

Micronesia in Review: Issues and Events,

1 July 1994 to 1 July 1995

Reviews of Kiribati and Nauru are not included in this issue.

BELAU

The achievement of sovereignty with the implementation of the Compact of Free Association, membership in the United Nations, decisions on compact funds, the establishment of external relations, and the foreign worker issue were the main developments in Belau in 1994-95.

For several reasons, the choice of 1 October 1994 to implement the compact and the accompanying assertion of independence by Belau was a good one. Most important, money is culturally very significant in Belau, and the compact provides for substantial payments in the early years. For fiscal year 1994-95, which started on 1 October, the transfer amounted to some \$190 million, or more than \$1000 per capita. The leadership of Belau debated how best to describe 1 October. While Belau's private newspaper declared "Palau is Free" on its front page, other individuals claimed that "Compact Day," "Free Association Day," or "Sovereignty Day" would be equally fitting. President Nakamura settled the issue by officially declaring 1 October "Independence Day," a new national holiday. The establishment of free association marked the end of over a century of colonial rule by Spain, Germany, Japan, and the United States and reestablished Belau's sovereignty.

Belau's Independence Day celebration was the grandest the republic has ever hosted. Commemorative coins were cast, a declaration of independence was written and signed, a huge feast and entertainment were offered, and dignitaries from some twenty-three foreign countries and a half dozen UN agencies and other major groups attended the formalities and festivities. In his independence day address, President Nakamura emphasized the economic challenges Belau will face:

We must now focus on building self-sufficiency which is an essential component of sovereignty. Our public and private sectors must work together to develop appropriate laws and regulations which strengthen our economy. Compact funding is limited and must be used and invested wisely to meet our nation's long-term goals. Responsible economic planning and management will also result in continued respect and assistance from international organizations.

Another proud moment for the sovereign nation of Belau was its entry into the United Nations as the organization's 185th member. President Nakamura and an entourage of traditional and elected leaders participated in a special flag-raising ceremony with UN Secretary General Bhoutros Bhoutros-Ghali. The president addressed the General Assembly, which voted on 15 December 1994 to admit Belau to full membership in the world body. Recognizing the impor-

tant role the United Nations had played in Belau's development since 1947, President Nakamura stated in his address that he wished to "offer sincere thanks to all the members of the United Nations, particularly the members of the Trusteeship Council. Today we can celebrate a victory for the principle of self-determination and the idea that stronger nations can help others overcome devastation and destruction to recover their nationhood and identity." After more than a century of external rule, Belau had regained its sovereignty and international personality.

These dramatic changes were made possible by the August 1994 decision of the Palau Supreme Court to dismiss one of the two suits challenging the validity of the compact agreement. George Allen, an internationally known attorney, represented the plaintiffs, Nancy Wong and others, and Jon Hinck argued the government's case. The loss did not discourage the women, who fired Allen and attempted without success to file appeals, first in Belau and then with the US Federal Court in Honolulu. Just a week before independence day 1994, all legal challenges to the compact had been retired.

Belau negotiated the compact in order to receive its trust funds, capital improvement funds, and energy assistance funds during the first year of free association. A trust fund advisory board was established to oversee the investment of over \$130 million. After considering bids from various money managers, the board selected Merrill Lynch as its consultant and the First Hawaiian Bank and the Hawaiian

Trust Company of the Bank of Hawai'i to serve as custodians of the funds. These arrangements were endorsed by the Belau National Congress. In his 1995 state of the republic speech, President Nakamura indicated that the trust fund amount of \$66 million was invested in long-term, low risk securities. The capital improvement monies totaling about \$52 million have been invested at an optimal return rate, and a drawdown schedule enables the government to meet cash needs for ongoing projects. The energy funds totaling some \$40 million also have been invested. This arrangement allows Belau to purchase energy systems for the rural states (village complexes) and, at the same time, to make payments in accordance with the IPSECO debt settlement agreement finalized in August 1995. The agreement requires Belau to pay \$20 million over a five-year period to a consortium of British banks. Finally, in fiscal year 1996 Belau will receive \$5.5 million to offset the potential impact of US military site activities there, none of which are planned or anticipated in the near future. According to informed sources in Belau, the republic's investments have yielded average returns of 12 to 16 percent to date. This bodes well for the new nation's financial future.

During the period under review, Belau took a huge step onto the international scene with the achievement of sovereignty and admission to the United Nations. Diplomatic relations were established with Australia, New Zealand, Japan, the Federated States of Micronesia, Papua New Guinea, Israel, the Republic of Korea, India,

and, of course, the United States. Diplomats from many of these countries have presented their credentials during visits to Belau. The liaison offices in Koror and Washington, DC, have been upgraded to embassies, although President Nakamura has yet to appoint any ambassadors to these posts. The president made official visits to Japan and the Republic of China (Taiwan) in early 1995, and finalized an agreement with Australia that will provide Belau with a 165-ton fast patrol boat for surveillance of its two-hundred-mile exclusive economic zone.

The surge of national pride and strengthening of national identity accompanying independence did little to mask some troubling issues associated with the growing number of foreign workers in Belau. There are about six thousand workers from foreign countries—mainly the Philippines—in Belau. Local employers often favor these individuals over local workers because of a perception that they are more reliable and productive. The workers, particularly the women, are easily exploited. Further, Belau's numerous "front" businesses, especially those catering to tourists, have pushed many exclusively local small operations out of the market. This situation is generating some social tension and is likely to get worse.

