainable model; eco-tourism, cultural tourism, and archaeological tourism are developed. Palauans form the principal labor force, and Palauans overseas are encouraged to return home and develop new businesses. A region-wide culture is promoted in addition to the revitalization of Palau's traditional culture. This effort encourages a regional identity to counter the effects of globalization.

There are many obstacles to realizing this future. Micronesia's main islands are scattered across a vast ocean, so technological assistance is indispensable to confederation.¹⁹ Transportation among the island states occurs principally by air, which is very costly due to a monopoly on services. Digital technology may provide one solution: introducing of low-cost 24-hour high-speed Internet connections all over the region would effectively counter geographical disadvantages. The introduction of vessels such as the Techno Super Liner (a high speed ocean liner) by the governments of the region can also improve the transportation of passengers and cargo.

This approach would help overcome the region's geopolitical and developmental disadvantages. There is no precedent in neighboring states for such a scenario; however, the European Union (EU) and the Caribbean Community (CARICOM) are two similar examples in other regions. In reality, the creation of a confederation is not easy, because the interests of each entity differ and often clash. It is worth studying the idea of regional collaboration and its

¹⁸ The current system gives each state a governor, legislature, office, and constitution, though the population of each state (excluding Koror) is only a few hundred. State governments should not hold all significant powers.

¹⁹ It is not realistic for people to fly to another island, for instance, when they need to visit government offices. Therefore, the creation of a system of online services would essentially shrink physical distances and ease this disadvantage of being island nations.

benefits, however, in order to broaden our perspectives on possible futures. The Pacific Islands Forum already dedicates itself to pursuing the best interests of the region as a whole. The Forum's activities may be enhanced in the future to provide further opportunities for island-states in the Pacific to tackle regional issues in the era of globalization.²⁰

5. Palauan Preferences

This section uses a survey conducted by the author in 2002–2003 to explore values and perceptions of futures among Palauans. This survey investigates the implications of alternative futures for the Republic of Palau at a time in which global dynamics infiltrate the islands, seeking to point the way toward more desirable political futures for Palauan society. This section describes the survey's results in order to illustrate the views of people living in a changing world under the influence of contemporary developmentalism and globalization. Since the future alternatives represent no party's ideas in particular, it is necessary to hear a variety of Palauans' voices in order to deepen our understanding of their communities' perspectives.

5.1 Methodology and Data Source

The interviewer used a set of structured questionnaires and asked questions verbally to elicit information about political participation, preference for elected or traditional leaders, and opinions especially regarding development and Palau's future as a state. This paper discusses two major questions (on political futures and economic futures) of the 12 included in the survey.

The scope of this survey is that of Palauan citizens living in Palau. A systematic random sampling method was applied to lists of registered voters from the Palau National Election Commission.²¹ The samples are drawn from registered voters (Palauan citizens over 17 years old who registered) who actually lived in the target states at the time of the survey, between November 2002 and March 2003. Two states were selected as research sites: Koror (N=58) and Ngeremlengui (N=33). The former is urban, the latter rural.²² Registered voters (Palauan citizens

²⁰ In addition to the four models above, we should note that other unpredictable events may affect the future of Palau—for example, extraordinary natural phenomena such as super-typhoons, earthquakes, or tsunamis. The rising sea level must be taken into consideration in the near future as field studies on this matter progress. The physical collapse of the Koror-Babeldaob Bridge in 1996, a human-made disaster, is still a recent memory. Such human-made incidents always have the potential to affect society and its finances in significant ways.

²¹ The list of registered voters was the only near-complete list of Palauan citizens as of November 2002.

²² Koror had been the provisional capital of Palau from 1981 until the time of the survey, and it has been the only urban area in the country where a majority of political as well as economic activities take place. Ngeremlengui is a rural state about 30 km north of Koror on Babeldaob Island. Koror is home to 12,676 people and Ngeremlengui to 317, including non-Palauan residents.

