

# Investing in Paradise: Commercial Opportunities and Trends in the Marshall Islands

Chima Tasie<sup>1</sup> and Gee LC Bing<sup>2</sup>

<sup>1</sup>Adjunct lecturer, College of the Marshall Islands

<sup>2</sup>HR Data Management Consultant, College of Micronesia

---

**Abstract:** *The Republic of the Marshall Islands (RMI) is a small island nation in the Pacific Ocean that faces unique economic challenges and opportunities. The RMI has a close relationship with the United States, which provides substantial financial assistance and security guarantees under the Compact of Free Association. The RMI also has abundant marine resources, especially tuna, which generate significant revenues from fishing licenses and exports. However, the RMI also suffers from geographic isolation, limited land area, environmental vulnerability, and low human capital. These factors constrain the RMI's economic growth potential and resilience to external shocks. This article examines the current state and prospects of the RMI's economy, focusing on the key sectors of fisheries, tourism, and renewable energy. It also analyzes the main challenges and opportunities for enhancing the RMI's commercial competitiveness, diversification, and sustainability. The article concludes with some policy recommendations for the RMI government, the private sector, and the development partners to foster a more dynamic and resilient economy in the RMI.*

**Keywords:** *Republic of the Marshall Islands, Economic development, Fisheries, Tourism, Renewable energy, Compact of Free Association, Climate change*

---

## INTRODUCTION

The Republic of the Marshall Islands (RMI) is a small island nation in the Pacific Ocean that consists of 29 atolls and five islands, with a total land area of only 181 square kilometers<sup>1</sup>. The RMI has a population of about 58,000 people, most of whom live on the two urban centers of Majuro and Ebeye<sup>1</sup>. The RMI is one of the four countries that have a Compact of Free Association (COFA) with the United States, which grants the RMI sovereignty and independence, but also provides substantial financial assistance and security guarantees. Under the COFA, the US has the right to use the Kwajalein Atoll for military purposes, and the RMI receives annual payments from the US, as well as access to certain federal programs and services. The COFA is the main source of income for the RMI, accounting for about 60% of its gross domestic product (GDP) in 2019.

The RMI faces unique economic challenges and opportunities as a small island developing state (SIDS). On the one hand, the RMI has abundant marine resources, especially tuna, which generate significant revenues from fishing licenses and exports.

The RMI is also a popular destination for tourists, especially divers and surfers, who are attracted by its pristine coral reefs and rich marine biodiversity. The RMI has also been exploring the potential of renewable energy, especially solar and wind, to reduce its dependence on imported

fossil fuels and mitigate the effects of climate change. On the other hand, the RMI suffers from geographic isolation, limited land area, environmental vulnerability, and low human capital. These factors constrain the RMI's economic growth potential and resilience to external shocks, such as natural disasters, pandemics, and global market fluctuations. The RMI also faces the legacy of nuclear testing conducted by the US between 1946 and 1958, which resulted in widespread radiation exposure, environmental contamination, and displacement of communities. The RMI has been seeking compensation and remediation from the US for the damages caused by the nuclear testing, but the issue remains unresolved.

### ***Historical and institutional background of the RMI***

The Republic of the Marshall Islands (RMI) is a small island nation in the Pacific Ocean that consists of 29 atolls and five islands, with a total land area of only 181 square kilometers. The RMI has a population of about 58,000 people, most of whom live on the two urban centers of Majuro and Ebeye<sup>1</sup>. The RMI is one of the four countries that have a Compact of Free Association (COFA) with the United States, which grants the RMI sovereignty and independence, but also provides substantial financial assistance and security guarantees. Under the COFA, the US has the right to use the Kwajalein Atoll for military purposes, and the RMI receives annual payments from the US, as well as access to certain federal programs and services<sup>2</sup>. The COFA is the main source of income for the RMI, accounting for about 60% of its gross domestic product (GDP) in 2019.

The RMI has a rich and diverse cultural heritage, influenced by early Polynesian and Micronesian civilizations, as well as by European, American, and Japanese contacts. The early Marshall Islanders were skilled navigators and made long canoe voyages among the atolls. They developed a complex social and political system, based on clans, lineages, and chiefs. They also had a distinctive oral tradition, art, and music. The RMI was first sighted by European explorers in 1529 by the Spanish navigator Álvaro Saavedra. However, the RMI did not attract much interest from the colonial powers until the 19th century, when it became a destination for whalers, traders, and missionaries. The RMI was claimed by Spain in 1874, but was sold to Germany in 1885, which established a protectorate over the islands and promoted copra production and trade. The RMI was occupied by Japan in 1914, after the outbreak of World War I, and was later administered by Japan as a League of Nations mandate. Japan developed the RMI's infrastructure, education, and health systems, but also exploited its natural resources and labor force. Japan also used the RMI as a military base and a launch site for attacks on Pearl Harbor and other Pacific islands during World War II.

The RMI was liberated by the US in 1944, after fierce battles at Kwajalein and Enewetak atolls, which resulted in heavy casualties and destruction. The RMI was then placed under the US administration as part of the United Nations Trust Territory of the Pacific Islands in 1947. The US conducted 67 nuclear tests in the RMI between 1946 and 1958, mostly at Bikini and Enewetak atolls, which caused widespread radiation exposure, environmental contamination, and displacement of communities<sup>4</sup>. The RMI has been seeking compensation and remediation from the US for the damages caused by the nuclear testing, but the issue remains unresolved. The RMI adopted its constitution in 1979 and signed the COFA with the US in 1986. The RMI became a member of the United Nations in 1991, and established diplomatic relations with many countries, including China, Taiwan, and Israel. The RMI also joined several regional and international organizations, such as the Pacific Islands Forum, the Pacific Community, and the Non-Aligned Movement. The RMI has been an active advocate for global peace, human rights, and

environmental protection, especially on the issues of nuclear disarmament, climate change, and ocean conservation.

