income taxes paid by military families dropped from $81,250 million in 1993 to only $46,180 million in 1996.

Two Democratic members of the legislature have already announced that they are running against Governor Gutierrez in the 1998 gubernatorial election. The Republicans have only one declared candidate thus far, former Governor Joseph F Ada. With the Republicans solidified and the Democrats split terribly, can Governor Gutierrez sufficiently regain the support of the grass roots while retaining the support of big business to win a second term? The way he manages the political status issue, which has assumed center stage in Guam politics, may well determine the answer to that question.

RICHARD WYTTENBACH-SANTOS

Northern Mariana Islands

The year 1996–97 will certainly be one for the history books. Although tourism and the economy generally began to pick up, relations between the commonwealth and federal governments worsened, and crime, often directed against guest workers, increased. The results of the 1995 census were released, revealing another leap in total population from about 43,000 in 1990 to 59,500 in 1995 (by mid-1997 the total population was estimated to be 65,000). Nearly all of the increase was attributed to the influx of guest workers. The governor’s decision to dissolve the Marianas Public Land Commission and place the administration of public lands directly under his authority resulted in a major confrontation with the legislature.

The year under review saw some major movement in the area of economic development, including some interesting diversification. Investments in casinos, hotels, new construction, and capital improvement projects were all up. Several major hotels opened new wings or began new construction projects. There are now approximately 3,600 rooms available in the commonwealth and another 3,000 under construction or planned, not including the 500-room casino and hotel nearing completion on Tinian, or the 2,000-room resort under consideration there.

Tourist numbers were up overall, to about 660,000 entries per year. A substantial increase in arrivals from Korea more than compensated for the downturn in numbers from Japan, and there was a small but steady flow of visitors from eastern Russia. Several hotels recruited Russian-speaking staffers to meet anticipated future demand. An effort has also been made to lure visitors from mainland China.

The garment industry was again the focus of mixed reviews and has a shaky future. Last year, the commonwealth Department of Commerce lifted the moratorium on new factory licenses. Four new factories opened, bringing the total to about twenty-three (the actual number is not clear because some factories share licenses and other license holders have not decided to build yet), employing some eleven thousand workers. However, increased pressure by Washington to
raise the minimum wage, and real and alleged abuse of the workers, especially in the area of overtime payments and benefits, have led critics in the mainland United States to demand that the “made in USA” label be denied to products made in the Northern Marianas. These issues and the threatened takeover of immigration by the federal government would probably be enough to send the factories to Mexico or other locations.

Another positive sign on the economic horizon has been the growing number of major commercial and government investments in the commonwealth. Two major banks, Bank of Shanghai and Hong Kong (whose parent office is in London) and First Hawaiian Bank, have set up branches on Saipan in the past year. There has also been a surge in smaller investments. The Voice of America has begun constructing a $30 million transmitter on the north end of Tinian, and there has been recent talk of building a tuna cannery on the Tinian waterfront. Rota now has a fully functional resort hotel and is aiming its ambitions toward a flourishing ecotourism industry. The Saipan airport is undergoing major expansion, largely funded by Duty-Free Shoppers Limited, who received an exclusive concession for their business.

The Micronesian Telecommunications Corporation has finally installed its fiber-optic cable from Saipan to a junction with the rest of the world on Guam. After many years of mostly political wrangling, the cable is now operational and will be fully utilized by October 1997. In other communications developments, the Northern Marianas ceased to be a foreign country for purposes of long-distance dialing from the fifty states on 1 July 1997, allowing rates to the mainland to fall from approximately $1.60 per minute to less than 50 cents per minute. The combination of fiber-optic transmission and lower rates will be a major incentive to businesses that want to open offices in an American jurisdiction with accessibility to Asian markets.

Relations with Washington, DC, could not have dropped lower during the year under review. The low point came on 30 May 1997, when President Bill Clinton sent his famous “Dear Froilan” letter stating that his administration intended to take over responsibility for immigration, naturalization, and the minimum wage. He indicated that he would work through Congress to implement federal laws in these areas, as provided for in the covenant that defines the relationship between the two governments. A few weeks later, the State Department chastised the governor for signing a memorandum of understanding with the government of the People’s Republic of China, an act clearly outside his jurisdiction. In July the administration’s annual report to Congress on labor, immigration, and law enforcement was released by the Office of Internal Affairs. It was a blistering indictment of the commonwealth’s progress in improving previously noted problems in those areas. It asked Congress to implement a takeover of immigration and minimum wages in the Northern Marianas, to be phased in over ten years.

The minimum wage, which was
supposed to have risen by 30 cents per hour each 1 July until it reached the federal level, was frozen just before the effective date through lobbying by the garment industry, which stated that it could not absorb the increase. As a result of the legislature’s action, the minimum wage went from $2.75 to $3.05 for all workers except construction and garment workers. Workers in these two categories got a 15 cents per hour raise, with another increase scheduled for 1 July 1997.

