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-*
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.

JOAKIM PETER MARCUS SAMO

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-
mended him for his humanitarian concern and leadership. His response to the havoc of Supertyphoon Paka was equally fast and effective. He had Guam declared a major disaster area, secured housing for the homeless, got the water and power restored, and used the Guam National Guard and government resources to accelerate recovery.

Gutierrez began his governorship in January 1995 by extricating Guam from impending financial crisis. He listened to advice from private-sector leaders and was successful in stopping overspending from the government’s General Fund by means of “a financial plan with teeth.” He then used public and private-sector talent to develop Vision 2001, Guam’s strategic master development plan to guide economic change. The privatization of the navy’s ship repair facility, acquisition of an 800-foot dry dock, and stimulation of tourism are efforts consistent with the plan. Much of the Gutierrez team’s focus is on developing Guam’s economic and financial strength.

In social and community affairs, the Gutierrez-Bordallo team established an island police commission to link law enforcement to village concerns; vetoed a land use plan because it would cause difficulty for families that had approval to build on Chamorro Land Trust land; made over one thousand lots available for agricultural and residential use by people of Chamorro ancestry; and was involved in the announcement of four hundred winners, via lottery, of the right to purchase affordable homes. Financing for these homes was made available in the form of $50 million in loans derived from mortgage revenue bonds sold by the government. Further, the Gutierrez administration has paved 53 miles of road and built 360 concrete bus shelters. Close associates of the governor describe him as a very hard worker, a hands-on person who wants to achieve goals and make things happen.

Guam, like most developing islands, has a major problem with waste. The Guam legislature drafted a bill that became controversial during the period under review. Bill 495 called for a user’s fee for garbage pickup service, closure of the island dump in Ordot and establishment of a new sanitary landfill, privatizing trash pickup, and the construction of a waste-to-energy incinerator. The incinerator became a topic of fierce debate because of the alleged health hazards it would create. In February 1998, opponents of the proposed incinerator protested at the governor’s residence, pressuring for a veto of bill 495. Gutierrez neither signed the bill nor vetoed it. Failure to act within ten days usually means that a bill approved by the legislature automatically becomes law. However, a suit was filed citing some obscure language in Guam’s Organic Act and claiming that bill 495 had not become law. It appears the incinerator controversy has conveniently “gone up in smoke.”

Delegate Robert Underwood represents Guam’s interests in the House of Representatives of the US Congress. Completing his third two-year term, Underwood has developed enormous talent in negotiating Guam issues through the bureaucratic and political maze in Washington, DC. This skill, however, has not guaranteed solutions
to some nagging questions such as a new political status for Guam, as described later. Troubled by the KAL tragedy, Underwood met with transportation and safety board officials and developed legislation requiring foreign air lines flying into the United States (Guam included) to file crisis-management plans. President Clinton signed this legislation into law as the Foreign Air Carrier Family Support Act. Underwood also worked to acquire supplemental disaster aid for damage inflicted by Supertyphoon Paka.

Underwood's two-year push—in conjunction with the governor—to gain approval for a trial visa waiver program for the Philippines ended in defeat. The formidable Immigration and Naturalization Service (INS) claimed the idea was too risky, given the more than 30 percent denial rate for visa applicants from the Philippines. Some Guam business leaders suggested a visa waiver for mainland China similar to arrangements with South Korea and Taiwan. In a meeting with the Guam Hotel and Restaurant Association, Underwood said the idea would not be favorably received in Washington given several groups of illegal Chinese migrants recently washing up on Guam's shores. However, he agreed to push the visa waiver idea as a way of enlarging and diversifying Guam's tourism base, the island's main economic engine.

After a dozen years, the Immigration and Naturalization Service finally proposed rules and regulations to limit the stay on Guam of citizens from the freely associated states, designated “habitual residents.” Underwood noted that the proposed regulations have no enforcement or monitoring provisions and that Guam needs to make a unified response to the INS proposal. The habitual-resident situation has been a bothersome one for Guam because the government has not been fully reimbursed for the educational or social costs of the ten thousand or so citizens of the Federated States of Micronesia, the Marshall Islands, and Palau who have migrated to Guam since the compact agreements were signed.

Guam has a $10 billion military infrastructure and some 2,300 federal civil service employees. With a dramatic cutback in defense funds, the military was carrying out studies, known as A-76, to determine which of these jobs it can phase out, replace with technology, or purchase from the private sector. Congressman Underwood has talked to numerous groups about the military's relentless downsizing and how consortiums of creative individuals can find new opportunities in this environment. He is pushing a reporting requirement “to make sure the commercial studies are open, honest and productive,” and that Guam's interests and people are treated fairly (Underwood 1998).

