

## Micronesia energy storage policy updates

Pohnpei State's Legislature amended its laws in September 2018 to reduce requirements on foreign investment. The law specified the business sectors that permit FDI, with the remaining sectors available for Pohnpei citizens only. Domestic capital formation is very low. Commercial banks are classified as foreign entities and their ability to provide commercial loans, especially secured by real estate, is very limited. Banks view all credit to FSM borrowers as essentially unsecured.

Most national political power is delegated to the four states by the FSM Constitution, including regulation of foreign investment and restrictions on leases. Thus, investors must navigate nationwide between five different sets of regulations and licenses. U.S. citizens can live and work in the FSM indefinitely without visas under the Compact but cannot own property on most FSM islands.

FSM voters select national legislators (senators). The national senators then caucus to select the president and vice-president from among the four at-large senators. There are no political parties. On March 7, 2023, President David W. Panuelo lost his bid for the at-large seat for Pohnpei in the FSM Congress, which eliminated his ability to be reelected president for another four-year term. Senators will select a president and vice-president May 11, 2023.

The FSM federal government closed its borders in March 2020 in response to the COVID-19 pandemic and did not allow any repatriations until May 2021. After one and one-half years of intermittent repatriations of one flight per month per island and a subsequent waive of COVID-19 cases, the FSM government re-opened its borders without restrictions. The reopening has boosted the FSM's tourism industry and jump-started the implementation of infrastructure programs by international organizations

The FSM government does not promote, incentivize, or restrict outward investment. Given the small population and lack of capital formation, outward investment is negligible. The U.S. Bureau of Economic Analysis has shown FSM investment in the United States as \$1 million +/- for the last ten years.

The FSM follows the U.S. common law system and uses U.S. case law as precedent. There are no specialized courts except for Land Courts in Pohnpei and Kosrae. All four states have State Courts and State Supreme Courts. The judicial system remains independent of the executive branch, but is reported to be slow, weak, and lacking the ability to enforce judgments properly. Regulations or enforcement actions are appealable. Appeals may be adjudicated in either the State or National courts.

In September 2018, the Pohnpei State Legislature overrode the Governor's veto of a bill on foreign investment regulations. The bill became state law over the objection of several local business leaders. The new law placed all decision-making power into the hands of one person, the national Registrar of Corporations.

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