The record shows that the Nakamura administration has realized many significant achievements during the first half of its term in office, but it has yet to tackle the foreign worker issue. The president is known as a superb local politician who works hard, values loyalty, adeptly cultivates support from the National Congress, and

defuses situations before they become major problems. He campaigns every day, keeping one eye on the competition and the other on his grass roots supporters. By mid-1996 the political scene will be heating up as ambitious individuals emerge to make their bids for the presidency.

DONALD R SHUSTER

FEDERATED STATES OF MICRONESIA

The year 1994–95 was one of fishing ventures gone rotten. The FSM government had invested nearly \$120 million in fishing projects in the past five years, borrowing heavily against future payments of US subsidies under the Compact of Free Association to do so. Purchases have included purse seiners for Yap and Pohnpei, and lately for Chuuk as part of a \$10.3 million joint venture with Westpac Corporation, but none of the ventures has even come close to turning a profit. In his remarks to the FSM Congress at the opening of a new session in August 1994, Speaker Jack Fritz lamented that "national investments are going down the drain." He professed to agree with Deputy Secretary of External Affairs John Mangefel, who quipped that "all this talk about fish may turn out to be another fish story."

Ting Hong Oceanic Enterprises, a Taiwanese company with interests in Belau, Marshall Islands, and Solomon Islands, has been the major player in the fishing industry over the past year. Ting Hong has been airfreighting fresh tuna to Japan for the sashimi market several times a month. A request by

Ting Hong for exemption from FSM gross revenue taxes, approved by President Bailey Olter, was denied by the FSM Congress. In June, the Supreme Court found Ting Hong guilty of four fishing violations and imposed a fine of \$2.2 million. Widely viewed as an opportunistic exploiter and repeatedly accused of bribing government officials, Ting Hong has been a controversial presence from the start. The company is now threatening to cease its operations on Pohnpei and move to less troubled waters.

Meanwhile, the sale of fishing rights in FSM waters has proven to be the most reliable source of national income. This past year the nation collected over \$24 million in fees for fishing licenses from the fleets of several Asian nations. Licensing fees have produced \$87 million in revenue for the Federated States of Micronesia in the last five years.

In a talk on his home island of Yap, former governor John Mangefel likened the nation's troubled economy to a turtle on its back, struggling in vain to turn itself over. With only six years remaining of the fifteen-year Compact of Free Association, and a second step-down in US funds under the terms of the compact quickly approaching, there is widespread alarm over the failure to establish viable industry in the nation. The Asian Development Bank has taken a strong hand in the Federated States of Micronesia over the year in review, replacing the United Nations Development Program as the major source of technical assistance. The bank financed a study of human resource development in the country, contracted to a London-based consult-

ing firm. Their final plan for educational improvements and reforms in the use of the labor force was accepted by the government in May 1995. In the last year, the Asian Development Bank has sponsored studies on coastal resource management, agriculture, and the improvement of government planning. It now has a pair of consultants located in Pohnpei for the next three years to formulate structural policies to help the government cope with the planned reduction of US funds.

The Chuuk State Government, which has been limping along fiscally for years, is now at the edge of bankruptcy. With a debt of about \$18 million and unable to meet its payrolls, Chuuk State hosted officials from the FSM National Government in late June to discuss a loan. It is reported that stringent conditions will be placed on the loan, but the details have not yet been released. Meanwhile, the state legislature is considering a resolution asking Governor Sasauo Gouland to step down or run the risk of impeachment.

New governors were elected in two of the four states of the nation this past year. In elections held 8 November, Vincent Figir was selected to succeed Petrus Tun as governor of Yap, while Moses Mackwelung won the election in Kosrae. Both new governors were inaugurated in separate ceremonies on 9 January 1995.

National elections were held in March 1995, with all the incumbents winning their seats. The only new face in the FSM Congress was John Petewon from Chuuk, who won a tight race for the seat of deceased congressman Kalisto Refalopei. In keeping with

the trend to hold onto the status quo, President Bailey Olter and Vice President Jacob Nena were chosen by the FSM Congress to serve a second term. They were inaugurated at the capitol on 9 June.

The free press arrived in the Federated States of Micronesia to the sound of cannonfire. The *FSM-JTPA Newsletter*, founded in May 1994 under the fiery editorship of Canadian lawyer Sherry O'Sullivan, has taken an openly combative stance toward certain government officials and gained a reputation for unflinching reportage of controversial political issues. Begun as an organ of the FSM Job Partnership Training Office, the monthly paper has gone private. Subscriptions from within the nation and beyond have soared as the paper takes on case after case of alleged corruption.

Preliminary figures were released for the national census taken on 15 September 1994. The national population is reported as 105,712, considerably lower than the 120,000 projected on the basis of past censuses. The slower population increase appears to be related to a decline in the birth rate and the high rate of emigration since the compact went into effect in 1986. At the time of the enumeration an estimated 6000 FSM citizens were living on Guam and another 2500 on Saipan in the Northern Marianas.

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GUAM

The major events in Guam during 1994-95 were the fiftieth anniversary of the island's 1944 liberation, the general elections, the new governor's initiatives, the "ice" problem, base closures, and the political status issue.