In a rare disagreement with senators in the Guam legislature, Underwood introduced House Resolution 2370, the Judicial Empowerment Act, naming the Supreme Court as the pinnacle of the third branch of the Government of Guam. The legislature, on the other hand, passed a law via a rider on the incinerator bill keeping the Supreme Court subservient to the Superior Court. Supreme Court Chief
Justice Peter Siguenza, normally a low-profile leader, spoke harshly of the legislature’s wrongheaded interference. But the dynamics of this contest were influenced by Representative Don Young, chairman of the House Resources Committee, which has jurisdiction over insular issues. Young wrote to Senator Charfauros, stating that his committee generally would approve changes in the Organic Act that the Government of Guam supports (PDN, 26 June 1998, 3). Essentially, Young’s position was that since the court matter, as a rider, had been caught up in the incinerator suit testing the “legality” of the new law (formerly bill 495), Congress would not interfere with the legislature’s authority. Until bill 495’s fate is determined by the courts, Congress will look on the hierarchy of Guam’s courts as a matter internal to Guam.

On 15 June, at Congressman Underwood’s request, five Guam flags were flown over the US Capitol in commemoration of Guam’s one hundred years of US rule and as a symbol of its desire to be a full partner in the American political family. “The political development of Guam is not a process which can be stopped,” he said. “It can be impeded, it can be re-directed, but hopefully, it will be guided by our best aspirations and our full understanding of Guam’s innate capacity for self-government. . . . It will be a process in which Chamorros will be exercised. It will be a process which will engage federal authorities, rely on international goodwill and support, and be a process which brings us together as a people” (PSN, 14 June 1998, 24).

Nineteen ninety-eight is an election year on Guam for governor, lieutenant governor, 15 seats in the Legislature (formerly 21 seats), and Guam’s lone seat in the US Congress. For the primary on 5 September, the Democrats are running three teams, party discipline being weak both within the parties and between them: the incumbents Gutierrez and Bordallo; Tom Ada and Lou Leon Guerrero, senators in the Guam Legislature; and Angel L G Santos and Jose Terlaje. Santos is currently a senator and known for his assertive and sometimes militant style, and Terlaje is a former policeman. The incumbents, the favorites, began their campaign in November 1997 with signs featuring their distinctive yellow, red, blue, and green logo, which can be seen all over the island. They have over $1 million in their campaign coffers as well as strong support from government employees and some private businesses. They stress their accomplishments in television spots and rallies, have not been critical of their challengers, and declare, “People of Guam, You’re still the one!”

Ada and Leon Guerrero are an ambitious and feisty team that has been publicly critical of the Gutierrez-Bordallo record, particularly as regards the schools and crime. Their logo is a wave, and they claim, “It’s time.” Keen observers have noted a number of campaign blunders so far. The Santos-Terlaje team is the clear underdog and has a Chamoru (also Chamorro) language campaign slogan, “HITA,” meaning “We or Us,” and the latte stone as its logo. The indigenous slogan and logo are designed to appeal to the Chamorro voters, who make up
the plurality of the Guam electorate. Santos was one of the founders and leader of the Chamoru Nation until his entry into the Guam legislature four years ago. The Nation champions the cause of Guam’s poor and politically weak and has vigorously opposed control by the US military of large sections of Guam land. The Tom and Lou camp has made at least one overture attempting to persuade Santos and his partner to withdraw from the race and throw their support to the wave team. It was not accepted and the Santos-Terlaje team continues to campaign with door-to-door visits, public meetings, and “going out to the people.” One insider to the Santos-Terlaje campaign has described the effort as “unrealistic as far as winning, and the victory will be more in spirit than reality.”

Another careful observer has noted that the Chamorro voters, are, prior to the primary election, split in four ways: those for Gutierrez and Bordallo, those supporting Ada and Leon Guerrero, those pushing Santos and Terlaje, and those favoring Ada and Camacho, the Republican Party challengers who enter the primary unopposed. The key question is which candidate team these four groups will support, both before and after the September primary. It is believed that the activity of the Ada and Leon Guerrero (Tom and Lou) team will be critical to whoever emerges as the winner in both the primary and general elections.

In March 1998, former two-term Republican Party governor Joe Ada declared his candidacy and chose Senator Felix Camacho, son of a former governor and a three-term senator himself, as his running mate. This is an attractive ticket and will, come November, test loyalties to party platforms and family connections.