*Fig 1.0:*



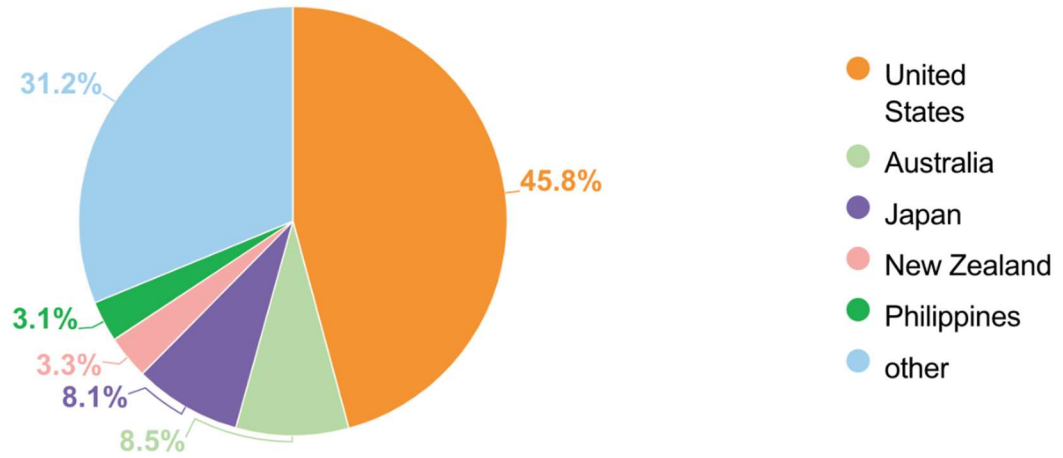
### ***Economic performance, structure, and outlook of the RMI***

The economy of the RMI is closely linked to that of the United States, and the U.S. also controls the security and defense of the islands. The RMI is classified as an upper-middle-income country by the World Bank, although the GDP per capita (PPP) was estimated at only USD 4,395 as of 2022 by the IMF<sup>1</sup>. The RMI's economy is largely dependent on the Compact of Free Association (COFA) with the U.S., which provides annual grants and access to certain federal programs and services. The COFA grants account for about 60% of the RMI's GDP, and are scheduled to expire in 2023, creating a fiscal cliff for the RMI. The RMI also receives revenues from fishing licenses and exports, which are highly volatile and subject to external shocks. The RMI's main export markets are Thailand, Japan, and the U.S., and its main import sources are the U.S., Singapore, and China<sup>3</sup>. The RMI's main economic sectors are fisheries, tourism, and renewable energy, which will be discussed in more detail in the following sections.

The RMI's economic growth has been modest and uneven in recent years, reflecting the fluctuations in the COFA grants, fishing revenues, and external demand. The RMI's real GDP growth averaged 2.4% per year between 2015 and 2019 but turned negative in 2020 (-1.6%) due to the impact of the COVID-19 global crisis. The RMI's inflation rate has been relatively low and stable, averaging 1.6% per year between 2015 and 2019, but increased to 3.7% in 2020 due to the rise in food and fuel prices. The RMI's current account balance has been positive and large, averaging 23.8% of GDP between 2015 and 2019, but declined to 15.8% of GDP in 2020 due to the drop in fishing revenues and tourism receipts<sup>4</sup>. The RMI's fiscal balance has been negative and widening, averaging -4.9% of GDP between 2015 and 2019, and reaching -8.9% of GDP in 2020 due to the increase in public spending and the decrease in domestic revenues. The RMI's public debt has been rising and unsustainable, reaching 58.9% of GDP in 2020, and exceeding the debt sustainability threshold of 55% of GDP set by the International Monetary Fund (IMF).

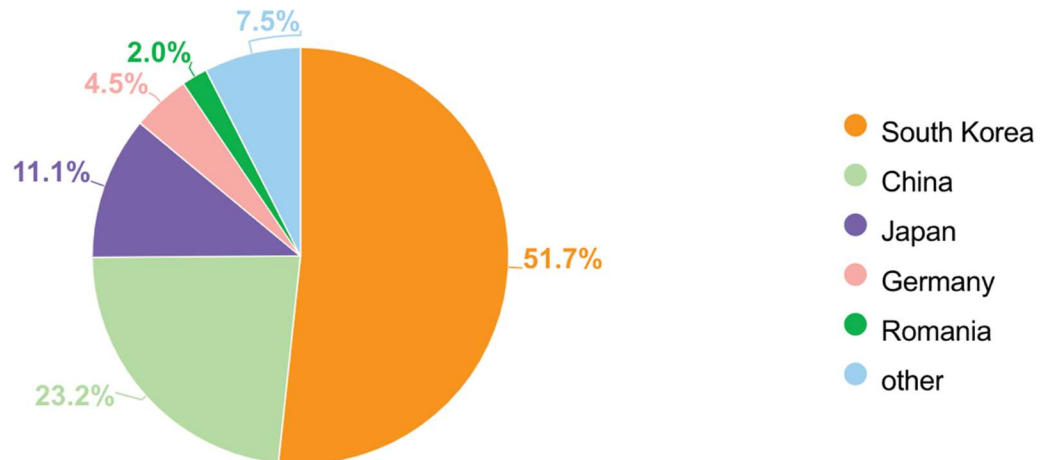
The RMI's economic outlook is uncertain and challenging, as it faces multiple risks and vulnerabilities. The RMI's economic recovery from the COVID-19 pandemic depends on the speed and effectiveness of the vaccination program, the reopening of the borders, and the restoration of the tourism sector. The RMI's fiscal sustainability depends on the successful implementation of the fiscal adjustment plan, the mobilization of domestic revenues, and the

prudent management of the public expenditures. The RMI's external stability depends on the diversification of the export markets, the enhancement of the trade facilitation, and the improvement of the competitiveness. The RMI's long-term growth potential depends on the development of the productive sectors, the investment in the human capital, and the innovation in the technology. The RMI also faces the existential threat of climate change, which poses severe risks to its environment, infrastructure, and livelihoods. *Fig: 1.1*



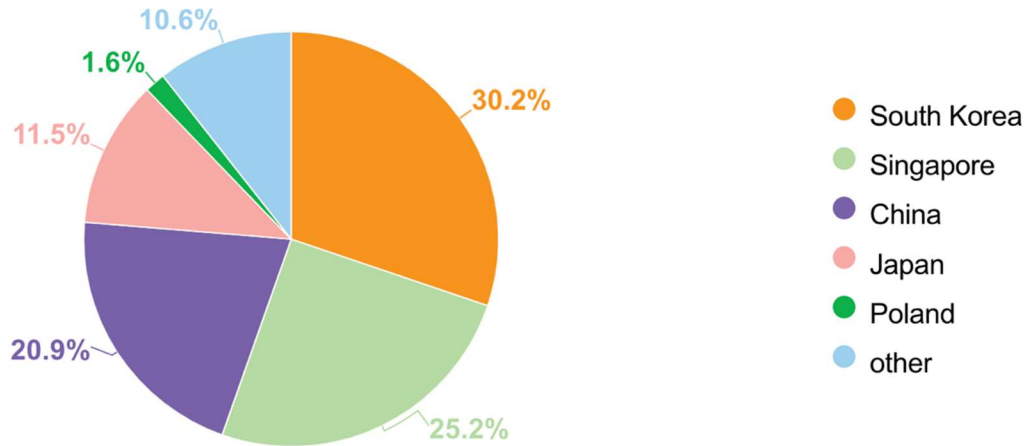
*Marshall Island major import sources, 2006. Source: Encyclopaedia Britannica, Inc.*