Some seven hundred veterans of the 21 July 1944 invasion and recapture of Guam from the Japanese Imperial Army returned to a golden salute from the government and people of Guam. Three impressive monuments to all who suffered the occupation and invasion were dedicated on Nimitz Hill and at the governor's office grounds. A parade, grander than usual, marched down a newly paved, palm-lined Marine Drive. The island had prepared well for the veterans' return as five decades of emotion poured from old soldiers and an appreciative island people.

The Pacific War veterans were also welcomed by a barrage of colorful campaign signs placed at many intersections and on roadside power poles in preparation for the September primary election. Challengers began emerging in January and February for the legislative race, and four gubernatorial teams, two from each political party, began public debates as early as April; Republican Senators Tommy Tanaka and Doris Brooks formed one team and Lieutenant Governor Frank Blas and businessman Simon Sanchez the other. The Democratic teams that emerged were Senators Carl Gutierrez and Madeleine Bordallo as one and Senator Eddie Reyes and Gloria Nelson as the other. Six of the eight, excepting Bordallo and Sanchez, were

reported to have a net worth of over \$1 million.

Although political party loyalty was not quite as strong as in earlier elections, all candidates for the 21 legislative seats aligned themselves with either the Republican or the Democratic party, and of the 53 candidates, 14 were women. Women have done well in islandwide elections, especially since the late 1970s, and held 7 seats in the nineteenth, twentieth, and twenty-first legislatures, and 6 seats in the most recent, twenty-second, legislature. Each of the four female incumbents running for reelection in 1994 had served for five or six terms, but all lost their 8 November reelection bid. Six new women, all political beginners, were elected, retaining a strong female voice in the 21-seat body.

Male incumbents did better than their female colleagues. They all survived the primary and only 2 lost in the general election. With 3 incumbent senators—Carl Gutierrez, Tommy Tanaka, and Eddie Reyes—in the race for governor, 5 new senators emerged after the November polling: Mark Charfauros, Mark Forbes, Alberto Lamorena V, Sonny Orsini, and Angel Santos, all young and all outspoken.

In the run for Guam's top executive posts, the Tanaka-Brooks team defeated Blas-Sanchez in the primary, which involved some negative campaigning with a spin-off of ill will. On the Democratic side, Gutierrez-Bordallo, a popular ticket, beat Reyes-Nelson by more than 3000 votes in a rather gentle contest. In both races the winners defeated the losers by similar margins, about 60 percent to 40 percent. With mixed tickets winning the

primary, the island was assured its first woman lieutenant governor.

The inability of the Republicans to come together after a bitter primary fight, plus some very adept campaigning by the Gutierrez-Bordallo team, set the stage for a 55 percent to 45 percent victory for the Democrats in the general election. Voter turnout was an amazing 90 percent, indicating the tremendous interest generated by the elections. Major campaign issues concerned funding for education and means for its improvement, what to do about the government's \$171 million deficit, how to expand the economy, and reform of the legislature. The last was a change issue that galvanized voter attention because it involved reducing the number of seats in the legislature from 21 to 15, cutting lawmakers' salaries, capping their spending, and limiting their terms. Campaign spending was the highest ever seen, reaching nearly \$1 million by gubernatorial teams and ranging from \$173,000 to \$6600 for winners in the legislative race.

Incumbent Democrat Robert Underwood ran unopposed in the race for Guam's one seat in the US Congress. He had won the seat in the House of Representatives in an exciting 1992 contest against then four-term incumbent Ben Blaz, a retired US Marine general. Underwood's extraordinarily successful freshman term gained him a prestige and popularity that lent additional strength to the Democratic ticket for 1994.

Governor Gutierrez is an accomplished politician who clearly recognizes that his tenure in office is totally dependent on creating a leaner, less

costly, more efficient government. One of his first acts after entering office was to take control of all government travel, hiring, and promotions. Soon afterward, he implemented a ban on use of government vehicles for all but essential travel. He is urging the Guam Legislature to pass a bill establishing user fees for hospital, water, waste collection, and custom and quarantine services. Further, the governor is seeking buyers for the Guam Telephone Authority and has proposed merging the water authority with the public works agency or privatizing it.

Soon after taking office, Governor Gutierrez established the Council of Economic Advisors made up of private sector executives and community leaders. The group assisted him in pulling together a financial austerity plan consisting of cost reductions, revenue enhancement, and economic expansion projects. With this plan and recent interest in Guam on behalf of Asian investors, the governor visited New York's Wall Street in June and persuaded bond dealers to lend Guam \$115 million in bridge financing to prevent a financial meltdown while his financial recovery plan gained momentum. This plan consists of six key goals: elimination of Guam's \$185 million deficit in five years; building and maintaining adequate operating cash reserves; retiring the 1995 bonds as rapidly as possible; connecting any future growth in government to productivity; restoring public and investor confidence in the Government of Guam; and managing the military base realignment and closure process to maximize economic benefits to Guam. Guam's new governor inherited a

financial crisis, and he has taken a serious, no-nonsense approach to ending what he has called the hemorrhaging of the government's general fund. This effort involves major short-term risks to his popularity but likely will yield many long-term gains in economic strength for Guam.