The 15 seats in Guam’s legislature will be contested by 31 candidates—14 incumbents and 17 challengers—of whom only 4 are women, unfortunately. Besides their 9 incumbents, the Republicans have some impressive challengers who include men from prominent families—Calvo, Moylan, Blas, and Sanchez. The Democrats have only 5 incumbents running, but several others have stepped up who may attract voter attention—Norbert Perez, former senator Ted Nelson, James Nelson, and Eloy Bermudes. Senate seats are coveted on Guam, and candidates host fund-raisers and parties and attend weddings, funerals, and rosaries to “show their faces” and gain support. New with this election are portrait and message billboards along Guam’s roadsides.

In the final race for 1998, Congressman Underwood is being challenged by Manuel Cruz, president of the American Federation of Government Employees. Oddly, Cruz as a union leader is running as a Republican and has been quiet so far as a campaigner. On the other hand, Underwood, a Democrat, has established a strong record in his six years as Guam’s representative in Washington, DC, has solid union and popular support, and will likely be reelected. He ran unopposed in 1994 and had little opposition in 1996.

Governor Carl T C Gutierrez serves as chairman of both the Commission of Self-Determination (established in
1980) and the Commission on De-
colonization (established in 1997). In
1987, the Guam electorate approved
the draft commonwealth act, which
has been introduced by Guam’s con-
gressman into every session of the US
House of Representatives since 1988.
Progress in moving the act through
approval stages of the executive or the
Congress has been painstakingly slow
and often marked by setbacks. In
1997–98, the major event in Guam’s
quest for a change in political status
was a one-day hearing before the US
House of Representatives Resources
Committee. Although Guam had a
large group of leaders at the US
Capitol to offer testimony, each
speaker was limited to five minutes.
Governor Gutierrez and former gov-
ernors Ada and Calvo spoke, as did
senators who serve on the Commission
on Self-Determination, Archbishop
Anthony Apuron, and members of the
Organization of People for Indigenous
Rights and the Chamoru Nation. US
Special Representative John Gara-
mendi, speaking for the Clinton
administration, stated, “We have been
unable to find constitutional and
otherwise appropriate ways of bridg-
ing the gap between the full extent of
what Guam has originally proposed
[in the draft commonwealth act] and
what the executive branch is able to
support under the American flag”
(PDN, 31 October 1997, 1).

Despite a decade of on-again, off-
again discussions between Guam and
administration officials and a 1989
meeting with Congress members, there
is no agreement on the fundamental
planks of the commonwealth act, spe-
cifically: (1) mutual consultation and
consent on changes to the act (after
implementation) on applicability of
federal law to Guam, and in changes in
the status of military forces on Guam;
(2) the meaning of self-determination
and its relation to a Chamorro-only
vote on political status options; and
(3) control of immigration as a means
of slowing cultural assimilation by
reducing the influx of non-US citizens.
Each of these basic issues, particularly
mutual consent, generates considerable
debate.

Although the draft commonwealth
act of 1987 was not endorsed by the
Clinton administration in the October
hearings, the key issues are alive. At
the request of Governor Gutierrez and
Congressman Underwood, Senator
Frank Murkowski, chairman of the
Senate Committee on Energy and
Natural Resources, introduced the act
for the first time onto the floor of the
US Senate. Murkowski has taken a
great interest in Guam’s quest for a
new political status and stands ready
to introduce a substitute bill in the
Senate that will harmonize Guam’s
position with the Clinton administra-
tion’s views. For the first time since
Guam’s quest began, a future political
status for the island will involve the US
Congress in an active way. Guam now
knows the administration’s position on
the 1987 act, and Governor Gutierrez
sees this turn of events as “the catalyst
for local progress.” In response, Con-
gressman Underwood has noted that
“Guam’s negotiating team has to
consult the people of Guam to
determine our bottom line and our
willingness to negotiate.” Both
leaders are on friendly terms with
Murkowski.
Finally, Guam’s leaders have recently added a new element to the political status debate: the norms on decolonization established by the United Nations and administered by its Special Committee on Decolonization. Related to the potential involvement of the United Nations in Guam’s quest for a new political status, the Guam legislature in January 1997 passed Public Law 23–147, over Governor Gutierrez’s veto. This law created a ten-person Commission on Decolonization for the Implementation and Exercise of Chamorro Self-Determination, which is mandated to carry out a public education program to inform the people of three political status options: independence, free association, and statehood. According to the law, participation in a special plebiscite on these options shall be limited to “Chamorro people entitled to vote,” that is “all inhabitants of Guam in 1898 [the date of US acquisition of Guam via the Treaty of Paris] and their descendants who have taken no affirmative steps to preserve or acquire foreign nationality” (Guam Public Law 23–147). A separate law created the Chamorro Registry Advisory Board, which has been working to identify those individuals who qualify as Chamorro according to that definition.