18 and older are eligible to vote) at the time of survey numbered 4580 in Koror and 538 in Ngeremlengui. Resident foreigners are excluded because they are not citizens. Randomly selected samples numbered 152 in Koror and 53 in Ngeremlengui.²³ Their mean age was 44; the youngest was 18 and the oldest 83. They included 38 males (41.8% of the total) and 53 females (58.2%) (cf. the results of Census 2005 indicating that the male-female ratio in Koror and Ngeremlengui is 50.4:49.6). Interviewees included 58 urban residents (63.7%) and 33 rural residents (36.3%).

5.2 Political Futures

The question on political futures investigated Palauan citizens' preferred future images of Palau's state-making:

Q1: What would you like to see happen to the country of Palau in the future? Choose one below.

1. Government by traditional leaders as in olden days
2. Government by elected national leaders
3. A new style of government with other Pacific Island states (a confederation)
4. Government by a foreign power
5. Other
9. Do not know

Sixty-one percent (61%) of respondents selected government by elected national leaders, the same system that exists currently (see Table 1). This corresponds to the *Continued Growth* model of deductive forecasting. Twenty-six point seven percent (27%) chose government by

Table 1. Preferred Future—Politics

	Preferred future—Politics	Frequency	Percent (%)	Valid percent (%)
Valid	Government by traditional leaders	24	26.4	26.7
	Government by elected national leaders	55	60.4	61.1
	New style of government together with other Pacific Islands states (confederation)	9	9.9	10.0
	Government by foreign power	2	2.2	2.2
Missing	Other	1	1.1	0
Total		91	100	100

²³ For Koror, I selected every 30th person from the list. Of 152, 58 participated. For Ngeremlengui, samples numbered 169, but only 53 were residents, and only 33 actually participated. The collection rate was 44%. As a result, 91 people, or 1.8% of the parent population in the selected states, were surveyed.

traditional leaders, corresponding most closely to the *Disciplined Society* model. Those who chose confederation were 10% of the total; only 2% chose foreign rule.

These results reveal that the majority of Palauans support the current nation-state structure. At the same time, about a quarter would prefer that traditional leaders govern the nation. Some interviewees criticized the corruption of Palau's elected leaders. Many who expressed a preference for elected national leaders also remarked that traditional leaders meet Palau's needs because they bring stability to society. Few chose a new arrangement working with other Pacific Island states, possible as a type of confederation (*Transformational Society*). The idea of political confederation may not be popular among Palauans because they identify strongly as Palauans but not as Micronesians or Pacific Islanders.

5.3 Economic Futures

The next question investigated respondents' preferences for Palau's economic future:

Q2: What would you like to see in Palau's economic future?

1. Development of a traditional exchange/subsistence system
2. Economic independence
3. More growth with foreign money
4. More economic cooperation with neighbor islands in the Pacific
5. Other
9. Do not know

People's views on economic futures can be divided into four major categories (see Table 2). Thirty-four percent (34%) of interviewees chose more growth with foreign money. This answer fits into the *Continued Growth* model, as current economic trends in Palau are based on external sources of income, including foreign investment, aid, and tourism. Another 34% chose economic independence or self-sufficiency. This corresponds to the image of the *Disciplined Society*. The development of the traditional exchange and subsistence system also points toward the *Disciplined Society* scenario. Nearly 14% selected this option. Finally, 18% wanted more economic cooperation with neighboring Pacific islands in the vein of the *Transformational Society*.

Thus about a third of Palauan citizens wish to develop the economy utilizing external capital, while another third prefer economic self-reliance, one of the two forms of *Disciplined Society* that appear among the four answer categories. It seems that there are two main schools of thought regarding Palau's economic development—the first advocating for reliance on foreign

Table 2. Preferred Future—Economy

	Preferred future—Economy	Frequency	Percent (%)	Valid percent (%)
Valid	Subsistence	12	13.2	13.6
	Self-reliance	30	33.0	34.1
	Growth with foreign money	30	33.0	34.1
	Regional cooperation	16	17.6	18.2
Missing	Other	3	3.3	0
Total		91	100	100

resources and the second desiring economic independence with the help of Palau's own human and capital. The rest of the population either prefers a traditional subsistence economy or hopes to find new opportunities in regional economic cooperation. The size of the latter group indicates that Palauans are slightly more amenable to the idea of cooperation in the economic sphere than they are to the idea of political confederation.