*Fig 1.2:*



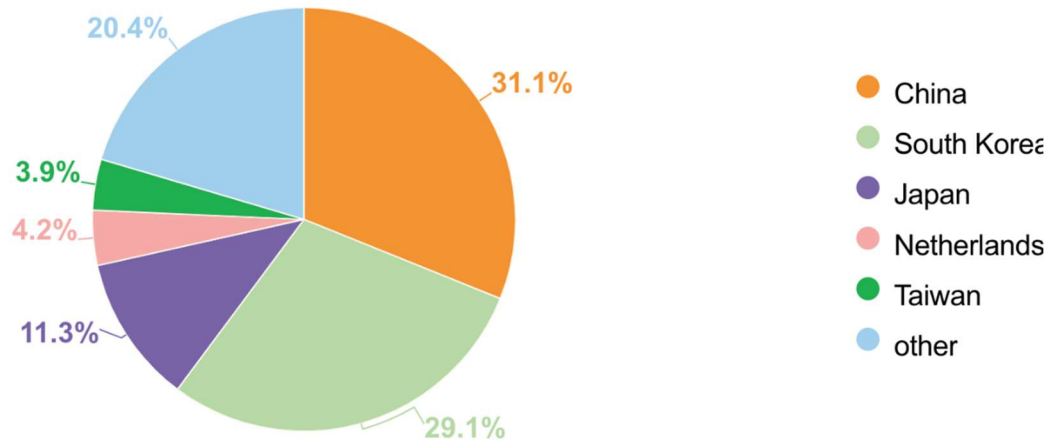
*Marshall Island major import sources, 2015. Source: Encyclopaedia Britannica, Inc.*

*Fig 1.3:*



Marshall Island major import sources, 2019. Source: Encyclopaedia Britannica, Inc.

Fig 1.4:



Marshall Island major import sources, 2022. Source: Encyclopaedia Britannica, Inc.

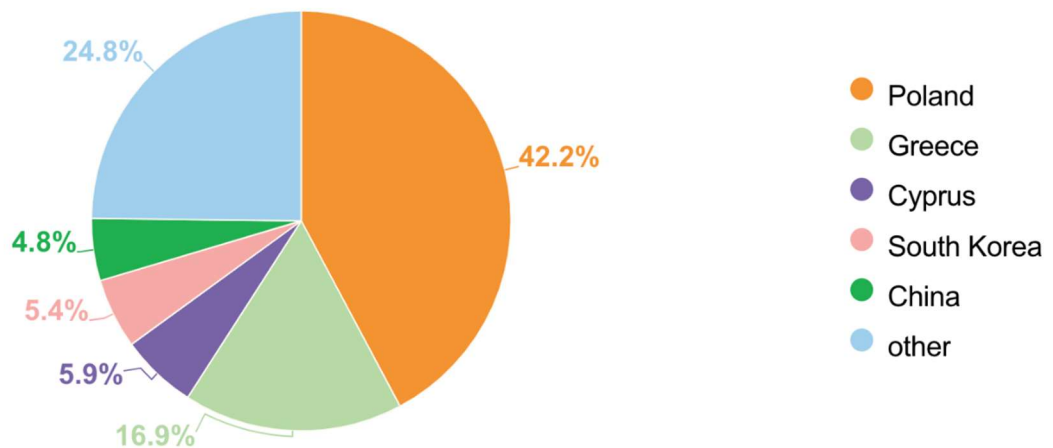
### The RMI's fisheries sector

The fisheries sector in the RMI comprises two main sub-sectors: coastal fisheries (inshore and near-shore) and oceanic fisheries (offshore, within the RMI EEZ). Coastal fisheries resources are typically utilized by individual households for subsistence, and to some extent for sale within urban areas<sup>1</sup>. Coastal fisheries provide food security, nutrition, and income for most of the population, especially in the outer islands. Coastal fisheries also support the cultural and social values of the Marshallese people, who have a strong attachment to the ocean and its resources. However, coastal fisheries face several challenges, such as overexploitation, habitat degradation, climate change impacts, and limited data and management capacity.

Oceanic fisheries resources are mainly exploited by foreign fishing vessels, which pay license fees to the RMI for access to its EEZ. Oceanic fisheries are dominated by tuna, which accounts for more than 90% of the RMI’s fish catch and exports<sup>2</sup>. The RMI is a member of the Parties to the Nauru Agreement (PNA), a regional cooperation of eight Pacific Island countries that collectively manage the world’s largest tuna fishery. The RMI benefits from the PNA’s vessel day scheme (VDS), which allocates fishing rights and sets minimum prices for tuna fishing licenses. The RMI also participates in the Western and Central Pacific Fisheries Commission (WCPFC), which is the regional fisheries management organization for tuna and other highly migratory species. Oceanic fisheries are the main source of foreign exchange earnings for the RMI, contributing about 30% of its GDP in 2019. However, oceanic fisheries also face several challenges, such as price volatility, illegal fishing, environmental impacts, and limited value addition and domestic participation.