The Chamorro-only vote, likely to occur in late 1999, has generated some concern in the Congress, and particularly with the United States mission to the United Nations. A mission member stated during a meeting with the Fourth Committee of the General Assembly in October 1997 that the US Federal Government and representatives of Guam “differ on the definition of who should be entitled to participate in such an exercise [of self-determination]. . . . We [the United States] will not support programs or projects [such as a plebiscite] that exclude some Guamanians based solely on their failure to be Chamorro” (United States 1997).

In response to this position, the Guam Commission on Decolonization has asserted that the United States is confusing voting in a regular and free election with a one-time plebiscite on Guam’s future political status as an expression of Chamorro self-determination. Further, the commission has argued that the United States “seeks to use its colonial immigration policies to assimilate the Chamorro people in their homeland” and to that extent “attempts to use immigration as a means to subvert the rights of the colonial [Chamorro] people, [which] is a violation of international conventions with respect to decolonization and the obligations the United States assumed under the Charter of the United Nations” (Government of Guam 1997).

It remains to be seen whether Guam’s appeal to the United Nations and its norms on decolonization will stimulate a fundamental change in the relationship between the United States and Guam, which has been an unincorporated territory for more than one hundred years.

DONALD R SHUSTER

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Northern Mariana Islands

Gubernatorial elections, a new low in relations with the federal government, continuing labor issues, and new health concerns featured prominently during the year. The new administration of Pedro P Tenorio (Teno) and his lieutenant, Jesus C Sablan (Pepero), found that the coffers were empty when they moved into their Capitol Hill offices and then had to deal with the significant economic impacts of the Asian monetary crisis.

For a complex set of reasons, relations between the Northern Marianas and Washington descended another notch or two during the year. On 30 May 1997 President Clinton wrote to then governor Froilan C Tenorio stating his administration’s determination to reclaim responsibility for immigration, minimum wage, and labor. His now famous “Dear Froilan” letter noted that issues which had been called to the commonwealth’s attention since 1986 had been ignored or disregarded and that the situation was no longer acceptable. The local minimum wage, the dependence on foreign workers, and violations of human and civil rights of those workers were specifically mentioned. The president’s promise to cooperate and coordinate with local authorities in carrying out the desired reforms was not met with great enthusiasm.

The minimum wage issue was greatly exacerbated when the process of raising the local minimum wage by 30 cents an hour every year until it reached the federal level was brought to a halt under pressure primarily from the garment industry. Just before the July 1997 increment was to have kicked in, the legislature amended the law and froze the wage increase at a one-time increase of 30 cents per hour for all employees except those of garment and construction companies. Those workers would get only an additional 15 cents an hour in July 1996 and another 15 cents on 1 July 1997. After that date there would be no automatic increases until a committee was formed to make industry-specific recommendations.

The sometimes acrimonious exchanges between federal and commonwealth officials featured the increased use of the term “indentured servitude.” After a January 1998 visit to attend the inauguration of Governor Pedro P Tenorio, Representative George Miller reported that indentured servitude was common in the Northern Marianas according to what he saw. He was referring to the practice of foreign recruiters demanding as
much as ten thousand dollars from workers for jobs “in America.” Such workers often arrive on Saipan without legitimate employers or jobs and feel obliged to take whatever they can get rather than return home empty-handed.

There were many other developments in the area of labor. The number of garment factories jumped from about 20 in 1996 to 35 or more in 1998, resulting in the doubling of the Chinese worker population to sixteen thousand, according to some estimates. The legislature has again imposed a cap on the number of garment workers, so new workers for the factories still under construction presumably will have to be recruited from among the unemployed.

The Pedro Tenorio administration staged surprise raids on garment factories to determine if they met legal standards in safety, immigration status, and payroll practices. In June 1998, for example, 16 illegal workers were found in a room locked from the outside, and about 30 more fled before they could be arrested. In all, the raids netted some 200 illegal workers, noted many safety violations, and fined some owners for various infractions. One prominent factory owner was fined over $400,000 for nonpayment of overtime.

More workers arrived from Bangladesh during the year, bringing the total to about two thousand men, many of whom have been victimized. Large numbers are hired by security firms, only to be abandoned as the companies take new business names and hire new workers. The treatment of this group, in addition to others from Sri Lanka and Nepal, led to demonstrations in front of the Horiguchi Building in Garapan, where all of the federal agencies are housed. The governments of Bangladesh, Nepal, and Sri Lanka have filed official diplomatic protests about the treatment of their citizens in the commonwealth. In addition, some human rights activists have filed reports with the United Nations Human Rights Commission.