5.4 Generating Hypotheses

The sample size (N=91) of this survey is too small to allow for statistical analysis. This study would therefore rather use its data to develop hypotheses that can be tested in future research. This subsection presents the results of cross tabulation and the chi-square test on political as well as economic futures.²⁴ Future political and economic scenarios will be tested with possible independent variables (age cohort, sex, place of residence, household income, educational background, experience of living abroad).

5.4.1 Preferred Political Futures

Among the seven independent variables listed above, age, education, and experience of living abroad exhibit certain correlations with attitudes toward Palau's political future. Other variables seemed less significant. Detailed results are presented below.

Age Cohort

During the Japanese administration, Palau's social structure and indigenous political system were maintained behind the scenes of colonial development. Traditional values and practices were diluted, however, with the influx of foreign ways of life during the U.S. administration and afterward. We can assume the existence of a generation gap between those who experienced the Japanese administration and those who did not.

²⁴ SPSS Statistics 17.0 was used for data analysis.

Table 3. Age Cohort by Preferred Future—Politics: Cross Tabulation*

Age cohort	Preferred future—Politics				Total
	Traditional politics	Democratic politics	Political confederation	Foreign control	
Cohort A (US)	16 (21.3 %)	49 (65.3 %)	9 (12 %)	1 (1.3 %)	75 (100 %)
Cohort B (JP)	8 (53.3 %)	6 (40 %)	0 (0 %)	1 (6.7 %)	15 (100 %)
Total	24 (26.7 %)	55 (61.1 %)	9 (10 %)	2 (2.2 %)	90 (100 %)

*Original descriptions of the labels of dependent variables used in this table (traditional politics, democratic politics, political confederation, foreign control) are written in Q1 on page 43.

Table 4. Chi-Square Test: Age Cohort by Preferred Future—Politics

	Value	df	Asymp. sig (2-sided)
Pearson chi-square	9.513 ^a	3	.023
Likelihood ratio	9.869	3	.020
Linear-by-linear association	3.117	1	.077
Number of valid cases	90		

^a 4 cells (50.0%) have expected count less than 5.
The minimum expected count is .33.

There is a certain degree of possible correlation [-0.270 ($p < 0.05$)] between age cohort A (the generation who remember only the U.S. administration), cohort B (the generation who remember the Japanese administration), and their preferred political futures (see Table 3). Cross tabulation shows that a higher percentage of people in cohort A supports the current system of a modern country governed by elected leaders than in cohort B (see Table 3). The Pearson chi-square test reveals that this result is statistically significant ($p < 0.05$) (see Table 4). Thus I propose the following hypothesis to be tested with larger samples in the future.

[Hypothesis]

The older Palauan cohort (60 years of age or above) tends to prefer the indigenous political system to a democratic one more frequently than the younger cohort (under 60 in 2003).

Experience of Living Abroad

Many Palauans have lived in foreign countries. The Compact of Free Association with the United States allows Palauan citizens to reside in the United States for purposes of education and employment. Cross tabulation and the Pearson chi-square test indicate that respondents who had experience living abroad tended to prefer non-traditional political systems while those who

Table 5. Experience of Foreign Residency by Preferred Future—Politics*

Experience of foreign residency	Preferred future—Politics				Total
	Traditional politics	Democratic politics	Political confederation	Foreign control	
No experience	15 (37.5 %)	18 (45 %)	5 (12.5 %)	2 (5 %)	40 (100 %)
Has experience	9 (53.3 %)	37 (40 %)	4 (0 %)	0 (6.7 %)	50 (100 %)
Total	24 (26.7 %)	55 (61.1 %)	9 (10 %)	2 (2.2 %)	90 (100 %)

*Original descriptions of the labels of dependent variables used in this table (traditional politics, democratic politics, political confederation, foreign control) are written in Q1 on page 43.

had never lived outside of Palau were more likely to prefer traditional systems (see Table 5). The Pearson chi-square test also indicates that this result is statistically significant ($p < 0.05$) (see Table 5). From this I have generated the following hypothesis, which should be tested with a larger sample size in the future.