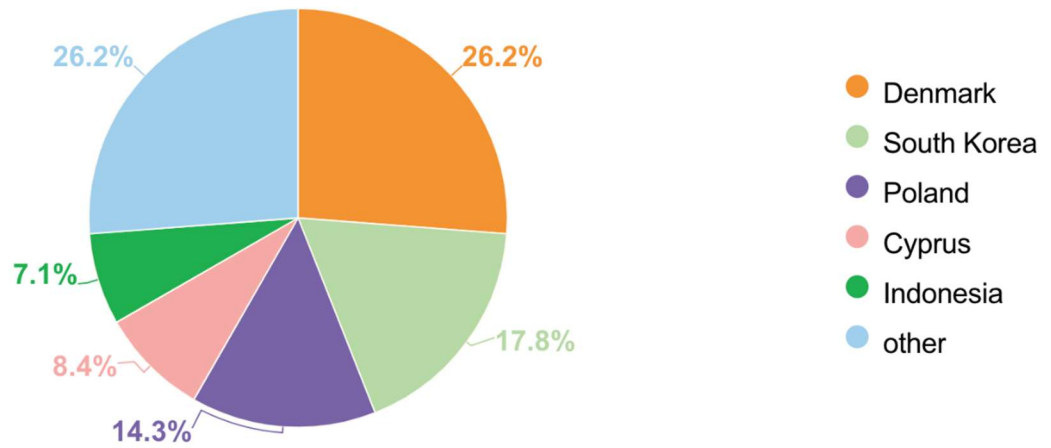
The RMI’s fisheries sector has a significant potential for further development, as it possesses abundant and diverse marine resources, a large and exclusive ocean jurisdiction, and a favorable geographic location. The RMI’s fisheries sector could be enhanced by improving the management and conservation of coastal fisheries, increasing the value and benefits from oceanic fisheries, and promoting the development of sustainable aquaculture. The RMI’s fisheries sector could also benefit from strengthening the institutional and human capacity, enhancing the infrastructure and technology, and fostering the regional and international cooperation. The RMI’s fisheries sector could play a vital role in supporting the RMI’s economic growth, food security, and resilience.

Fig 2.0:



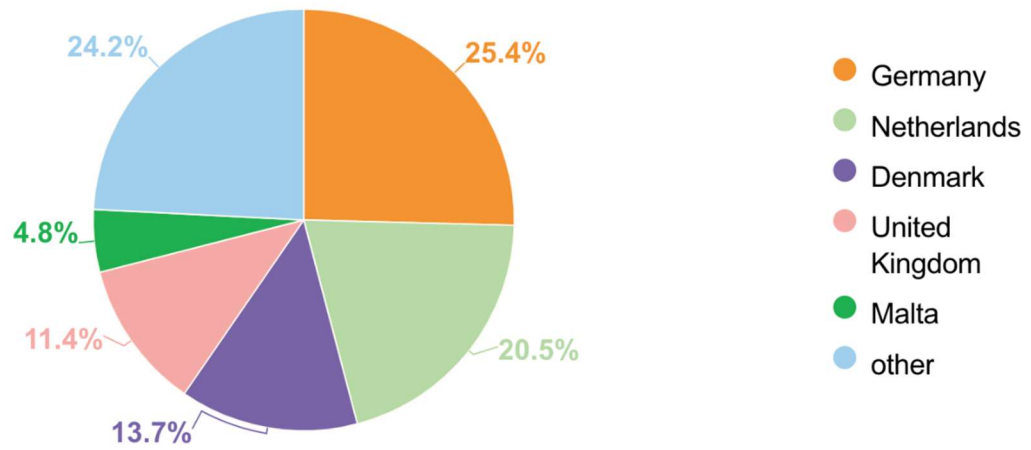
Marshall Island major import sources, 2015. Source: Encyclopaedia Britannica, Inc.

Fig 2.1:



Marshall Island major import sources, 2019. Source: Encyclopaedia Britannica, Inc.

Fig 2.2:



Marshall Island major import sources, 2022. Source: Encyclopaedia Britannica, Inc.

### ***The RMI's tourism sector***

The tourism sector in the RMI is a relatively small but important contributor to the RMI's economy, culture, and environment. The RMI attracts tourists mainly from the U.S., Japan, Taiwan, and Australia, who are interested in its natural beauty, rich history, and diverse culture. The RMI offers a variety of tourism products and activities, such as diving, surfing, fishing, cultural tours, and historical sites. The RMI is also home to the world's largest shark sanctuary, which covers its entire EEZ and protects over 30 species of sharks. The RMI's tourism sector employs about 10% of the labor force and generates about 15% of the GDP in 2019. The RMI's tourism sector also supports the conservation and management of the RMI's natural and cultural heritage and promotes the awareness and appreciation of the RMI's identity and values.

The RMI's tourism sector has been severely affected by the COVID-19 pandemic, which has disrupted the global travel and tourism industry. The RMI closed its borders to international visitors in March 2020, and has maintained a strict quarantine and testing regime for incoming travelers. The RMI's tourism sector has experienced a sharp decline in arrivals, revenues, and employment, as well as a loss of market share and competitiveness. The RMI's tourism sector has received some support from the government and the development partners, such as the COFA grants, the World Bank's COVID-19 Response and Recovery Development Policy Grant, and the Asian Development Bank's Pacific Tourism Sector Support Project. However, the RMI's tourism sector still faces many challenges, such as the uncertainty of the pandemic situation, the lack of access to vaccines and testing, the high cost and low frequency of air travel, and the limited capacity and quality of the tourism infrastructure and services.

The RMI's tourism sector has a strong potential for recovery and growth, as it possesses a unique and attractive destination image, a loyal and niche market segment, and a favorable geographic location. The RMI's tourism sector could be revived by implementing a safe and gradual reopening strategy, based on the scientific evidence and the best practices. The RMI's tourism sector could also benefit from enhancing the domestic tourism demand, diversifying the source markets and the product offerings, and improving the digital marketing and the online presence. The RMI's tourism sector could also leverage the opportunities of the post-pandemic era, such as the increased demand for nature-based, wellness, and experiential tourism, the growing awareness of the social and environmental responsibility of tourism, and the innovation and transformation of the tourism business models and operations.

### ***The RMI's renewable energy sector***

The renewable energy sector in the RMI is a key component of the RMI's vision and strategy for a low-carbon and climate-resilient future. The RMI has committed to achieving 100 percent renewable energy by 2050 and has set interim targets of 20 percent by 2020 and 45 percent by 2030. The RMI's renewable energy sector is mainly driven by solar photovoltaic (PV) systems, which account for about 95 percent of the installed renewable energy capacity, followed by wind and biomass<sup>2</sup>. The RMI's renewable energy sector is supported by various policies and initiatives, such as the National Energy Policy and Action Plan, the Electricity Roadmap, the Green Climate Fund Readiness Program, and the Sustainable Energy for All Partnership. The RMI's renewable energy sector also benefits from the technical and financial assistance from the development partners, such as the World Bank, the Asian Development Bank, the European Union, the New Zealand Aid Programme, and the Japan International Cooperation Agency.