The financial discipline Guam's new executive imposed on government activities requires a corresponding social discipline in segments of Guam's 150,000 population that have succumbed to the power of "ice" (crystal methamphetamine), which comes into Guam from Hawai'i, the mainland United States, South Korea, and the Philippines. Guam police estimate the island has three-to-four thousand ice users and that the problem is growing (*Pacific Sunday News*, 2 April 1995, 31). Police also note the close connection of ice use to crime, and people working to help addicts claim the drug is destroying lives in alarming and tragic ways.

"An ugly disease, a major evil that is reaching near epidemic proportions," is the way Superior Court Presiding Judge Alberto Lamorena III described the ice problem in his 1995 State of the Judiciary address. Wrenching testimony from the courtroom reveals the problem cuts across age, ethnic, gender, church, and socioeconomic lines and devastates lives and families. The judge urged strengthening family bonds and social values, enacting stricter penalties for ice traffickers, and conducting an intense program for inculcating an understanding of the enormous dangers of the drug. The judge's description of the ice problem suggests that a massive attack on it

is necessary to sustain the institution of the family and to assure a local workforce competent to meet the economic challenges and opportunities of the twenty-first century.

“America’s flagship in the Pacific” was how President Reagan described Guam during a 1986 stopover. Nearly a decade later, it appears the flagship is about to be retired. On 1 March 1995 the US Navy’s huge Ship Repair Facility, Fleet Industrial Supply Center, and Naval Activities were designated by the Department of Defense to be closed or realigned. Guam’s response to this economic shock came via “Team Guam.” Governor Gutierrez, Congressman Underwood, and Legislature Speaker Parkinson combined their efforts in opposition to the closings. Team Guam argued eloquently before the Base Realignment and Closure Commission on three occasions and diplomatically enlisted help from high-ranking military officials. Team Guam sought a compromise. First, Guam would retain the Military Sealift Command ships and support helicopters. Second, the Ship Repair Facility would be downsized by allowing it to operate in a collaborative venture in which some of its assets and activities would be transferred to Guam for privatization. The Military Sealift Command ships would provide much of the work needed by the Ship Repair Facility. Third, the supply center would remain open to serve the ships and have supplies, such as fuel, available on Guam—US soil it was emphasized—in case of military contingencies in the Asian-Pacific region.

Although both the Base Realignment and Closure Commission and

President Clinton decided in support of the Defense Department’s plan to close Guam’s ship repair facility and disestablish the supply center, the efforts by Team Guam resulted in some benefits for Guam. The navy, not the commission or Clinton, would decide the future of the sealift command ships, waterfront assets, and support helicopters. This would work to Guam’s favor because the navy wants to keep the Military Sealift Command ships based on Guam and the two fuel storage facilities functioning. The Government of Guam is tasked to develop a business plan for repair and supply of the navy ships. Another positive note is that the closures will return 4000 acres of excess navy land, scattered islandwide, and 89 officer housing units at the former Naval Air Station, closed earlier at Guam’s request, to the local government.

Guam’s drive for a new political status, one of commonwealth, is another issue that has been pushed by Team Guam—which includes the island’s Commission on Self-Determination. However, it is an issue on which the United States has done some considerable foot-dragging. Congressman Underwood introduced the Guam Commonwealth Act into both the 103rd and 104th Congresses. The bill has not moved and Team Guam is getting impatient. Underwood is taking a wait-and-see attitude, whereas Governor Gutierrez has publicly stated that Guam will be looking at new political status options if there is no action on the commonwealth bill by the end of 1996. Events are not moving in Guam’s favor, despite Congressman Underwood’s adept work at keeping

Guam's political status quest in focus in Washington and efforts by Guam's leaders and the Organization of People for Indigenous Rights to bring to bear the moral authority of the United Nations. It took the White House six months to find a replacement for negotiator Michael Heyman, who had crafted a number of breakthroughs. Further, political energies will be directed toward the 1996 presidential campaign and the Republican-controlled House, although open to allowing more authority to territories in some areas, appears unwilling to change existing relationships in any fundamental way. For instance, just when Guam believed it had agreement on the concept of mutual consent, along came Congressman Elton Gallegly, chairman of the House Subcommittee on Native American and Insular Affairs, to question this keystone notion, throwing negotiations practically back to square one. Guam's quest for commonwealth and its place in the American political family may no longer have sufficient support in Washington to bring about the kinds of changes island leaders believe are long overdue.

DONALD R SHUSTER

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REPUBLIC OF THE MARSHALL ISLANDS

Nuclear issues dominated politics in the Republic of the Marshall Islands during the year, after President Amata Kabua proposed to use one of the nuclear affected islands in Bikini Atoll as a global nuclear waste storage site. Other issues that surfaced during the review period include the Marshall Islands' third constitutional convention, a new law raising the minimum wage, a flood of new claims filed with the Nuclear Claims Tribunal, and the selection of the Baha'i affiliated Education and Development Management Team to head the Marshall Islands School Improvement Project. The year 1994-95 also saw the Marshalls bracing against funding cuts from Washington and courting Asian Development Bank funds to help make up shortfalls.

On a sad note, Paramount Chief Kabua Kabua, who retired as a district judge in 1986, died in early October 1994 at the age of eighty-four. He represented the last of a generation of paramount chiefs whose legacy predated World War II. President Amata Kabua declared a week of national mourning, requiring all flags to be flown at half-mast (*MIJ*, 14 Oct 1994).