Substantial numbers of Chinese workers were smuggled into the commonwealth for eventual clandestine entry into Guam (at an estimated cost of $5,000 each). As many as two hundred are now seeking political asylum in Guam on the grounds that they are afraid of returning to the People’s Republic of China because they violated some terms of the contract they signed in China before arriving in the Northern Marianas.

As noted in last year’s report, the campaign for governor took off early. When incumbent Froilan Tenorio announced in December 1996 that he was not going to run for reelection, his lieutenant, Jesus Borja, declared his intention to run for the job. Then Tenorio changed his mind and was declared the official candidate by the Democratic Central Committee (the leadership of the local party), leaving Borja to run as an independent. Meanwhile, Republican Larry I Guerrero, former one-time governor, squared off against former two-time governor Pedro P Tenorio. Guerrero teamed up with Rita Inos, the first Chamorro woman to earn a PhD, while Tenorio chose Senate President Jesus C Sablan as his running mate. In an open party
primary Tenorio won handily, setting the scene for a three-way race.

Froilan Tenorio eventually chose to run with Mayor Jess Guerrero, a close relative of defeated Republican candidate Larry Guerrero, who then lent his support to the Tenorio campaign. Jesus Borja chose Benigno Sablan, secretary of Natural Resources, to be his running mate.

The campaign was very personal, but two things stand out. The incumbent governor made it very clear that any government employee, regardless of party affiliation, would be punished for opposing his campaign, and he made good on this promise later. The second was a letter on official stationery, written by then lieutenant governor Borja to a Superior Court judge, requesting clemency in the sentencing of a convicted rapist. When this was revealed, the constituency he was courting, the young intelligentsia and voters of non-Marianas descent (who now represent nearly 20 percent of the total), were incensed. His choice of running mate was also widely criticized.

In the end, Pedro Tenorio made a clean sweep with 46 percent of the 111,000 votes cast, and Froilan Tenorio took a little over 27 percent. Jesse Borja came in a surprising third with a little over 26 percent of the vote. Super-typhoon Keith hit Saipan on election night and was responsible for the relatively low turnout.

Following the counting and certification of the vote, the Democratic Central Committee funded a challenge to the eligibility of Pedro P Tenorio, claiming a constitutional limit of two terms. Froilan Tenorio’s former attorney general, Sebastian Aloot, who had resigned to take a consultancy with the government at a much more lucrative fee, headed the charge. However, the court determined that since the constitutional limit was passed during Pedro Tenorio’s second term, it could not be applied retroactively. Pedro Tenorio was sworn in to his third term on 14 January 1998.

Starting in late 1997, the economy of the Northern Marianas began to show signs of a serious slowdown. The first indication of a crisis was when the Korean Airlines B747 crashed on Guam in October, and Korea decided to suspend all future flights to the Marianas, not just Guam. The impact was immediate. Korean-owned hotels resorted to renting their suites as apartments, dropping rates from over $100 a night to low monthly rates of $40–$50 a night. In many cases, employee layoffs have been severe, and new construction of hotels has come to a complete halt.

Early in 1998 the Asian currency crisis began in earnest. The devaluation of various currencies had an immediate effect on Marianas tourism when it became too expensive to buy dollars with yen, pesos, or won. Tourism has dropped by 30–40 percent from all sources. Hotel occupancy is at a record low, and peripheral businesses such as beach activities, restaurants, and tours have either closed up completely or drastically reduced their services.

A law designed to protect the commonwealth from unscrupulous or insolvent investors may be another element in the economic downturn. It requires a foreign investor to deposit
$100,000 in escrow in a local bank against bankruptcy, to cover unpaid debts and the costs of repatriating abandoned employees, and appears to have deterred potential investors.

One of the consequences of the poor economic situation is a smaller tax base and strains on the commonwealth budget. Froilan Tenorio’s 1998 budget, based on an anticipated windfall from casinos on Tinian, was close to $260 million. The casino did not open until May 1998, and its current revenues come nowhere close to the wishful thinking of the former administration. As a consequence, the budget under the new administration has been reduced to $230 million and it is not clear whether revenues will come anywhere near that figure. A tight rein has been put on travel and hiring. Agencies have been told to tighten their belts and leave nonessential vacancies unfilled.

In May 1998 the Tinian Dynasty Hotel and Casino opened its doors. The resort is owned by a group of Chinese investors linked to the Beijing government and features 440 first-class rooms, three five-star restaurants, and a full-service casino. It is expected to employ some twelve hundred workers directly and create jobs for another thousand people in peripheral and service occupations. The employees are primarily Chinese, although they now claim twenty-four nationalities on the payroll. Two high-speed state-of-the-art catamaran ferries have scheduled service between Saipan and Tinian. Small commuter airlines fly from Saipan and Guam. However, to date, there is no indication of when the hotel will begin receiving large numbers of clients.

