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

**Federated States of Micronesia**

By urging the nation to “measure up to the challenges of the New Year,” in his address to the nation on 29 December 2000, Vice President Redley Killion provided a theme for this review. The ongoing negotiations with the United States on future economic assistance have yet to reach an agreement. For the third time since its ratification in 1979, the nation’s constitution will be up for review, with renewed challenges.

The last case in the cholera epidemic that had plagued Pohnpei since May 2000, claiming 20 lives, infecting a total of 3,525 people, and costing the state over $600,000, was reported in January 2001. By mid-February, the state government could declare the epidemic over and the state free of cholera.

Closure to a long-drawn-out court case between the states and the national government may be in sight. The nation’s court of appeal rejected appeals by the states for revenues generated by fisheries licensing of the exclusive economic zones. Earlier the national congress had changed the revenue-sharing formula between the states and the national government by increasing the states’ share to a 70–30 distribution.

As the fifteenth anniversary and expiration date of the major funding provisions of the Compact of Free Association between the United States and the Federated States of Micronesia (FSM) draws closer (November 2001), the Joint Committee for Economic Negotiations is doing its best to sell a more responsible future economic management image for the nation.

FSM and US negotiators have agreed on four principles of negotiation, which are known as the Honolulu principles. They include commitment to defense, commitment to economic development for the Federated States of Micronesia, commitment to policy reforms, and more attention to accounting. Earlier in 2001, the US General Accounting Office (GAO) criticized the handling of compact funds and also the FSM government’s continued foot-dragging on reforms designed to reduce payroll and increase cash flow. Then chairman of the joint committee Epel Ilon reacted to the GAO report by pointing out that the FSM economy has been growing an average of 2.5 percent since 1987, and that the national and state governments have made significant commitments to private and government sector reforms; the public sector has been downsized by 21 percent, reducing the government payroll by 29 percent.

The FSM negotiators started the process by seeking future compact assistance in the form of financial grants of $99 million per year for
twenty years, and the creation of a trust fund to end its financial dependence on the United States. The United States responded by offering $61 million per year in grants for fifteen years and $13 million per year for the same period for a trust fund. Both parties agree that the trust fund may also include contributions from other nations.

Current FSM chief negotiator Senator Pete Christian expressed concern over the implementation of compact funding and suggested that front-loading of future compact assistance might offer a better chance for economic growth. The United States is pushing for future compact assistance to be in the form of grants to ensure accountability for spending.

In related developments, the Economic Implementation Council, made up of the executive and legislative heads of the nation and its four states, met on 13–14 July. It demonstrated the country’s willingness to enact strong and responsible economic legislation to ensure a more secure future. A resolution was enacted requesting the congress to direct as much as 60 percent ($20 million) of future excess compact funds to the stability account of the trust fund. The expectation of excess funds depends on the possibility that the compact economic assistance negotiations will not be completed by the end of the fifteen-year life of the compact. The current compact provides for continued US economic assistance (an average of three five-year stepdowns).

The United States has also proposed to reduce assistance in other areas, including such existing United States Department of Agriculture programs as Farmers Home (loans), development assistance in fisheries, and small business loans. Other programs, such as the National Weather Service, the postal service, and the Federal Aviation Administration, would be guaranteed only until 2016.

The year under review saw the deaths of two senior members of the FSM Congress. Incumbent Senator Nishima Yleizah, from the Mortlock region, died just a few months before his hoped-for reelection in March. Incumbent Wagner Moses Lawrence won his Madolenheimw seat, only to die less than two months later. At-large Senator Manuel Mori replaced Yleizah as chair of the Ways and Means Committee.

Other members of the congress won reelection, and a few changes in committee chairmanships followed. Jack Fritz remains the Speaker, with Claude Phillip (Kosrae) and Joseph Urusmal (Yap) maintaining their positions as Vice Speaker and Floor Leader, respectively. Senators Roosevelt Kansou (Chuuk) and Pete Christian (Pohnpei) exchanged chairmanship of two key committees, with Christian taking the helm of Resources and Development and Kansou heading the Transportation Committee.

During the March 2001 elections, voters chose representatives to the Third Constitutional Convention, which will meet for four weeks in November 2001, followed by a two-week break for public hearings on the proposed changes in each of the four states and a final two weeks of meetings. One of its challenges will be to maintain the status quo and unity of the national configuration. During the year, the region of Faichuuk in Chuuk
State made significant progress in its quest for statehood by finalizing its proposed constitution and having it ratified in a regional election. The region’s first push for statehood was unsuccessful, despite being passed by congress in the early 1980s. A traditional leader in Pohnpei has voiced similar sentiments, making some strong points for Pohnpei to separate from the nation.

President Leo A Falcam made a significant trip to Israel that led to an agreement for open access for FSM citizens traveling to Israel. He completed appointments to his cabinet by replacing Epel Ilon as secretary of external affairs with Ieske K Iehsi from Pohnpei.

Finally, as if to maintain the theme of facing up to the challenges of the New Year, over eight hundred athletes converged on the westernmost state (Yap) for the Third FSM Games in July 2001.

JOAKIM PETER

GUAM

The Guam legislature’s biennial general elections took place amid tension between Governor Carl T C Gutierrez and the legislators. At issue were the attempt to remove the governor from office via recall, and control of the Guam Election Commission. Much of this tension was a carryover from the legal challenge of the gubernatorial results mounted by former Governor Joe Ada and his running mate, Felix Camacho, who lost to the Gutierrez-Bordallo ticket in the 1998 election. Their legal challenge went all the way to the US Supreme Court, which rendered a decision in favor of Gutierrez, but the whole appeal process took fourteen months. Because of the delay, the Gutierrez-Bordallo team was denied the outpouring of good wishes, adulation, and community confirmation that traditionally accompanies an outdoor, public inauguration.

In the legislature’s November election, 33 candidates vied for 15 seats, 2 stood for the national congress, and 5 entered the first race for the position of public auditor. Village mayoral and vice mayoral seats were contested as well.

For the twenty-sixth legislature, 13 of the 15 incumbents were seeking reelection, and candidates were looking to raise and spend some $40,000 for the typical campaign, which included roadside billboards; newspaper, radio, and television ads; donations to other campaigns; and fundraising parties. Only 5 of the 33 candidates were women; all but 1 candidate identified with either the Democratic or the Republican party, and 4 reported a net worth in the millions of dollars. Interestingly, of the 3 who reported net worth at zero or in the negative, 2—Angel Santos and Mark Charfauros—were elected.

The race for the 15 legislative seats was in many ways a contest of influence and will. Governor Gutierrez was intent on breaking the Republican “super-majority,” which held 12 of the 15 seats in the Twenty-fifth Guam Legislature. He announced his list of 14 favorites, but only 3 of them garnered enough votes to win. The losing group included Cliff Guzman, Angel Sablan, and Rick Unpingco, Gutierrez cabinet members, and former senator