*Fig 3.0:*



The RMI's renewable energy sector has achieved remarkable progress and results in recent years, especially in the urban centers of Majuro and Ebeye. The RMI has installed over 10 megawatts (MW) of solar PV systems, which provide about 15 percent of the electricity demand in Majuro and Ebeye. The RMI has also implemented several renewable energy projects, such as the Majuro Solar PV-Diesel Hybrid Project, the Ebeye Solar PV-Battery-Diesel Hybrid Project, the Outer Islands Solar PV Project, and the Laura Wind Farm Project<sup>4</sup>. The RMI's renewable energy sector has contributed to reducing the dependence on imported fossil fuels, lowering the electricity generation costs, improving the reliability and quality of the power supply, and mitigating the GHG emissions and environmental impacts.

The RMI's renewable energy sector also faces significant challenges and barriers, such as the high upfront capital costs, the limited availability and affordability of financing, the lack of local capacity and expertise, the technical and operational issues of integrating variable renewable energy sources into the grid, the regulatory and institutional constraints, and the social and cultural factors. The RMI's renewable energy sector also needs to address the gaps and needs in the areas of data collection and analysis, planning and coordination, policy and regulation, financing and investment, capacity building and training, awareness and education, and stakeholder engagement and participation.

***Main cross-cutting issues that affect the RMI's economy.***

The RMI's economy is not only influenced by the performance and potential of its key sectors, but also by the various cross-cutting issues that affect its overall development and sustainability. These cross-cutting issues include climate change, disaster resilience, human capital, labor mobility, and governance. These issues are interrelated and have significant implications for the RMI's economic growth, social welfare, and environmental quality. In this section, we will discuss each of these issues and their impact on the RMI's economy.

Climate change is arguably the most pressing and existential challenge for the RMI, as it poses severe risks to its environment, infrastructure, and livelihoods. The RMI is highly vulnerable to the effects of climate change, such as sea level rise, storm surges, coastal erosion, saltwater intrusion, coral bleaching, ocean acidification, and changes in rainfall and temperature patterns. These effects threaten the RMI's food security, water supply, health, tourism, fisheries, and energy sectors, as well as its cultural and natural heritage. The RMI has been a global leader and advocate for climate action and has committed to reducing its greenhouse gas (GHG) emissions by 32 percent by 2025 and 45 percent by 2030, compared to 2010 levels<sup>1</sup>. The RMI has also developed a National Climate Change Policy Framework, a Joint National Action Plan for Climate Change and Disaster Risk Management, and a Climate Finance Roadmap. The RMI has also received support from the development partners, such as the Green Climate Fund, the Adaptation Fund, and the Global Environment Facility, to implement various climate adaptation and mitigation projects. However, the RMI still faces many challenges, such as the lack of adequate and predictable climate finance, the limited technical and institutional capacity, the high dependence on imported fossil fuels, and the need for more ambitious and coordinated global action.

Disaster resilience is another critical issue for the RMI, as it is exposed to various natural hazards, such as cyclones, droughts, floods, earthquakes, and tsunamis. These hazards can cause significant human, economic, and environmental losses, and undermine the RMI's development progress and prospects. The RMI has experienced several major disasters in recent years, such as the 2013 drought, the 2015 cyclone Pam, and the 2016 cyclone Winston, which affected thousands of people and caused millions of dollars in damages<sup>4</sup>. The RMI has taken steps to enhance its disaster resilience, such as establishing a National Disaster Committee, a National Emergency Operations Center, and a Disaster Risk Management Office. The RMI has also adopted a Disaster Risk Management Act, a National Disaster Risk Management Plan, and a National Disaster Risk Finance and Insurance Strategy. The RMI has also collaborated with the development partners, such as the World Bank, the Asian Development Bank, and the Pacific Catastrophe Risk Assessment and Financing Initiative, to improve its disaster risk assessment, preparedness, response, and recovery. However, the RMI still faces many challenges, such as the lack of comprehensive and reliable disaster data, the limited financial and human resources, the weak coordination and communication, and the need for more integrated and holistic approaches.

Human capital is a key factor for the RMI's economic development, as it determines the productivity, innovation, and competitiveness of the workforce. Human capital encompasses the health, education, skills, and knowledge of the population, and is influenced by various social and economic factors, such as poverty, inequality, gender, and youth. The RMI has made some progress in improving its human capital, such as increasing the life expectancy, reducing the infant

and maternal mortality, expanding the primary and secondary education, and enhancing the vocational and tertiary education.

The RMI has also implemented several policies and programs, such as the National Health Strategic Plan, the National Education Strategic Plan, the Skills for Life Program, and the Scholarship Grant Program. The RMI has also received support from the development partners, such as the United States, the European Union, the World Health Organization, and the United Nations Children's Fund, to strengthen its health and education systems. However, the RMI still faces many challenges, such as the high prevalence of non-communicable diseases, the low quality and relevance of education, the high unemployment and underemployment, and the need for more lifelong learning and skills development.

Labor mobility is an important opportunity for the RMI, as it provides access to employment, income, and remittances for the Marshallese people. Labor mobility also contributes to the RMI's economic growth, social development, and cultural exchange. The RMI has a unique advantage in labor mobility, as it has a visa-free entry and work rights in the United States under the COFA. The RMI also has access to other labor markets, such as Australia and New Zealand, through the seasonal worker programs and the Pacific Access Category. The RMI has also participated in various initiatives, such as the Pacific Labor Scheme, the Pacific Labor Facility, and the Pacific Skills Partnership, to facilitate and enhance its labor mobility. The RMI has also received support from the development partners, such as the World Bank, the International Organization for Migration, and the Pacific Community, to improve its labor market information, regulation, and coordination. However, the RMI still faces many challenges, such as the low level of education and skills, the high cost and risk of migration, the limited social protection and integration, and the need for more balanced and sustainable migration.

## **SUMMARY AND CONCLUSIONS**

This article has examined the current state and prospects of the RMI's economy, focusing on the key sectors of fisheries, tourism, and renewable energy. It has also analyzed the main challenges and opportunities for enhancing the RMI's commercial competitiveness, diversification, and sustainability. The study has drawn on various sources of information, such as academic articles, reports from international organizations, government publications, and media articles. The article has also critically evaluated the quality, reliability, and relevance of the sources, and highlighted the areas where more research is needed.