[Hypothesis]

Palauan people who have experience living abroad tend to prefer democratic political systems to indigenous ones.

Educational Background

The results of cross tabulation give the impression that Palauans with a higher level of formal education tended to prefer Western systems of government to traditional Palauan ones, in contrast to Palauans with less formal education (see Table 6). The following hypothesis should be tested with a larger sample size in the future.

[Hypothesis]

Palauans with a higher level of formal educational (that is, those who attended an institution of higher education such as a college or university) tend to prefer democratic systems to indigenous ones.

5.4.2 Preferred Economic Futures

Among the seven independent variables (age, sex, place of residence, household income, educational background, occupation, experience of living abroad), two factors—sex and experience living abroad—are worth noting. Other variables exhibited little significance. Detailed results of tests on the above variables are presented below.

Table 6. Education by Preferred Future—Politics: Cross Tabulation*

Education	Preferred future—Politics				Total
	Traditional politics	Democratic politics	Political confederation	Foreign control	
Elementary	5 (45.5 %)	5 (45.5 %)	0 (0 %)	1 (9.1 %)	11 (100 %)
High school	13 (35.1 %)	19 (51.4 %)	4 (10.8 %)	1 (2.7 %)	37 (100 %)
Some college or vocational	6 (18.8 %)	22 (68.8 %)	4 (12.5 %)	0 (0 %)	32 (100 %)
University graduate	0 (0 %)	9 (90 %)	1 (10 %)	0 (0 %)	10 (100 %)
Total	24 (26.7 %)	55 (61.1 %)	9 (10 %)	2 (2.2 %)	90 (100 %)

*Original descriptions of the labels of dependent variables used in this table (traditional politics, democratic politics, political confederation, foreign control) are written in Q1 on page 43.

Sex

Although it is statistically insignificant, there is a slight suggestion that females are more inclined to prefer a subsistence economic system. Cross tabulation shows that a higher percentage of women (20%) than men (5%) support the subsistence system (see Table 7). I propose the following hypothesis to be tested with a larger sample size in the future.

[Hypothesis]

The indigenous economic system is more popular among Palauan women than it is among Palauan men.

Table 7. Sex by Preferred Future—Economy: Cross Tabulation

Sex	Preferred future—Economy				Total
	Subsistence	Self-sufficiency	Growth with foreign money	Regional cooperation	
Female	10 (19.6 %)	16 (31.4 %)	18 (35.3 %)	7 (13.7 %)	51 (100 %)
Male	2 (5.4 %)	14 (37.8 %)	12 (32.4 %)	9 (24.3 %)	37 (100 %)
Total	12 (13.6 %)	30 (34.1 %)	30 (34.1 %)	16 (18.2 %)	88 (100 %)

Table 8. Education by Preferred Future—Economy: Cross Tabulation

Education	Preferred future—Economy				Total
	Subsistence	Self-sufficiency	Growth with foreign money	Regional cooperation	
Elementary	3 (33.3 %)	2 (22.2 %)	4 (44.4 %)	0 (0 %)	9 (100 %)
High school	7 (18.9 %)	8 (21.6 %)	15 (40.5 %)	7 (18.9 %)	37 (100 %)
Some college vocational	2 (6.3 %)	15 (46.9 %)	9 (28.1 %)	6 (18.8 %)	32 (100 %)
University graduate	0 (0 %)	5 (50 %)	2 (20 %)	3 (30 %)	10 (100 %)
Total	12 (13.6 %)	30 (34.1 %)	30 (34.1 %)	16 (18.2 %)	88 (100 %)

Educational Background

Cross tabulation on educational background gives the following impressions: (1) a subsistence economy is preferred by less educated groups; (2) the higher the level of education, the greater the desire for economic self-sufficiency; and (3) the higher the level of formal schooling, the higher the preference for regional cooperation (see Table 8).

