

*Micronesia in Review: Issues and Events,*  
*1 July 1997 to 30 June 1998*

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Reviews of Kiribati, the Marshall Islands, and Nauru are not included in this issue.

FEDERATED STATES OF  
MICRONESIA

What might a small nation such as the Federated States of Micronesia have to offer the rest of the world, one might ask? This question, in essence, has been asked by many developed nations that have established diplomatic ties with the country. Perhaps what the Federated States of Micronesia has to offer to other countries is advice, not on how to be economically competitive in world markets, but on how to lose money *and* at the same time avoid drastic impacts on government services. This win-win battle was the prime focus of the governments this year, and every major economic and social event seemed to lead to it.

The year began with the national government undertaking some restructuring measures, as agreed to in a loan package from the Asian Development Bank that called for the entire public workforce to be reduced significantly in size. Obviously, this program was initiated in response to escalating government expenditures. All governments (national and state) have agreed to the terms and are implementing the program. The national government was the first to implement it, followed by Yap and then the other three states. As part of the program, those employees who were qualified retired from public service and were given two

years' salary in a lump sum. However, although the Early Retirement Program is still in force, critics are charging that it is a failure.

When asked to reduce the size of their public workforce further, some states opted to reduce their working hours instead of reducing the number of personnel. The state of Kosrae, for example, reduced working hours per employee to 56 hours in two weeks. The states of Pohnpei and Chuuk reduced their working weeks to four days, while Yap is the only state that still has five working days a week.

In the national government, six departments were reduced to five: the Department of Justice; the Department of Foreign Affairs; the Department of Finance and Administration; the Department of Health, Education and Social Affairs; and the Department of Economic Affairs. In addition, some duplicate positions were eliminated after departments were merged. Some offices or agencies, such as the Division of Labor and Immigration, were transferred to the new Department of Justice. The governments also began to take steps to contract out services, including some utility and hospital functions. Pohnpei State passed a law to "corporatize" its hospital.

At a crucial time when the nation is preparing for talks with the United States on financial assistance under the terms of the Compact of Free Association, due to expire in 2001, the economy is still struggling. According to a series of editorials in the *Island Tri-*

*bune* by Kevin Okeefe, an economist with the newly created Department of Economic Affairs, the nation's major investment in fisheries has yet to turn a profit. The brighter outlook for the fisheries industry seems to rest with new private ventures such as the Caroline Fisheries Corporation.

A joint commission was established to prepare for the scheduled renegotiation of the major funding provisions of the Compact of Free Association. The commission (Joint Committee on Compact Economic Negotiations) has finished its data gathering and is preparing for the talks, which are to begin in November 1999. Their challenges are cut out for them as signals indicate that the United States is going to take a strong stance against giving the same level of economic assistance as it did in the last compact negotiations.

Although only the funding terms of the compact are due for renegotiation, other issues are being brought to the attention of the joint committee. In a meeting with regional mayors from the Chuuk Lagoon area, the issue of separate state for the Faichuk region was raised. Another issue concerns the distribution of compact funds. There is also a strong sentiment of dissatisfaction with the current government arising from a recent meeting of Pohnpei leaders and centered on alleged corruption of high government officials. There is growing concern that these allegations of corruption are not being investigated. Becoming a commonwealth of the United States has been mentioned as an alternative political goal worth pursuing.

Another item of contention is the open immigration of citizens of freely

associated states into the United States under the habitual residency clause in Title IX of the compact. Recently an FSM-based newspaper printed an article warning FSM citizens of a one-year limit of stay in Guam and elsewhere in the United States for unemployed citizens from the freely associated states. Along with that, Guam and Hawai'i have been pressing for federal assistance under the terms of the compact, which established a fund to offset some of the direct costs of migration from the freely associated states to the United States. So far, there has been no satisfactory resolution to the problem.

International human rights organizations are still criticizing the Federated States of Micronesia for its handling of the deportation of Sherry O'Sullivan, a Canadian journalist who wrote about government corruption. Her request for a reentry permit was denied, and the FSM Congress passed a resolution that in effect banned her from entering the country. This case may reflect negatively on the country's human rights record during the forthcoming compact negotiations.

Droughts associated with El Niño also had a major impact on the islands during the year under review. President Bill Clinton officially released federal funds after FSM President Jacob Nena declared a national disaster. Some parts of the nation are still affected by drought conditions.

On the political scene, Pohnpei held a special election to fill the congressional at-large seat vacated by Leo Falcam, who became the country's vice president. Resio Moses is now Pohnpei State's at-large congressman. House Speaker Jack Fritz called for a First

Special Session of the Tenth Congress to convene in Chuuk State from 28 July to 10 August 1998. This marked only the second time in its eighteen-year history that the Congress held a session away from Pohnpei State.

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## GUAM

The period under review began with two wrenching tragedies. In August Korean Airlines flight 801 crashed into a Guam hillside, and in December Supertyphoon Paka pounded the island for ten hours.

At 1:42 AM on 6 August 1997, a Korean Airlines jumbo jet approaching Guam International Air Terminal slammed into a hill three miles short of the runway. Some 229 of the 254 passengers on board the Boeing 747-300 were killed. The preliminary investigation by the National Transportation Safety Board cited nonfunctional ground navigation aids, pilot exhaustion, crew errors, miscommunication between the crew and the control tower, and a sudden, heavy rainsquall as factors in the fatal crash. Although safety board officials have not released their final report, transcripts of cockpit conversations show that the crew was not aware of the impending crash until it was too late.

Three months later, on 16–17 December, Supertyphoon Paka, packing wind gusts of 180 to 200 miles per hour, hit Guam. Miraculously, there was no loss of life, but thousands of people were left homeless. As with the Korean Airlines crash, Governor

Gutierrez quickly communicated with President Clinton, who declared Guam a disaster area. The resources of the Federal Emergency Management Agency, the Small Business Administration, and several other federal agencies, including the US military, were available to facilitate a fast recovery. Water and electric power were restored to many areas of the island within weeks, and students returned to schools soon after the new year. Damages were estimated at \$200 million to \$400 million, and as of June 1998 the Small Business Administration had provided Guamanians with \$140 million in relief loan money.

Governor Carl T C Gutierrez is completing his fourth year in office as the territory's chief executive and is up for reelection. Madaleine Bordallo, the wife of former two-term governor Ricky Bordallo, who took his life in 1990, serves as lieutenant governor. This team claimed a number of distinct accomplishments during the period under review. It also responded to some difficulties, including the sudden resignations of the attorney general and the chief prosecutor, the rejection by the legislature of the governor's designee for police chief, and two-year-late campaign-fund-raising reports. In addition charges were made that the island's strategic plan, Vision 2001, was being politicized, and that loans had been made to former political opponents in order to gain future support.

Governor Gutierrez was one of the first on the scene of the KAL crash and was effective in mobilizing rescue efforts. Although a few people questioned his involvement, many com-