After almost a year of meetings, a general referendum was held in April 1995 seeking ratification of 35 proposed constitutional amendments. Only the first amendment, which requires the Marshallese version of the constitution to prevail in the event of a conflict with the English version, received the required two-thirds majority to pass. All of the others

received majority votes, but none high enough to pass. The least popular amendment was one that would have given the Traditional Rights Court power over all land and customary title disputes (*MIJ*, 21 and 28 April 1995). Another failed amendment would have limited the tenure of the president to two consecutive terms (eight years) and required that presidents be elected alternately from the Ralik and Ratak chains (*MIJ*, 21 Oct 1994). Possibly the lowest voter turnout in the Marshall Islands' history (only about one-third of all registered voters) was blamed for the failure of some of the amendments (*MIJ*, 21 and 28 April 1995).

The *Nitijela* (parliament) weathered the usual storms and personality clashes during the year to pass a series of new laws, including one to raise the minimum wage from US\$1.50 to US\$2.00 an hour, a 10 cent increase in the tax on diesel fuel sales, and a bill prohibiting government offices and statutory agencies from hiring private attorneys.

President Amata Kabua told a UNFPA-sponsored "Population and Development" seminar held in Majuro in 1995 that reducing the birth rate and building up the local economy are "two sides of the same coin" that must be integrated for national development goals to succeed. President Kabua said that while a reduction in population growth rates over the last seven years was an important accomplishment in a country that had one of the world's highest population growth rates in the 1980s, the development of domestic resources was equally important. He also stated that the Marshall Islands

has been too dependent on foreign economic assistance and has failed to develop its domestic economy. This was the first such seminar to be held in the Pacific Islands region since regional governments agreed in late 1994 to shift the focus of development planning from just population numbers to quality of life issues associated with population and development (*PR*, 17 July 1995).

One development success story for the Marshall Islands is its foreign ship registry, managed by International Registries Incorporated of Virginia (which also operates the Liberian flag of convenience register). The registry is growing rapidly as more American companies reflag their ships in the face of waning US government subsidies, and is now reported to have more than eighty vessels. This is good news for the Marshalls, but not so good for American seamen, three hundred of whom stomped and spat on the Marshall Islands flag as part of a demonstration in early July 1995 in San Francisco. American trade unions, whose lawsuits against US shipping services switching registry have been largely unsuccessful, charge that flagging the US vessels in the Marshall Islands will cost Americans jobs (*PR*, 22 May 1995, 31 July 1995). The Marshall Islands registry is one of five "Effective US Control" registries that may be mobilized by the United States in times of war or national emergency (*SSD*, 2 June 1995).

The forty-first anniversary of the 15-megaton "Bravo" hydrogen bomb test at Bikini falls in 1995. In February, Rongelap Islanders who were exposed to high doses of radioactive fallout

from the Bravo test became alarmed when a Japanese medical report indicated that almost 40 percent of them may have cancer. A year ago Brookhaven National Laboratory doctors reported there had been no new thyroid tumors or cancers discovered among Rongelapese since 1991. According to an *International Herald Tribune* report (1 March 1995), a group of doctors from the Byotai Seiri Laboratory in Tokyo who accompanied a delegation of the Japan Council against Atomic and Hydrogen Bombs, took blood samples from Rongelap people now living on Majuro, Ebeye, and Mejatto Islands and found positive readings in just over 37 percent of them. The laboratory cautioned that it was not possible to establish a causal link between the possible cancer and the residual radiation from the bomb tests. Nevertheless, the administrator of a US-funded project to identify ways to clean up and resettle now-abandoned Rongelap, James Matayoshi, stated that the Japanese findings were "very alarming" (*MIJ*, 3 March 1995).

The Japanese report, and rumors of secret US military conduct of medical tests on radiation-affected Marshallese under "Project 4.1," has prompted Senator Tony DeBrum to accuse the United States of covering up information about nuclear tests on the islands in the 1950s and 1960s. A former foreign minister and chief nuclear compensation negotiator, DeBrum said the American Department of Energy and other agencies had only selectively released documents on the tests (*RA*, 26 July 1995). He requested that a presidential commission be formed to ensure that all previously classified

documents are turned over and that assistance is given to help in their interpretation. The doctors on the Japanese team that did the Rongelap study have also urged Washington to make public all relevant data so that findings may be further verified.

These developments resulted in a rapid increase in the number of claims being filed with the Nuclear Claims Tribunal. "Now, more than ever, it is clear that there will not be enough money," said tribunal judge Greg Danz (*MIJ*, 24 Feb 1995). While the personal injury awards continue to grow, the tribunal hopes to begin hearings on the Enewetak land claim by August 1995. It has class-action claims from Enewetak, Bikini, and Rongelap, and individual claims from every atoll and island in the Marshall Islands group (*MIJ*, 24 Feb 1995).