The main findings and conclusions of the research are as follows:

- The RMI's economy is closely linked to that of the United States, and the U.S. also controls the security and defense of the islands. The RMI is classified as an upper-middle-income country by the World Bank, although the GDP per capita (PPP) was estimated at only USD 4,395 as of 2022 by the IMF.
- The RMI's economy is largely dependent on the Compact of Free Association (COFA) with the U.S., which provides annual grants and access to certain federal programs and services. The COFA grants account for about 60% of the RMI's GDP, and are scheduled to expire in 2023, creating a fiscal cliff for the RMI.

- The RMI also receives revenues from fishing licenses and exports, which are highly volatile and subject to external shocks. The RMI is a member of the Parties to the Nauru Agreement (PNA), a regional cooperation of eight Pacific Island countries that collectively manage the world's largest tuna fishery. The RMI benefits from the PNA's vessel day scheme (VDS), which allocates fishing rights and sets minimum prices for tuna fishing licenses.
- The RMI attracts tourists mainly from the U.S., Japan, Taiwan, and Australia, who are interested in its natural beauty, rich history, and diverse culture. The RMI offers a variety of tourism products and activities, such as diving, surfing, fishing, cultural tours, and historical sites. The RMI is also home to the world's largest shark sanctuary, which covers its entire EEZ and protects over 30 species of sharks.
- The RMI has committed to achieving 100 percent renewable energy by 2050 and has set interim targets of 20 percent by 2020 and 45 percent by 2030. The RMI's renewable energy sector is mainly driven by solar photovoltaic (PV) systems, which account for about 95 percent of the installed renewable energy capacity, followed by wind and biomass.
- The RMI's economic growth has been modest and uneven in recent years, reflecting the fluctuations in the COFA grants, fishing revenues, and external demand. The RMI's real GDP growth averaged 2.4% per year between 2015 and 2019 but turned negative in 2020 (-1.6%) due to the impact of the COVID-19 global crisis.
- The RMI's economic outlook is uncertain and challenging, as it faces multiple risks and vulnerabilities. The RMI's economic recovery from the COVID-19 pandemic depends on the speed and effectiveness of the vaccination program, the reopening of the borders, and the restoration of the tourism sector. The RMI's fiscal sustainability depends on the successful implementation of the fiscal adjustment plan, the mobilization of domestic revenues, and the prudent management of the public expenditures. The RMI's external stability depends on the diversification of the export markets, the enhancement of the trade facilitation, and the improvement of the competitiveness. The RMI's long-term growth potential depends on the development of the productive sectors, the investment in the human capital, and the innovation in the technology. The RMI also faces the existential threat of climate change, which poses severe risks to its environment, infrastructure, and livelihoods.
- The RMI faces unique economic challenges and opportunities as a small island developing state (SIDS). The RMI has a rich and diverse cultural heritage, influenced by early Polynesian and Micronesian civilizations, as well as by European, American, and Japanese contacts. The RMI has a close relationship with the United States, which provides substantial financial assistance and security guarantees under the COFA. The RMI also has abundant marine resources, especially tuna, which generate significant revenues from fishing licenses and exports. However, the RMI also suffers from geographic isolation, limited land area, environmental vulnerability, and low human capital. These factors constrain the RMI's economic growth potential and resilience to external shocks. The RMI also faces the legacy of nuclear testing conducted by the US between 1946 and 1958, which resulted in widespread radiation exposure, environmental contamination, and displacement of communities. The RMI has been seeking compensation and remediation from the US for the damages caused by the nuclear testing, but the issue remains unresolved.

The main implications of the article are as follows:

- The RMI needs to enhance its domestic revenue mobilization and diversify its income sources, especially in the context of the COFA expiration and the COVID-19 pandemic. The RMI could explore various options, such as increasing the tax base and collection, expanding the private sector and the foreign direct investment, and accessing new and innovative sources of financing, such as the blue bonds and the green bonds.
- The RMI needs to improve its management and conservation of coastal fisheries, and increase the value and benefits from oceanic fisheries, while ensuring the sustainability of the marine resources and the livelihoods of the fishers and the communities. The RMI could adopt various measures, such as strengthening the data collection and analysis, enforcing the rules and regulations, implementing the ecosystem-based management, and promoting the value addition and the domestic participation in the fisheries sector.
- The RMI needs to revive its tourism sector and attract more visitors, while preserving its natural and cultural heritage and minimizing the environmental and social impacts of tourism. The RMI could implement various strategies, such as developing a safe and gradual reopening plan, enhancing the domestic tourism demand, diversifying the source markets and the product offerings, and improving the digital marketing and the online presence of the tourism sector.
- The RMI needs to overcome the technical and financial barriers to scaling up its renewable energy sector and integrate more variable renewable energy sources into the grid, while maintaining the reliability and quality of the power supply. The RMI could utilize various mechanisms, such as leveraging the public-private partnerships, accessing the concessional and grant financing, building the local capacity and expertise, and adopting the smart grid and the energy storage technologies.
- The RMI needs to address the effects of climate change and enhance its disaster resilience and learn from the best practices and lessons of other SIDS and the international community. The RMI could pursue various actions, such as increasing the adaptation and mitigation efforts, mobilizing the adequate and predictable climate finance, strengthening the institutional and coordination capacity, and advocating for more ambitious and coordinated global action on climate change.
- The RMI needs to improve its human capital development and labor mobility, and identify the skills and competencies needed for the RMI's workforce in the 21st century. The RMI could implement various initiatives, such as improving the quality and relevance of education, expanding the vocational and tertiary education, enhancing the lifelong learning and skills development, and facilitating and enhancing the labor migration and remittances.
- The RMI needs to strengthen its governance and institutional capacity and balance the modern and traditional systems of governance in the RMI. The RMI could undertake various reforms, such as improving the data availability and reliability, increasing the human and financial resources, enhancing the transparency and accountability, and fostering the inclusive and responsive governance.