There may be relationships between schooling and gender in many societies, but the data collected in this study show no significant relationship between the two variables.²⁵

The following hypothesis should be tested with a larger sample size in the future.

[Hypothesis]

The higher people's levels of formal education, the more they want an economy that relies on external countries and the less they want one based on subsistence.

5.5 Summary of the Survey

A majority of respondents desires that their country continue to be governed by elected national leaders, while a fourth would prefer a traditional political system in the future (Q1). Among the seven variables tested (age cohort, sex, place of residence, household income, educational background, occupation, experience living abroad), only age and experience living in a foreign country seemed correlated with preferred political futures for Palau. These results yield hypotheses that should be tested with larger sample sizes in future research.

As for the economy, a third of interviewees wanted continued growth with foreign money

²⁵ The Pearson chi-square test for educational background and sex shows that the correlation is statistically insignificant (Asymp. Sig. =.579).

as illustrated by the *Continued Growth* model, and another third preferred a more self-reliant scenario like that of the *Disciplined Society* (Q2). Those who preferred subsistence and regional cooperation were in the minority. There were no significant correlations between the seven variables and preferred economic futures.

6. Policy Recommendation for Palau's Futures

6.1 Limitations of *Continued Growth* Model

More than a third of the respondents to the survey preferred the *Continued Growth* image for Palau's future both for political and economic reasons. This model is significant because it reflects past and present mainstream trends. Understanding the advantages and disadvantages of this scenario is necessary for the people and government of Palau to plan their future.

The weakness of the *Continued Growth* model is that most of Palau's income will continue to be highly dependent on external donations. This situation has the potential to lead to *Collapse* in the event that the supply of wealth diminishes or disappears altogether. Palauans currently wield little control over the flow of wealth, and the capital brought to Palau by external actors may not remain forever. As a futurist concerned that Palau may face collapse (though this scenario could be avoided with a slight change in the current situation), I would advise the Palauan people against simply following the *Continued Growth* model. If Palau continues down this track, it may begin to exhibit many of the negative features of development that industrial countries have already experienced, including high crime rates, environmental degradation, and alienation of humanity. So far, Palau has not been a central actor in the politics and economy of globalization. Pursuing *Continued Growth* would do nothing to change this fact.

6.2 *Disciplined Society*

As citizens of an independent state, Palauans can theoretically become leading actors in the political and economic theaters of their country. One strategy for doing so appears in both the *Disciplined Society* and the *Transformational Society* models. Among the four alternatives for Palau's future, the *Disciplined Society* is, in my opinion, the most attractive. In the survey, 27% of respondents preferred this scenario when questioned about politics, while 48% identified it as the best economic outcome. The *Disciplined Society* scenario employs some of the wisdom of traditional Palauan culture. Of course, a portion of the Palauan population would not favor this model considering their attraction to modern material affluence and democratic politics in general.

The *Disciplined Society* image provides valuable instruction, however, in using indigenous

political, social, and value systems as tools to cope with the influx of external forces in Palau's future. We can learn the basic principles of a way of life that survived for centuries in Palau. In precolonial days and before Japanese immigrants dominated the labor force of a modern production system, it was Palauans who worked hard for the betterment of their *beluu* (village). Indigenous wisdom and knowledge are necessary for survival in small island settings even today. If Palauans have to survive by their own efforts as independent citizens as they did in the precolonial era, then, they could use the *Disciplined Society* model as a means of determining their futures.

6.3 Challenges of the *Transformational Society* Model

The *Transformational Society* model also has great potential for Palau. Since the Pacific Ocean is equivalent to the superpowers in terms of physical area and potential marine resources, cooperation among island countries would enhance their ability to participate in the decision-making processes of international negotiations in the future. Economically, Palau could form a regional trade agreement with Micronesian and other states. As Matsushima (2002) says about the idea of creating a Western Pacific Islands trade plan, Palau could cooperate with neighboring islands in the area to enhance agricultural and fisheries production. Small-scale political entities could work together to harvest, process, transport, and market products destined for the larger economic markets of countries like Japan and Taiwan. In this way a diversity of income sources could be secured to avoid a Saipan-type collapse, which was the result of too few industries (namely, a single garment factory and tourism). It is high time Palau considered making use of the nearby Asian economy instead of simply letting Asia capitalize on its tourist resources for the benefit of external investors. This shift in direction would lead to a regional integration, not only substantially but also culturally, such as *Epeli Hau'ofa* proposed.

