



# Investing in Micronesia:

## A Comprehensive Report



### INTRODUCTION

The Federated States of Micronesia (FSM), located in the western Pacific Ocean, is a nation of immense economic potential and breathtaking natural beauty. With a population of approximately 115,000 (2023 estimate) and a GDP of around \$420 million, Micronesia offers unique opportunities for investors in sectors such as tourism, fisheries, agriculture, renewable energy, and infrastructure.

As a sovereign nation in free association with the United States, Micronesia enjoys financial stability, access to U.S. markets, and preferential trade agreements. Its strategic location, connecting major trade routes between Asia and the Pacific, combined with abundant natural resources, makes Micronesia an attractive destination for foreign direct investment (FDI).

The government of Micronesia is committed to fostering an investor-friendly environment through tax incentives, streamlined processes, and support for sustainable and eco-friendly industries.

### BACKGROUND

Micronesia is an island nation composed of 607 islands spread over four states: Yap, Chuuk, Pohnpei, and Kosrae. Its capital, Palikir, is located on the island of Pohnpei. The country has a tropical climate, rich marine biodiversity, and fertile lands, making it ideal for investments in tourism, agriculture, and fisheries.

Micronesia's economy is largely dependent on fisheries, agriculture, and grants from the Compact of Free Association (COFA) with the United States. The Compact ensures financial assistance, access to U.S. markets, and defense support, providing a stable economic foundation. The nation also boasts one of the largest Exclusive Economic Zones (EEZs) in the Pacific, covering over 2.6 million square kilometers, making it a leader in sustainable fisheries and marine resources.

The government's Strategic Development Plan (2024-2030) focuses on economic diversification, infrastructure development, and sustainability, creating numerous opportunities for investors.

### BENEFITS OF INVESTING IN MICRONESIA

#### Strategic Location

Micronesia is located at the crossroads of Asia, Australia, and the United States, providing a gateway to major global markets and trade routes.

#### Abundant Natural Resources

Micronesia's vast marine resources, fertile land, and tropical climate offer significant opportunities in fisheries, aquaculture, agriculture, and eco-tourism.

#### Exclusive Economic Zone (EEZ)

The country's EEZ provides access to one of the richest fishing grounds globally, offering opportunities in tuna fishing, seafood processing, and exports.

#### Stable Economic Framework

Under the Compact of Free Association (COFA), Micronesia receives financial assistance and enjoys duty-free access to U.S. markets, ensuring stability and trade advantages for investors.

#### Favorable Investment Policies

The government has implemented investor-friendly policies, including tax exemptions, support for foreign investors, and streamlined business registration.

### Tourism Potential

With its pristine beaches, coral reefs, and cultural heritage, Micronesia is an emerging destination for eco-tourism, luxury resorts, and adventure travel.

### Focus on Sustainability

Micronesia is committed to environmental conservation and renewable energy, creating opportunities for green investments in solar, wind, and eco-friendly industries.

### Skilled and Multilingual Workforce

The population is predominantly English-speaking (official language), with skills in agriculture, fisheries, and hospitality.

### Access to Global Markets

Micronesia benefits from duty-free trade access to the U.S. and other Pacific partners, enabling competitive exports of goods and services.

### Political Stability

Micronesia's democratic governance and strong ties with the U.S. ensure a stable and secure environment for investment.

### RELEVANT AGENCIES

Several government agencies and organizations are dedicated to supporting investment and economic development in Micronesia:

#### Federated States of Micronesia Investment Development Fund (FSM-IDF):

Promotes foreign investment and provides funding and advisory support for businesses.

#### Department of Resources and Development (R&D):

Oversees investments in agriculture, fisheries, tourism, and infrastructure projects.

#### Micronesia Conservation Trust (MCT):

Supports sustainable and eco-friendly investments, particularly in renewable energy and marine resources.

#### FSM Development Bank (FSMDB):

Provides loans, grants, and financial support for small and medium enterprises (SMEs) and large-scale projects.