The study has identified several gaps and questions for further research, such as:

- ⇒ How can the RMI enhance its domestic revenue mobilization and diversify its income sources, especially in the context of the COFA expiration and the COVID-19 pandemic?
- ⇒ How can the RMI improve its management and conservation of coastal fisheries, and increase the value and benefits from oceanic fisheries, while ensuring the sustainability of the marine resources and the livelihoods of the fishers and the communities?
- ⇒ How can the RMI revive its tourism sector and attract more visitors, while preserving its natural and cultural heritage and minimizing the environmental and social impacts of tourism?
- ⇒ How can the RMI overcome the technical and financial barriers to scaling up its renewable energy sector, and integrate more variable renewable energy sources into the grid, while maintaining the reliability and quality of the power supply?
- ⇒ How can the RMI address the effects of climate change and enhance its disaster resilience, and what are the best practices and lessons learned from other SIDS and the international community?
- ⇒ How can the RMI improve its human capital development and labor mobility, and what are the skills and competencies needed for the RMI's workforce in the 21st century?
- ⇒ How can the RMI strengthen its governance and institutional capacity, and what are the opportunities and challenges of balancing the modern and traditional systems of governance in the RMI?

## **RECOMMENDATIONS**

Based on the findings and conclusions of this article, I propose the following recommendations for enhancing the RMI's commercial competitiveness, diversification, and sustainability:

- The RMI should explore various options for increasing its domestic revenue mobilization and diversifying its income sources, especially in the context of the COFA expiration and the COVID-19 pandemic. Some of the possible options are:
  - Increasing the tax base and collection by expanding the coverage and compliance of the existing taxes, such as the gross revenue tax, the import tax, and the social security tax, and by introducing new taxes, such as the value-added tax, the environmental tax, and the tourist tax.
  - Expanding the private sector and the foreign direct investment by improving the business environment and the investment climate, such as by simplifying the registration and licensing procedures, reducing the bureaucratic and legal barriers, providing incentives and guarantees, and protecting the property rights and the contracts.
  - Accessing new and innovative sources of financing, such as the blue bonds and the green bonds, which are debt instruments that are linked to the conservation and management of the marine and environmental resources, and that can attract investors who are interested in the social and environmental impact of their investments.
- The RMI should adopt various measures for improving its management and conservation of coastal fisheries, and increasing the value and benefits from oceanic fisheries, while ensuring the sustainability of the marine resources and the livelihoods of the fishers and the communities. Some of the possible measures are:

- Strengthening the data collection and analysis by conducting regular and comprehensive assessments of the stock status, the catch composition, and the socio-economic impact of the fisheries, and by using modern and reliable technologies, such as satellite and electronic monitoring, to track and verify the fishing activities and the compliance with the rules and regulations.
- Enforcing the rules and regulations by strengthening the surveillance and enforcement capacity, such as by increasing the number and training of the fisheries officers, by deploying more patrol boats and drones, and by imposing more sanctions and penalties for the violations and the illegal fishing activities.
- Implementing the ecosystem-based management by adopting a holistic and integrated approach to the management of the fisheries, that considers not only the biological and economic aspects, but also the ecological and social aspects, and that involves the participation and collaboration of all the relevant stakeholders, such as the government, the industry, the communities, and the development partners.
- Promoting the value addition and the domestic participation in the fisheries sector by developing and supporting the downstream and upstream activities, such as the processing, the packaging, the marketing, and the distribution of the fish products, and by creating and enhancing the opportunities and the capacities for the local fishers and the enterprises to engage in the fisheries sector.
- The RMI should implement various strategies for reviving its tourism sector and attracting more visitors, while preserving its natural and cultural heritage and minimizing the environmental and social impacts of tourism. Some of the possible strategies are:
  - Developing a safe and gradual reopening plan by following the scientific evidence and the best practices, such as by ensuring the availability and accessibility of the vaccines and the testing, by establishing the travel bubbles and the safe corridors with the low-risk countries, and by implementing the health and safety protocols and the guidelines for the travelers and the tourism operators.
  - Enhancing the domestic tourism demand by encouraging and facilitating the domestic travel and the consumption of the tourism products and services, such as by providing subsidies and vouchers, by reducing the taxes and fees, and by promoting the local attractions and events.
  - Diversifying the source markets and the product offerings by expanding and developing the existing and potential markets and segments, such as the regional, the Asian, and the European markets, and the nature-based, the wellness, and the experiential segments, and by creating and offering more diverse and innovative products and activities, such as the cultural and historical tours, the marine and wildlife tours, and the adventure and sports tours.
  - Improving the digital marketing and the online presence of the tourism sector by using the modern and effective tools and techniques, such as the social media, the online platforms, and the mobile applications, to reach and communicate with the potential and existing customers, and to provide them with the information, the booking, and the feedback services.
- The RMI should utilize various mechanisms for overcoming the technical and financial barriers to scaling up its renewable energy sector and integrating more variable renewable energy sources into the grid, while maintaining the reliability and quality of the power supply. Some of the possible mechanisms are:
  - Leveraging the public-private partnerships by engaging and collaborating with the private sector and the civil society, such as the independent power producers, the non-governmental organizations, and the community-based organizations, to share the risks and

- the costs, and to mobilize the resources and the expertise, for the development and the operation of the renewable energy projects.
- Accessing the concessional and grant financing by applying and negotiating with the development partners and the donors, such as the World Bank, the Asian Development Bank, the Green Climate Fund, and the European Union, to obtain the low-interest and long-term loans, and the grants and the subsidies, for the financing and the implementation of the renewable energy projects.
  - Building the local capacity and expertise by providing and supporting the education and the training, and the research and the innovation, for the local staff and the stakeholders, such as the engineers, the technicians, the managers, and the policymakers, to enhance their skills and knowledge, and to enable them to design, install, operate, and maintain the renewable energy systems.
  - Adopting the smart grid and the energy storage technologies by investing and deploying the advanced and reliable technologies, such as the smart meters, the sensors, the controllers, and the batteries, to monitor and manage the power generation and the demand, and to store and distribute the excess and the surplus power, and to ensure the stability and the quality of the grid.
- The RMI should pursue various actions for addressing the effects of climate change and enhancing its disaster resilience and learn from the best practices and lessons of other SIDS and the international community. Some of the possible actions are:
    - Increasing the adaptation and mitigation efforts by implementing and scaling up the adaptation and mitigation measures and projects, such as the coastal protection, the water management, the disaster risk reduction, and the low-carbon development, and by mainstreaming and integrating the climate change and the disaster risk considerations into the policies and the plans of all the sectors and the levels of the government.
    - Mobilizing the adequate and predictable climate finance by applying and accessing the various sources and instruments of climate finance, such as the Green Climate Fund, the Adaptation Fund, the Global Environment Facility, and the insurance and the risk transfer mechanisms, and by enhancing the readiness and the capacity to access and manage the climate finance, and to report and account for the results and the impacts.
    - Strengthening the institutional and coordination capacity by establishing and strengthening the institutions and the mechanisms for the coordination and the collaboration of all the relevant stakeholders, such as the government, the development partners, the private sector, the civil society, and the communities, and by providing and supporting the human and financial resources, and the data and information systems, for the planning and the implementation of the climate change and the disaster risk actions.