In a confederation, the features that put many small Pacific island states at a disadvantage today—for example, smallness, remoteness, dispersion, and political weakness—may be less damaging. One trouble with the *Transformational* scenario is that it requires negotiations with other Pacific island states: achieving consensus would be a rather difficult job given current divisions. Given the rise of nationalism in the 1960s and the subsequent separation of Palau from the rest of the Micronesian states in the Trust Territory of the Pacific Islands (TTPI) as it engaged in negotiations to decolonize, it may be difficult for Palauans to expand its political boundaries to include other island groups. A reconceptualization of the political unit and the creation of new confederation system that would allow Palau to maintain its national identity would be required.

7. Conclusion

In the previous pages, I have presented alternative futures for Palau, as well as Palauans' views on these futures. Each of the four alternative futures (*Continued Growth*, *Collapse*, *Disciplined Society*, and *Transformational Society*) would have advantages and disadvantages for Palau. The probability of *Continued Growth* and *Collapse* are high. As stated previously, *Continued Growth* describes the current economic trend, which is driven mostly by external sources of income. This trend may not continue in perpetuity, however; indeed, collapse is quite likely. In order to avoid the *Collapse* scenario, we need to employ elements of a *Disciplined Society*. It is also worth considering the *Transformational Society* model, though the *Disciplined Society* is a more likely realization of individual elements and also features policies and circumstances that already exist in Palau. With some ingenuity on the part of Palauans, it is highly probable that a *Disciplined Society* would work well as Palau's preferred future image. The probability of creating a *Transformational Society* is not high.

The futures models presented in section 4 may not all describe the bright future every member of society desires. In presenting these four alternatives, however, I have pointed out various elements that could become future factors in social change—factors that may have positive or negative effects. Because Palauan views on the country's future are diverse, it is not appropriate to employ one particular model as a fixed preferred future for Palau. Rather, it is my view that the Palauan people and government can employ significant elements from each model in order to design their own futures. It is also useful to review less attractive possibilities such as *Collapse* in order that they may be avoided.

Ultimately the people of Palau must construct their own futures in preparation for the changes ahead, especially those triggered by external actors whose intention is to utilize the island's heritage and resources for profit and political benefit in the wider international community. Without a proactive vision of its desired future, Palau will have its destiny defined by outsiders with stronger wills and resources. By designing futures and implementing strategies for facing outside interests, Palau will be able to maintain its sovereignty and establish a self-reliant society.

There is also a reassuring element in Palau's forecasted futures. Palau is fortunate in that it has no poverty.²⁶ As in many Pacific Islands societies, it is quite natural to support members of society in ways that are reciprocal. Palauans are willing to offer food to anyone, even someone

²⁶ Inequality within Palau has rarely been a topic for discussion, since the kinship network has been well developed to redistribute wealth among members of the clan. Data do show a gap between urban and rural residents, however.

not directly related to their family or clan. If someone faces economic difficulty, family or community members provide support so that hardship can be avoided. The value Palauans place on enabling members of their society to survive peacefully in a small island state is significant and should not be given up even in the face of major changes or difficulties in the future.

Finally, it is relatively easy for Palauans to be bound together as one community because of the smallness of their society. However, this sense of unity is often based on loyalty and respect for traditional leaders. If modern government leaders, state governors, and corporate leaders can cooperate with traditional leaders and help each other with the purpose of attaining the larger goal of national independence, the nation and communities of Palau can exhibit the strength of their country. The reintegration of traditional leadership roles and the theories and values of the Palauan communities into the structure of a modern state can work toward developing future state-making in a Palauan way.

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