To justify his support for the freeze, the governor contracted an internationally known consultant firm, the Hay Group, to do a thorough study on minimum wage and make appropriate recommendations. The report, issued in May 1997, concluded that there should be a three-year moratorium on all minimum-wage increases. It stated that the garment industry, which brings in a reported $15–19 million in annual tax revenues to the government, would no longer be competitive, and provided justifications for paying guest workers lower salaries than those of US citizens. The Hay report also urged the Northern Marianas to diversify its economy and downsize the government.

Once again, real and alleged labor abuse issues featured prominently during the year. Most influential was a feature article in the May edition of Reader’s Digest entitled “Shame on American Soil.” This article cited several well-documented incidents of mistreatment of guest workers and strongly implied that the local government was unable or unwilling to prosecute prominent local officials alleged to be the perpetrators. In addition, the Philippine Consulate on Saipan assigned a full-time labor attaché to investigate allegations of abuse of its citizens. They reported a substantial increase in complaints over the last year.

One of the side effects of the dependence on labor from outside (especially from the Philippines) is that the home government has some say on the working conditions of its citizens. The Northern Marianas was long exempt from Philippines Overseas Employment Agency regulations, but because of worker abuse, the Philippines government decided to apply the full range of conditions, including mandatory room and board regardless of wage levels. As a result, relations between the two governments deteriorated. The Philippines government issued a ban on the export of “vulnerable” classes of workers—housemaids, nightclub workers, waitresses—to the Northern Marianas, which lasted for about a year. A new ban, this one applying to all workers, is being considered.

These new developments in a previously unregulated labor market have made it more difficult to legally recruit Filipino workers, leading some employers to find ways to circumvent the regulations. It has also provided an incentive to identify alternative sources of migrant labor, and increasing numbers of workers are being brought in from Nepal, India, Thailand, Iran, and Bangladesh.

In October 1996, a Philippine national and licensed taxi driver succeeded in getting entry permits for over 150 Bangladeshi workers. They were recruited after paying between
$5,000 and $10,000 in fees. Many sold businesses or took out loans to pay the fees. From December to March, up to 200 Bangladeshis, mainly recruited as construction workers though most of them had never seen a carpenter's tool, arrived in Saipan. They were promptly taken to substandard, isolated barracks and abandoned. By the time their plight became known they were in serious condition. Eventually, the community mounted a relief effort to find them jobs and food. The bonding agencies were required to furnish each person with $1,500 and a one-way ticket back to Bangladesh, although many found work before the 1 June deadline.

In 1988 the island of Tinian passed a local initiative approving up to five casinos. Only one casino opened, but it lasted less than a year. In 1996 Hong Kong Entertainment (Overseas) Inc announced plans for a 500-room casino hotel to attract world-class gamblers from all over Asia. The first phase of the project is expected to begin operations in September 1997. The company has advertised for twelve hundred employees to work in the hotel, and the facility is expected to create an additional twenty-two hundred jobs on Tinian. A second project, which would create a 2,000-room resort and theme park, is in the final stages of planning. The Hong Kong company has already put two luxury catamarans in service from Saipan, although there are indications that they may not be suitable for the choppy waters of the Tinian Channel. The possibility of expanding Tinian airport to handle direct flights from Korea and Japan is also being explored.

In mid-June 1997, the Ninth Circuit Court of Appeals ruled against the Hafa Adai Hotel in a case filed by the National Labor Relations Board. The court overturned a decision made by the Federal District Court over a year ago that essentially upheld local-hire preference laws in the commonwealth. The appeal resulted in a decision that affirmed the applicability of the National Labor Relations Act and, more important, blurred the distinction between local (US citizen) hires and guest workers in the same positions. As a result, the hotel has been ordered to rehire about twenty mostly Filipino workers whose contracts were not renewed on expiration and who were replaced by locally hired personnel. The court has essentially ruled that all workers must be treated equally, even though local law requires that locally hired employees must have priority when jobs become vacant.

Chinese organized crime became increasingly evident during the year, particularly in the areas of protection rackets and prostitution. Chinese-owned businesses, from grocery stores to karaoke establishments, have proliferated and become targets for threats and extortion. Following complaints, police have successfully prosecuted some of the perpetrators, and several were jailed or deported. There also appear to be very well organized rings of Chinese pimps and prostitutes who prowl the tourist areas, especially in Garapan. Because the anti-prostitution law in force does not include solicitation, only the exchange of money for sexual favors, it is difficult
for local authorities to make arrests. However, many suspected prostitutes are arrested and deported for violation of their work permits, not prostitution. More than 150 deportations, mostly of Chinese, were carried out in the first six months of 1997, well above the rate for any prior year.