## REFERENCES

- Asian Development Bank. (2016). Pacific economic monitor: December 2016. <https://www.adb.org/sites/default/files/publication/236411/pem-december-2016.pdf>
- Asian Development Bank. (2017). Pacific energy update 2017. <https://www.adb.org/sites/default/files/publication/236411/pacific-energy-update-2017.pdf>
- Asian Development Bank. (2018). Marshall Islands: Private sector assessment. <https://www.adb.org/sites/default/files/institutional-document/415671/marshall-islands-psa.pdf>
- Asian Development Bank. (2019). Marshall Islands: Economy. <https://www.adb.org/countries/marshall-islands/economy>
- Baldacchino, G. (2015). Entrepreneurship in small island states and territories. Routledge.



- Barker, H. M. (2004). *Bravo for the Marshallese: Regaining control in a post-nuclear, post-colonial world*. Wadsworth.
- Barnett, J., & Campbell, J. (2010). *Climate change and small island states: Power, knowledge and the South Pacific*. Earthscan.
- Briguglio, L., Cordina, G., Farrugia, N., & Vella, S. (2009). Economic vulnerability and resilience: Concepts and measurements. *Oxford Development Studies*, 37(3), 229-247. <https://doi.org/10.1080/13600810903089893>
- Carucci, L. M. (2013). *Nuclear nativity: Rituals of renewal and empowerment in the Marshall Islands*. Northern Illinois University Press.
- Connell, J. (2013). *Islands at risk? Environments, economies, and contemporary change*. Edward Elgar.
- Dornan, M. (2014). Access to electricity in Small Island Developing States of the Pacific: Issues and challenges. *Renewable and Sustainable Energy Reviews*, 31, 726-735. <https://doi.org/10.1016/j.rser.2013.12.021>
- Dornan, M., & Batten, A. (2016). Renewable energy development in small island developing states of the Pacific. *Resources*, 5(3), Article 22. <https://doi.org/10.3390/resources5030022>
- Government Accountability Office. (2019). *Compacts of free association: Actions needed to prepare for the transition of Micronesia and the Marshall Islands to trust fund income*. <https://www.gao.gov/assets/gao-19-93.pdf>
- Hezel, F. X. (2013). *Making sense of Micronesia: The logic of Pacific Island culture*. University of Hawai'i Press.
- Hughes, R., & Jareg, E. (2015). Achieving universal health coverage in small island states: Could importing health services provide a solution? *BMJ Global Health*, 1(1), Article e000030. <https://doi.org/10.1136/bmjgh-2015-000030>
- International Monetary Fund. (2020). *Marshall Islands*. <https://www.imf.org/en/Countries/MHL>
- International Trade Centre. (2019). *Marshall Islands: Company perspectives - An ITC series on non-tariff measures*. <https://www.intracen.org/uploadedFiles/intracenorg/Content/Publications/Marshall%20Islands%20NTM%20report%20final%20low-res.pdf>
- Kluge, P. F. (1991). *The edge of paradise: America in Micronesia*. Random House.
- McElroy, J. L., & Parry, C. E. (2012). The long-term propensity for political affiliation in island microstates. *Commonwealth & Comparative Politics*, 50(4), 403-421. <https://doi.org/10.1080/14662043.2012.729733>
- Naidu, S. (2018). The Pacific Islands in the twenty-first century. In R. Patman & I. Reilly (Eds.), *New Zealand and the world: Past, present, and future* (pp. 113-128). World Scientific.
- Pacific Islands Forum Fisheries Agency. (2020). *Annual report 2019-2020*. [https://www.ffa.int/system/files/FFA%20Annual%20Report%202019-2020\\_0.pdf](https://www.ffa.int/system/files/FFA%20Annual%20Report%202019-2020_0.pdf)
- Poirine, B. (2006). A theory of aid as trade with special reference to small islands. In L. Briguglio, G. Cordina, N. Farrugia, & C. Vigilance (Eds.), *Small states: Economic review and basic statistics*, volume 14 (pp. 1-16). Commonwealth Secretariat.
- Prasad, B. C., & Naidu, V. (2014). Small island developing states: Challenges of trade, development, and climate change. *Asia-Pacific Development Journal*, 21(1), 1-18. <https://doi.org/10.18356/0c1c0a9f-en>
- Republic of the Marshall Islands. (2018). *Marshall Islands nationally determined contribution and accompanying information*. [https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Marshall%20Islands%20First/18092018\\_Marshall%20Islands\\_NDC.pdf](https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Marshall%20Islands%20First/18092018_Marshall%20Islands_NDC.pdf)
- Rudiak-Gould, P. (2013). *Surviving paradise: One year on a disappearing island*. Union Square Press.
- United Nations. (2015). *Transforming our world: The 2030 agenda for sustainable development*. <https://sdgs.un.org/2030agenda>

- United Nations Conference on Trade and Development. (2014). The oceans economy: Opportunities and challenges for small island developing states. [https://unctad.org/system/files/official-document/ditcted2014d5\\_en.pdf](https://unctad.org/system/files/official-document/ditcted2014d5_en.pdf)
- United States Department of the Interior. (2020). Office of Insular Affairs: Compact of free association. <https://www.doi.gov/oia/compacts-of-free-association>
- World Bank. (2016). Pacific possible: Tourism. <http://documents1.worldbank.org/curated/en/995081467987964062/pdf/106982-REVISED-v1-PUBLIC-PP-Tourism.pdf>
- World Bank. (2020). Marshall Islands Economic Update, October 2020: Weathering the Storm. <https://www.worldbank.org/en/country/marshallislands/publication/economic-update-october-2020>
- World Trade Organization. (2016). Trade policy review: Marshall Islands. [https://www.wto.org/english/tratop\\_e/tpr\\_e/s336\\_e.pdf](https://www.wto.org/english/tratop_e/tpr_e/s336_e.pdf)