In the hope of turning a major disadvantage into an advantage, the Marshall Islands offered its "radioactive atolls" as an international nuclear dump in return for much-needed revenue to help victims of two decades of US atomic testing. The nuclear waste proposal, made public by President Amata Kabua at the 1994 South Pacific Forum summit in Brisbane, Australia, could raise billions of dollars in revenues and further the goal of economic self-sufficiency. However, the proposal is protested by neighboring islands, particularly the Federated States of Micronesia. The population of the Marshall Islands is also divided over the idea. Responding to the critics, Ambassador to the United States Wilfred Kendall noted that the atolls in question, which cannot be used for other purposes for ten thou-

sand years, are “geologically stable for storage of nuclear waste and the technology exists to build secure facilities into the atolls.” The Marshall Islands, he argued, was “trying to contribute to a world problem in a methodical, controlled and constructive way” (*IBP*, August 1994).

Not surprisingly, Greenpeace disagreed in a forty-page report that called the proposal a “time bomb.” Citing concerns about the impact of climate change on low-lying coral atolls, the report concluded that storing nuclear waste, which can last for thousands of years, in such places is “a recipe for disaster.” Greenpeace further argued that, in the absence of any legal or liability framework covering such a repository, the proposal is unlikely to receive international support.

US Secretary of Energy Hazel O’Leary had indicated earlier that US laws alone would prevent the United States from participating in such a scheme. Likewise, Japan rejected an offer from the Marshalls to store nuclear waste in the islands, indicating its intention to continue storing its waste inside Japan. Japanese Ambassador to the Marshall Islands Takakazu Kuriyama noted that neighboring governments were “not responding in a positive way to this project. . . . we must take this into account” (*PR*, 8 May 1995). However, Chairman of Taiwan’s Atomic Energy Council Hsu Yih-yun said that the Marshall Islands will “very likely” become Taiwan’s first overseas nuclear waste dump should the plan go through (*PR*, 19 June 1995).

On the domestic front, the Bikini

Local Government Council overwhelmingly rejected the proposal, reiterating their goal of commencing “a radiological cleanup and resettlement of the atoll” in 1996.

In June 1994 the government authorized the Baha’i-backed Education and Development Management Team to operate and maintain the seven public elementary schools in Majuro for the next three years. Specific goals included enhancing student learning skills, expanding the curriculum (including the development of a morals component), training and empowerment of teachers and administrators, increasing parent and community involvement, and upgrading school facilities. According to the management team, results are already visible. With the objective of “world class” education by the year 2000, the management team is working with the Goals 2000 Project on two major initiatives, Goals 2000 State Improvement Plan and School-to-Work Opportunities Implementation Plan. These will be submitted to the Ministry of Education and the US Department of Education for possible funding support (*MJ*, 14 April 1995, 12 May 1995). Meanwhile, Japan has agreed to provide more than us\$6 million to fund improvements to the Marshall Islands High School in Majuro, and the first phase of the project is already under way (*SSD*, 14 July 1995).

The establishment of a new airline was announced after a meeting of a subregional group consisting of Kiribati, Tuvalu, Nauru, and the Marshall Islands. The new company has already acquired an aircraft and is looking into acquiring a second. Initially, the air-

craft will be leased to Air Marshall Islands and a new route, Majuro–Nauru–Funafuti, will be introduced. In addition, the northern Kiribati island of Butaritari will be added to the Majuro–Tarawa sector of the Majuro–Tarawa–Funafuti–Nadi route when the airfield there is upgraded to international standard. The airline's ownership structure and articles of association should be finalized by the end of 1995 (*PR*, 5 June 1995).

Following payments in early 1995 of United Nations membership arrears of US\$250,000, the government attempted to organize regional support for a change in funding arrangements for the UN budget. The Marshall Islands claims that small nations are paying proportionately higher levels of contributions to the world body than larger and richer nations, and are often marginalized in the UN system. A meeting in New York involving six other Pacific nations decided to seek further support from at least twenty-eight small nations in Asia, Africa, and Europe (*RA*, 12 June 1995).

During 1994–95 the Marshall Islands applied for associated membership of the European Union, sought to expand its diplomatic ties with European nations, and signed four agreements with the Peoples Republic of China (*MIJ*, 17 March 1995). The agreements, covering economic and technical cooperation, education, fisheries, and health, were signed after a meeting between President Kabua and Chinese President Jiang Zemin. However, the two countries were unable to reach an agreement on operating a Chinese-financed garment factory in Majuro that was completed in April

1995 with a soft loan of US\$2 million. According to Foreign Minister Phillip Muller, the breakdown of talks with the Chinese has led the government to contact other overseas companies that might be interested in operating the factory (*SSD*, 19 May 1995; *WPR*, 15 July 1995).

Despite base closures in other parts of the world, the United States is discussing with the Marshalls government the possibility of expanding its missile-testing range at Kwajalein. Currently, the United States pays about US\$11 million in rent for the use of the facility, where it has reportedly already invested US\$2 billion. The United States is interested in using land on at least four additional atolls to the east and north of Kwajalein, most of which have small subsistence populations. Foreign Minister Muller indicated that a key sticking point will be the level of US financial compensation, possible restrictions on use of land, and the environmental impact of the US testing program. However, an American spokesman in the Marshall Islands, Tom Murphy, said that Washington has already approved an agreement drafted in early June 1995 by negotiators from both sides (*WPR*, 15 June 1995; *RA*, 14 June 1995; *PR*, 5 June 1995; *SSD*, 28 July 1995).