A second resort, a two-hundred-million-dollar joint venture between a local entrepreneur and Japanese investors, is expected to break ground by October 1998. It will be twice as big as the present resort, with two 500-room towers and a family-oriented water theme park. The Tinian law allows up to five casinos on the island.

In a controversial move, the Public Health Division of the Department of Health Services succeeded in getting an administrative order requiring all nonresident workers to get a physical exam targeting specifically HIV-AIDS, tuberculosis, and syphilis. The cost of from $80 to $100 per person was to be born by the employer, generating estimated total revenues of over $4 million for private clinics. The results were dramatic, indicating a much greater presence of all three diseases than was previously thought.

Meanwhile at the hospital in Saipan, as many as sixteen doctors have been terminated, allegedly for lack of support and supplies. Some have opened or joined private clinics, which are now providing many of the health maintenance services previously furnished by the hospital. Many nurses supplied to the hospital by agencies were found to be uncertified to work as registered nurses. They were given one chance to pass their certification exams, but only about 20 of the 120 passed. Many of those that did promptly applied for jobs in the mainland United States.

The Northern Marianas is in a period of transition. The momentum is growing for imposing federal standards on immigration, labor, and minimum wage. The Clinton administra-
tion favors a ten-year transition period, and a Senate bill would allow the commonwealth two years to develop and implement a plan to meet federally established goals. The current economic crisis is creating major complications at every level of society, and this, coupled with the federal concerns, has the local public and private-sector leadership scrambling to retain as much authority over minimum wage, labor, and immigration as they can.

Samuel F. McPhetres

Palau

The highlights of the period under review include controversy in Palau’s state governments, the deaths of three important leaders, and President Nakamura’s achievements and problems. During the period 1981–1984, each of Palau’s sixteen former municipalities wrote constitutions that established local state governments consisting of a legislature and an executive. Fourteen of these states, which range in population from 12,500 in Koror to less than 100 in Ngatpang, correspond to traditional village complexes that engaged in local warfare and exchange activities prior to the onset of de facto colonial rule in 1891. Despite their small size, the states remain centers of political competition and occasional controversy.

Koror State, Palau’s urban center, has a constitution that centers governmental authority in the House of Traditional Leaders, leaving the sixteen-member elected legislature relatively powerless. The legislature lacks authority to override a veto handed down by the traditional leadership or its head, the Ibedul (paramount chief of southeast Palau). This imbalance was challenged in a ten-year-long series of court suits that eventually resulted in amendments to the Koror constitution, the most significant of which called for an elected governor to replace the executive administrator, a position that had been filled through appointment by the traditional leaders. This change was recently put in place through a late 1997 election in which Johnny Gibbons, the younger brother of the Ibedul, defeated his challenger by just 67 votes (of 2,619 cast). Thus the traditional leaders have retained dominating power in the Koror State government.

The political dynamics of the states has been altered by the introduction of the office of elected governor, and early in 1997 the governors of Ngardmau and Airai states attempted to intervene in the selection of traditional chiefs in order to maintain factional control. Fortunately for the chiefs, the appellate division of the Palau Supreme Court looked carefully at the issue and ruled that neither the state governor nor the legislature can determine which chief (ie, titleholder) will sit in the legislature and land authority because the chiefship is determined by custom and tradition. In Airai, the second largest state, this court decision meant the reassertion of influence by Roman Tmetuchl, holder of Airai’s paramount chief title, Ngiraked, and an elder statesman in Palau.

The Airai situation took another unexpected turn when the election for a new governor was nullified by the court on the basis that ineligible indi-
viduals had voted in the March 1998 gubernatorial race. In a special election, Tmewang Rengulbai defeated Francis Toribiong, nephew to Roman Tmetuchl and the first governor of Airai. This election result will likely continue factionalism in Airai. Elections in other states saw a new governor and five new state council members (of nine) elected in Ngchesar State, with the voting influenced by a lease payment of $120,000 for a 300-acre section of state land from a Taiwanese golf-course builder. Electors in Angaur State recalled its governor in late May because of his inability to carry out his duties. On Kayangel, Palau’s only atoll with some 150 people, voters returned their governor and a majority of the legislature to office in mid-1997. Ngchesar also elected nine people to join eight traditional chiefs to form a convention to review the state’s seventeen-year-old constitution, one of two parliamentary-type arrangements among the sixteen state constitutions.