#### FSM Telecommunications Corporation:

Facilitates investments in telecommunications and digital infrastructure.

#### FSM Petroleum Corporation (Vital):

Oversees energy projects and promotes renewable energy investments.

#### National Oceanic Resources Management Authority (NORMA):

Regulates and supports investments in fisheries and aquaculture.

#### Chuuk Visitor's Bureau (CVB) and State Tourism Authorities:

Promote tourism development and provide support for hospitality and tourism-related projects.

### INCENTIVES FOR INVESTORS

The government of Micronesia offers a variety of incentives to attract foreign and domestic investment:

#### Tax Benefits

Corporate Tax Exemptions: Reduced or zero corporate tax for businesses

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Supply Chain News: [www.supplychainreport.org](http://www.supplychainreport.org)

Business Confidence Survey: [www.businessconfidence.org](http://www.businessconfidence.org)

ADAMftd Global Trade Data: [www.adamftd.com](http://www.adamftd.com)

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The International Trade Council

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An international, peak-body, chamber of commerce

in priority sectors such as tourism, agriculture, and renewable energy.

**Income Tax Holidays:** Tax-free status for foreign employees of qualifying businesses.

### Customs Duty Exemptions

Duty-free importation of equipment, machinery, and raw materials for qualifying industries.

### Investment Protection

Legal protections under the Foreign Investment Act, ensuring repatriation of profits, protection against expropriation, and access to international arbitration.

### Access to Land

Long-term leases for agricultural and tourism land at competitive rates.

### Renewable Energy Incentives

Grants, subsidies, and feed-in tariffs for solar, wind, and other green energy projects under the National Energy Policy.

### Export Incentives

Duty-free and preferential trade access to U.S. markets under the Compact of Free Association.

### Fast-Track Business Setup

Simplified business registration and licensing processes supported by the Department of Resources and Development.

### Public-Private Partnerships (PPPs):

Opportunities for collaboration with the government on large-scale projects in energy, tourism, and infrastructure.

## OPPORTUNITIES FOR INVESTORS

### Tourism and Hospitality

Micronesia's unspoiled natural beauty and cultural heritage create opportunities for investments in eco-tourism, luxury resorts, diving centers, and adventure tourism.

### Fisheries and Aquaculture

The country's vast EEZ offers opportunities in sustainable tuna fishing, seafood processing, aquaculture, and exports to global markets.

### Renewable Energy

Micronesia's commitment to achieving 100% renewable energy by 2030 creates immense opportunities for solar farms, wind energy, and energy-efficient technologies.

### Agriculture and Agribusiness

Fertile lands and favorable climate conditions make Micronesia ideal for organic farming, tropical fruit production, and agro-processing.

### Infrastructure Development

The government's focus on improving transport, housing, and digital infrastructure creates opportunities for private-sector participation and PPPs.

### Real Estate Development

Micronesia's growing tourism and business sectors create demand for residential, commercial, and hospitality-related real estate projects.

### Telecommunications and ICT

Micronesia is upgrading its digital infrastructure, offering opportunities for investments in broadband, digital platforms, and IT services.

### Healthcare and Education

The growing demand for quality healthcare and education services creates opportunities for private clinics, vocational training centers, and e-learning platforms.

## CONCLUSION

Micronesia is a hidden gem in the Pacific, offering investors a unique combination of natural resources, strategic location, and an investor-friendly environment. From fisheries and agriculture to tourism and renewable energy, Micronesia's untapped potential provides fertile ground for sustainable and profitable investments.

The government's commitment to fostering private-sector growth, improving infrastructure, and promoting environmental sustainability ensures long-term profitability for businesses. With its skilled workforce, competitive incentives, and access to global markets, Micronesia is poised to become a leading investment destination in the Pacific.

Now is the time to invest in Micronesia and contribute to its journey toward economic growth and sustainable development.

## REFERENCES

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