Violent crime has become endemic among youth. A retired Japanese woman was bludgeoned to death in her apartment late in 1996 by two young men who were eventually tried as adults and convicted. In another case, a small group of juveniles had a spree of robbing Korean grocery stores. In one case they shot the storekeeper. Most were arrested. Drug use, especially of crystal methamphetamine or ice, has become epidemic. For many years the population considered this a problem of the contract worker or tourist. Then in January 1997 a former customs officer apparently high on ice attacked a whole family, leaving the mother dead, one daughter sexually assaulted and wounded, and a son wounded with a knife when he attempted to help his mother. According to the public health rehabilitation center, nearly four hundred people, mostly local, have come in voluntarily for drug treatment since that incident.

By executive order, Governor Tenorio dissolved the Marianas Public Land Commission and folded its functions into the Department of Lands and Natural Resources, directly under his control. He then began negotiating with foreign investors leases for areas of public land under 5 hectares without public hearings or review. This provoked a strong outcry, with taxpayers’ lawsuits accusing him of leasing the land at below-market prices. A lease to Willy Tan for a giant shopping mall with movie theaters was blocked by such a lawsuit. Then the legislature passed legislation—over the governor’s veto—reconstituting the land commission with a board of directors. At the time of writing all transactions involving public land were frozen because the board had not been officially constituted.

Elections are scheduled for 1 November 1997, but the gubernatorial campaign got under way in 1996 when incumbent Froilan Tenorio announced that he would not run for reelection and endorsed Lieutenant Governor Jesse Borja. Then in December 1996 he changed his mind and indicated his intention to run, leaving Borja wondering what to do. The Central Executive Committee of the Democratic Party met in March and declared Tenorio the official candidate. Borja then bolted the party and declared his independent candidacy with former secretary of Land and Natural Resources Benigno Sablan as his running mate. After months of keeping people wondering, Tenorio chose Saipan Mayor Jesus Deleon Guerrero as his running mate. In the meantime, in November, the Republicans held an open primary between two former governors: Larry I Guerrero and Pedro P Tenorio. Tenorio won handily over Guerrero. Then Guerrero put his support behind Froilan Tenorio after the mayor was selected as running mate. At the end of the review period there was a three-way race between Republicans Pedro P Tenorio and Senate President Jess Sablan, Democrats Froilan Tenorio and Saipan
Mayor Jess Guerrero, and Independents Jesse Borja and Benigno Sablan.

SAMUEL F MCPhETRES

Palau
The year under review began with two tragedies. The first occurred near Ngardmau State and involved a head-on collision of two boats traveling at high speed, resulting in the death of five Palauans and the injury of ten other people, some of whom were from the US Public Health Service. Mr. Beketaut Towai, a former member of the Palau Legislature representing Ngardmau, was among those who died. The second tragedy was the collapse of the huge concrete bridge connecting Koror to Babeldaob Island. Two people traveling in a vehicle on the bridge at the time it fell died; four others were injured.

Palau’s main eight-hundred-foot-long Koror-Babeldaob bridge, completed in 1977 at the cost of $5.2 million, collapsed in late September and knocked out Koror town’s water and electric power supply. Within weeks, water and power were restored, if sometimes rationed, and boat transportation substituted for the fallen bridge. The Nakamura government’s solution has been to replace small-boat transport with less expensive ferry service. This in turn has been replaced by a three-piece temporary bridge costing $3.8 million, and plans call for a new permanent bridge to be completed in about five years. Within months of the collapse, President Kuniwo Nakamura approached the governments of Japan, the United States, and the Republic of China (Taiwan) for grant assistance to construct a permanent bridge. Government officials maintain that a bridge linking Koror with the large island of Babeldaob is fundamental to Palau’s continued economic growth and development, especially with completion of the Babeldaob circle road by 2003. In April 1997, the government filed suit against construction, design, and insurance companies for compensatory and punitive damages, maintaining that defective repairs and design changes performed by the various firms led to the structure’s failure.

National elections took place in Palau with a September primary and a November general election that included two ballot initiatives. Incumbent President Nakamura defeated both Johnson Toribiong and Ibedul (high chief) Yutaka Gibbons by taking 56 percent of the vote in the primary race. Given the tremendous hardships the collapse of the Koror-Babeldaob bridge generated just two days after the primary, and the strong majority support for the incumbent, Toribiong, in a surprise move, withdrew his candidacy in early October. This was a family decision announced by Roman Tmetuchl (a three-time presidential candidate himself in the 1980s) to the leadership of the Palau Nationalist Party, which had vigorously supported Toribiong’s second run for the presidency. Toribiong’s running mate, Kione Isechal, an engineer, stayed in the race and finished second to incumbent Tommy Remengesau, Jr, who took nearly 70 percent of the vote. Nakamura was reelected to the presidency by defeating Ibedul Gibbons,