The controversial governor of Peleliu State, Jackson Ngiraingas, overstepped his bounds and was reined in by the Palau Supreme Court when it ruled in favor of the Peleliu State Legislature, which had filed suit against the governor. The court found that Governor Ngiraingas unlawfully expended public funds and failed to comply with state laws requiring that he notify the legislature about disbursements and transfer of funds.

Finally, Ngeremlengui State, known for its attachment to tradition and decision through consensus, has been divided by a dispute over land—a common social phenomenon in Palau. The state constitution calls for traditional chiefs to render advice and consent on bills dealing with the use of land and territorial waters for state projects prior to action by the governor. This is the basis of a suit brought by the State Council of Chiefs against the state governor, the speaker of the state legislature, and several other chiefs. The ongoing dispute concerns a lease of land to a Japanese organic farming company without approval of the duly constituted Ngeremlengui State Land Authority or the State Council of Chiefs.

Palau lost three important leaders during the year under review: former president Ngiratkel Etpison, Father Juan Bizkara Lorono, sj, and Dr Anthony Polloi. Etpison, the president from 1988 to 1992, brought stability and calm to the republic after the shocking suicide of President Salii. Etpison was one of Palau’s most successful private businessmen and the surprise winner of the presidency in 1988, when he defeated Roman Tmetuchl by only about twenty votes.

Dr Polloi was one of the best medical men in practice in Palau, and also held the paramount chief title Ngirakebou for Ngchesar. He was a member of the distinguished Palau Constitutional Convention of 1979, which produced the national constitution. Father Juan, a Basque, arrived in Palau in 1946. He dedicated his life to service as a parish priest on Angaur where he knew every person, where he was awarded state citizenship, and where he was buried.

Early in the year under review, a temporary floating bridge was put in place to connect Koror with
Babeldaob, replacing the nineteen-year-old bridge that collapsed in 1996. The new structure was built in mainland China by Daiho, a Japanese corporation, for about $4 million. Talks continued with government officials in Japan concerning financing for a new $36 million permanent bridge linking Koror to Babeldaob, Palau’s large island of 153 square miles. Other large projects often dominate discussion in Palau: a new Airai airport terminal building estimated to cost $20 million; a new national capitol scheduled to be constructed in Melekeok State for some $45 million; and the huge Babeldaob road project estimated to cost from $100 million to $250 million. Reports indicate that the road will stretch 53 miles, and involve some two thousand workers. Further, some sixty-two companies worldwide have expressed interest in bidding on various portions of the project.

President Nakamura is in his second and last term as Palau’s chief executive. For this term, he brought some new faces into his eight-member cabinet, including Alexander Merep as minister of Community and Cultural Affairs, Okada Techitong as minister of Commerce and Trade, Sabino Anastacio as minister of State, and Elias Chin as minister of Justice. Nakamura also appointed the first Palau ambassador to the United States, Hersey Kyota, formerly a senator in the national congress. Each of these individuals was approved by the Senate of the Olbiil Era Kelulau (Palau National Congress).

President Nakamura made a number of important overseas visits during the year. He led a Palau delegation to the South Pacific Forum meeting in the Cook Islands and was able to persuade the forum to meet in Palau for its 1999 conference. He was in Japan to attend the first summit of Pacific Island heads of state with Prime Minister Hashimoto; talks centered on Japan’s grant and loan assistance to the Pacific Islands countries. In 1998, Nakamura visited Japan as part of Japan Airlines inaugural direct flight charter service between Palau and Japan. Despite a downturn in the Japanese economy, such charter service may boost the number of tourists to the islands from Japan. Nakamura and his staff then visited the Republic of Kiribati for the third annual meeting of the Council of Micronesian Chief Executives, which the president chaired. The most important item of business was an agreement to share information and resources during times of natural disaster.

In foreign relations, Nakamura accepted for the first time the credentials of Ambassador Samule de Neauvais of France, who is based in the Philippines, and Ambassador Jose A L Lozada of the Republic of the Philippines. Ambassadors John Mills of New Zealand and Vernon Scarborough from Great Britain, previously accredited, also visited Palau. Scarborough spent time with members of the Palau Conservation Society discussing the Save-the-Dugong project, a cooperative effort. Australian Ambassador Perry Head, based in Pohnpei, Federated States of Micronesia, visited to deliver $70,000 for various types of technical sports training to organizations such as the Division of National Youth Affairs and the House of Dele-
gates. Earlier in the year, Head pro-
vided the republic a $20,000 grant for
the “Fit for Life” sports program.