In other developments, Marshall Islands officials are lobbying against proposed US legislation that would lead to a massive reduction in aid to American territories and former territories in the Pacific. At the end of 1995 the second planned US\$5 million drop-off in annual funding to the Marshall Islands under the Compact of Free Association takes effect, amid rumors

that the Republican controlled US Congress wants to cut some compact funding, despite its full endorsement by an earlier congress. In addition, there is discussion in Washington of cutting a series of federal programs that the Marshall Islands fought hard to get reinstated during the past several years. These include Chapter 1 and 2 educational funds, Pell scholarship grants, and the Head Start program (MIJ, 7 April 1995). The US House of Representatives in Washington has already voted to abolish the Office of Territorial and International Affairs, although the move has yet to be approved by the US Senate and President Bill Clinton. It would mean the loss of millions of dollars of aid to the Marshall Islands, the Federated States of Micronesia, Belau, and American Samoa. Meanwhile, the US Departments of the Interior and of Defense have provided Rongelap with an additional US\$5 million for resettlement assistance once slated for the budget axe (MIJ, 7 April 1995; 19 May 1995; RA, 23 July 1995).

Since 1992, the Asian Development Bank has become a major player in the economy of the Marshall Islands, providing a combination of loans and technical assistance valued at more than US\$40 million. Under a new agreement the bank is expected to lend an additional US\$8.25 million to the country (which will also contribute US\$2.75 million) for a water improvement project. Improvements are expected to include increasing the size of the airport reservoir to 33 million gallons by adding a new eight-million-gallon reservoir, and increasing the height of the walls of the present reser-

voir to add space for four million gallons. Other improvements include building new pipelines and extending a salt-water sewer line (RA, 11 May 1995; SSD, 16 June 1995).

The Marshalls have been seeking additional assistance from the Asian Development Bank in an attempt to minimize the impact of a drastic fall in living standards when funding under the present Compact of Free Association comes to an end in 2001. The bank has indicated that the economy needs to be restructured and aid projects coordinated, before loans are directed to developing basic social infrastructure (such as health and education), as well as the fisheries and tourism sectors where the growth potential is high. The bank points out that tough economic choices are ahead if further declines in gross domestic product in the Marshall Islands are to be avoided (MIJ, 26 May 1995; RA, 5 May 1995).

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COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Alice in Wonderland said it best: "Things just get curiouser and curiouser." The past year in the Commonwealth of the Northern Mariana Islands can best be described as organized chaos. The structure is there but the parts do not often work together.

One of Governor Froilan Tenorio's main rallying cries has been the budget deficit, variously valued at thirty to fifty million dollars, inherited from the previous administration. According to some reports, his administration has already added another thirty million. Part of this resulted from new hires, a new salary act for the judiciary, a new \$14 million judicial complex, and salary increases and new positions. At the same time, there has been a reduction of tax revenues because of the uncertain economic climate, leaving the government with less revenue than was anticipated in the budget.

An effort was made to completely reform the tax law in January. Several tax bills were formulated and submitted to the legislature. The one that passed, in a special midnight session of the House of Representatives, was immediately approved by the Senate and signed into law by the governor. Unfortunately, few of the legislators had read the bill. As a result, excise taxes on some tourist-related products were increased 100–300 percent. Leather goods were among those hardest hit, but the law did not define the difference between luxury leather goods and others. As a result, such items as baseball mitts and watchbands on cheap watches were taxed

the same as luxury handbags and imported shoes. The reform act also reduced slightly the annual rebate of income tax. The whole act proved counterproductive. Louis Vuitton, a major luxury leather retailer, has delayed the completion and opening of its new mall in the hotel district because the tax would price its goods out of the market. Another company decided not to invest. Many others, hotels included, canceled or delayed expansion projects.

The governor's proposed budget for 1996 was for \$230 million, an increase of \$40 million over the previous year, and \$80 million more than in 1992. The governor argued that this was necessary and that if revenues could not be found any other way, casino gambling should be allowed in order to cover the deficit. He has said that the legislature should decide about gambling. The legislature and the sitting constitutional convention, on the other hand, have indicated that the people should decide the issue in a referendum.

As mentioned in last year's report, the governor did reorganize the executive branch. After several court challenges, the Department of Commerce and Labor became the Department of Commerce and Natural Resources, Immigration and Labor were merged, and other autonomous agencies, including the Marianas Visitor's Bureau, were brought under the governor's authority.

A major battle was fought between the mayor of Rota and the governor over interpretations of Amendment 25 of the Constitution. The amendment granted certain administrative powers

to the mayors of Tinian and Rota. The new mayor of Rota interpreted the clause to give him complete line authority over commonwealth programs on his island. The governor thought otherwise and set up his own direct representative office on Rota. Mayor José Inos took the issue to court, which decided in June that while the governor has responsibility for commonwealth programs on all of the islands, he must work through the departments and not administer directly. The mayor retains some administrative authority but is primarily responsible for local issues. Both sides claimed victory.

The third Marianas Constitutional Convention finally opened on 5 June. The twenty-seven delegates (including seven women) were still in session at the end of the review period, with many items of business still to discuss. The major issues to be tackled by the convention were Article 12 (land tenure), legislative and executive organization and powers, budget and tax, as well as the relationship between the three main islands and the central government. Voting rights and civil liberties will also be addressed. The amendments they propose will be voted on by the people at a special referendum, possibly in November.