President Nakamura, who finally
closed the deal on the free association
compact agreement with the United
States in 1994, could claim a number
of achievements at home. The island
economy, with a major stimulus from
compact funds, is healthy and growing
according to a November 1997 Bank
of Hawaii report to Palau’s leaders.
The report advocated controlled
growth through infrastructure con-
struction, expansion of tourism, and
protection of the environment. This
good news was reinforced by the gov-
ernment’s annual financial report for
fiscal year 1997, which showed a net
surplus of $4.1 million. Nevertheless,
to begin 1998, President Nakamura
instituted a freeze on expenditures for
hiring, purchases, and travel because
of an anticipated fall in local revenue.
This revenue is generated in large part
from tourism, which Nakamura pre-
dicted would decline because of the
economic recession in Japan and other
Asian countries.

The compact’s trust fund of $70
million had piled up interest of $44
million as of 30 November 1997.
Other compact nontrust funds slated
for operations, infrastructure, and
energy have been invested in short-
term instruments, and the interest is
expended in Palau’s annual budget. So
far, this has been a good financial
strategy, at least for the short term.

Another achievement is Palau’s
preparation for the 1998 Micronesian
Games which will draw over two thou-
sand athletes, coaches, and spectators
to Koror. New sports facilities have
been constructed, and a mood of pride
is in the air.

After the huge Koror–Babeldaob
bridge collapsed into the ocean in
1996, the republic filed suit against
various construction, engineering, and
insurance firms that had been involved
in the so-called repair of the structure a
month prior to its collapse. The
defending parties have offered Palau a
settlement of $17.8 million in
exchange for Palau withdrawing its
suit. President Nakamura has indi-
cated that he needs to consult with the
national leadership on the offer and
get a full briefing on it as well.

In spite of these achievements in the
international and domestic arenas,
President Nakamura faced a number
of nagging problems. What he termed
in his 1998 “State of the Republic”
address a “persistent drug menace”
has not ebbed, despite tougher legisla-
tion and monthly arrests of individuals
selling or using crystal methamphet-
amine or “ice,” and raids of marijuana
farms on Peleliu. Indicative of the per-
vasiveness of “ice,” a Palau National
Congress employee, termed a major
drug dealer by Palau’s Tia Belau news-
paper, and a younger brother of the
republic’s vice president, were arrested
for possession of the drug. Palau’s
drug network has connections to the
Philippines and Guam.

Yet another issue of major impor-
tance for the Nakamura administra-
tion is a 1998 Supreme Court decision
returning land on which the national
hospital and the president’s office sit to
two clans, on the grounds that it was
taken by the Japanese military by force
and without just compensation. The
Palau Constitution calls for such
return when the acquisition by foreign powers was by force. In a similar decision in 1996, the government lost land in central Koror and had to purchase it for $1.2 million from the new owner, the Meriang clan. It is likely that this recent loss of what was thought to be “government land” will cost the government at least $1 million, assuming the two clans now holding the land will agree to sell it.

The Palau National Development Bank was reported to be in trouble early during the period under review when its respected president, David Nakagawa, resigned over a dispute concerning a $200 million loan scheme brought forward by Taiwanese interests. In April 1998, Ignacio Anastacio, Speaker of the House of Delegates, wrote to President Nakamura indicating that the development bank had some serious problems based on an audit report for 1996–97. The Speaker urged Nakamura to conduct a full-scale investigation of the problems at the bank.

Two other money problems have hit the Nakamura administration square between the eyes. An April report by the Palau Public Auditor revealed that some $12.8 million in back taxes and penalties was not collected during the four fiscal years 1994–1997. This has placed the vice president’s ministry and its Bureau of Revenue and Taxation on the hot seat. Vice President Remengesau removed the bureau head about the time the National Congress established an investigative committee to reexamine allegations of incompetence and wrongdoing.

The second issue, although involving money, is a constitutional one of enormous importance because it centers on the basic question of separation of powers—can one branch of government sue another branch for breaking the law? In 1995, the executive branch spent some $644,000 more than its allocation in the fiscal year 1994–95 budget. In 1996, the Senate filed suit against President Nakamura, Vice President Remengesau, and the heads of the offices of budget and treasury for spending beyond the amounts established by law. The trial division of the Palau Supreme Court ruled that the Senate failed to show injury, did not have standing to sue, and was attempting to enforce the law, thus violating the separation of powers relationship defined in the Palau Constitution. The Senate appealed, and the Appellate Court ruled in favor of the Senate, concluding, “Allowing this lawsuit to go forward will preserve rather than destroy the separation of powers embodied in the Constitution. This is not merely a political dispute. Rather, it is a judicial controversy regarding the executive branch’s constitutional authority to spend unappropriated funds.”

Donald R Shuster