Since the governor has taken office, five major cabinet-level people have been removed or resigned. The chief executive has been taken to court by the legislature and private citizens. His ineffectiveness in dealing with the labor issues has drawn criticism from the US Congress. The legislature has rejected several gubernatorial nominees, including one for chief justice of

the Supreme Court, twice. In retaliation, Governor Tenorio appointed a sitting judge of the Superior Court (a mainlander) to the chief justice's position. Since the Supreme Court was expressly established to avoid appeals to mainland courts on domestic issues, there have already been expressions of dismay. So far no confirmation hearings have been held by the Senate on Judge Marty Taylor.

The legislature has not been totally effective either. A budget was finally passed for fiscal year 1995 without public hearing or even scrutiny by the legislators. Laws such as PL 7-45 requiring that by 30 September 1995 all CNMI government employees be US citizens was not addressed until June, after many skilled and professional third-country nationals left their posts in advance of the expiration of their contracts. By the summer, it looked as if only a few physicians and other skilled personnel would be servicing the government hospital. The law was voided, and a new one extending the deadline to the year 2000 was passed with some conditions. The damage was done already, however, and after returning from Saipan, a group of Filipino nurses gave a news conference in Manila, blasting their treatment in the commonwealth (*PDN*, 7 July).

On the hopeful side, the US Congress did reappropriate the \$27 million dollars it had been holding up. Of this, \$4 million must be spent on programs to improve immigration and labor operations. Already, some federal agents are providing training to various law enforcement agencies. A sophisticated computer-tracking

system for immigration, labor, and law enforcement agencies is being installed with federal funds and is expected to alleviate much of the bureaucratic morass currently blocking effective administration of immigration and labor laws.

Labor issues were again in the forefront during 1994-95. Reported abuse of mostly Filipino workers resulted in a ban by the Philippine government on migrant farmers, houseworkers, and nightclub workers that went into effect in June 1995. It will have a severe impact on the hotel and service industry, where front desk and clerical personnel are almost all from the Philippines. It will also make it harder for two-income families to find care for their children. The ban is described as temporary. Various negotiations with the Manila government have been undertaken, although relations have been strained between Saipan and Manila over diplomatic niceties and protocol on both sides. In July 1995 Speaker of the House Diego Benevente led a mission to Manila to meet with labor officials there. His mission was apparently successful in that he met with President Ramos and came back with assurances that the ban would be lifted shortly. He was followed by Lieutenant Governor Jesus Borja and a party including members of the Saipan Chamber of Commerce, the Hotel Association, and the Contractor's Association. They hope to accomplish more concrete objectives in the relations between the two countries.

The minimum wage, now \$2.75 per hour, is scheduled to increase by 30 cents per hour per year until it reaches

the federal minimum wage of \$4.25 per hour by about the year 2000. One, possibly two, garment factories, will close in 1995 as a result of increased minimum wages and higher taxes. Although this could result in the loss of millions of dollars in various tax revenues and local purchases, the possible closings have not caused much anguish. The factories have never been popular with the general public.

On the positive side, JoeTen Enterprises, one of the largest wholesale-retailers in Micronesia, opened a multimillion-dollar PriceCostco Warehouse store on Saipan in June. It is the forerunner of a major commercial development that is expected to be completed by the summer of 1996. It will include movie theaters (there are none now), business facilities, restaurants, and a major bank.

A proposed \$21 million road contract with World Corporation of Korea was surrounded by controversy. The idea was that World Corporation would finance the project, do the actual construction, and then be reimbursed from the annual Federal Highway Administration's grant of about three million dollars. Critics were unhappy with the idea of committing federal funds that were not yet appropriated. World Corporation was also granted public land for a resort development in Marpi that originally included a casino project in partnership with SoDak, a gambling equipment manufacturer based in South Dakota. A ground-breaking ceremony had occurred, but construction had not begun at the end of the review period. The House of Representatives was investigating the land deal,

because it was allegedly carefully crafted to cover only 4.5 hectares, whereas if it had been five or more, the legislature would have had to approve it.

Other projects underway in 1994-95 include a multimillion-dollar program to expand the seaport at Puerto Rico, as well as some much-needed improvements to the road and water systems. Efforts to upgrade the water system are especially welcome, as demand has exceeded supply for some years. Efforts under the governor's declared "state of water emergency" have made more water available but not improved its quality. Some areas of the island of Saipan were still on strict water hours (2-3 hours a day), and bottled water is one of the fastest growing businesses in the islands. In prospect are the opening of a major new resort complex on Rota in July 1995, new non-hotel tourism activities on Saipan, and some \$100 million worth of federal funding for capital improvement projects over the next several years. In general, however, the economy of the Northern Marianas is

in trouble. Increased government obligations on a weakened tax base have resulted in a generally slower rate of growth and, in some cases, recession. The new tax structure is discouraging new investment and, with some exceptions, a flight of capital away from the islands.

This has been a year of deep division. The conflicts between the executive and legislative branches, between the House and Senate within the legislature, between the governor and nearly everyone else have brought about a deep sense of communal despondency. Investment has slowed to a crawl, the courts are full of cases involving executive actions, and lawsuits seem to be the major means of resolution. The constitutional convention is underway, but the number of proposed amendments on the floor is overwhelming. Elections for the legislature will be held in November. In some respects, it will be a vote of confidence for the governor and promises to be hard fought.

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