forecast is the fact that tourism, the leading industry of Guam, has seen both a drop in visitor numbers and a shift to attracting thriftier tourists. By the end of 2002, Guam received 100,000 fewer visitors than it had in 2001 (PDN, 4 Jan 2003). Just five months into 2003, Guam was already down 100,000 tourists compared to the same period in 2002. Projections estimate this trend will continue through 2003, creating a low not experienced in nearly a decade (PDN, 28 Jun 2003).

Japan’s continued economic recession and worldwide travel safety issues have been blamed for this decline. In response, Guam has worked this last year to expand its tourist base, hoping to increase the number of visitors from China and South Korea, but competition from other destinations is stiff. Efforts have also been made to entice US military visitors to the island. Another tactic discussed has been to combine efforts with neighboring islands to market the region as a whole. However, economists have advised that Guam must diversify its economic base beyond tourism.

Finally, as a footnote, we must acknowledge an event that had a profound impact on the people of Guam. On 6 July 2003, Angel L G Santos passed away at the age of forty-four, succumbing to a degenerative illness. Santos has been recognized as one of the island’s most influential people. He was a loving and dedicated family member, a US Air Force veteran, a three-time Guam senator, and a candidate for governor in the island’s 1998 primary. A captivating and inspiring speaker, Santos was perhaps best known as a Chamorro rights advocate who was a member of and spokesperson for I Nasion Chamoru (the Chamoru Nation), an activist organization that promotes indigenous issues such as Chamorro self-determination. Santos was a person who challenged, investigated, pursued, and took action. An important part of Santos’s legacy is that he caused people to think about and question issues concerning Chamorros and the island. The people of Guam mourn his passing.

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References


MARSHALL ISLANDS

Marshall Islands journalist Giff Johnson put his finger on the pulse of the nation in an article that described a “year of uncertainty” for the Republic of the Marshall Islands (PMIB, Feb 2003). In the preceding year, renegoti-
ation of the Compact of Free Association with the United States courted controversy over numerous issues, including immigration, a Kwajalein lease extension, and the adequacy of the new long-term funding package. A tough economic backdrop, as evidenced by business bailouts and increasing poverty rates, set the need for a satisfactory compact package in high relief. In spite of these challenges, President Kessai H Note and his administration made progress on such issues as balanced budgets and health. The biggest test for the Note administration is yet to come, with a looming 30 September deadline for passage of the amended compact package by the US Congress, followed quickly by national elections in November. Again, as Johnson so aptly put it, “the outcome of the first will have a major impact on the second, and the future direction for the Marshall Islands” (PMIB, Feb 2003).

The Compact of Free Association colors nearly every story on the Marshall Islands. Compact funds currently make up 55 percent of the national government budget, and millions more are added to the economy through US federal programs. Compact renegotiations, therefore, received intense public scrutiny over the course of the year. As early as July 2002, the local newspaper ran an editorial decrying the inadequacy of the US twenty-year funding offer of $33 million a year—about $3 million less than RMI negotiators requested (PIR, 15 Aug 2002). Keen to move talks forward in view of the September 2003 deadline for approval, the government initialed key economic and defense provisions of the compact in early November. Funds under the initialed agreements are targeted for six sectors: education, health, infrastructure, public-sector capacity building, private-sector development, and the environment, with priorities in education and health. The new agreement also provided for US contributions to a RMI trust fund that, at the end of the twenty-year period, is meant to supplant US grant assistance. The RMI government held back on such big-ticket issues as the adequacy of the grant assistance and trust fund contribution pending negotiations involving the defense sites on Kwajalein Atoll.

US proposals to significantly change nonexpiring immigration privileges in the compact threatened to derail the negotiating process entirely. The US proposals reflected Immigration and Naturalization Services (INS) and Homeland Security concerns over the RMI passport sales program, a compact loophole allowing for unmonitored adoption of Marshallese children by US citizens, and the view that Marshallese migrants posed a burden to social welfare systems in the United States. In August, RMI negotiators rejected the first US proposal outright. The next month the issue was kept in the spotlight by a series of articles in the Baltimore Sun that linked the immigration issue to alleged human rights abuses of Marshallese and Micronesians recruited to work in US nursing homes. When the United States tabled essentially the same proposal early the next year, the RMI compact team hired a former INS legal counsel to help hammer out an agreement that addressed US concerns without compromising the right of Marshallese to enter the United States without a visa, to study, work, or establish a residence (YO, 16 Mar
The two sides broke through the impasse to initial an immigration agreement on 31 Mar 2003. Key changes obtained by the United States included closing the compact door to Marshallese adoptees and passport sales recipients. The Marshall Islands, however, retained visa-free entry for its citizens and the right to establish residence for an indefinite period (yo, 31 Mar 2003). The two sides also reached an agreement on labor recruitment by “de-linking” the labor and immigration issues (yo, 4 Mar 2003).

Discussions on an extended lease agreement for the continued use of Kwajalein Atoll by the US military for missile-testing purposes proved similarly contentious. In this case, however, the RMI government faced internal opposition from the Kwajalein Negotiation Commission (knc), a group organized to speak on behalf of Kwajalein landowners. After the United States rejected an initial landowner proposal requesting $2 billion for a fifty-year extension, RMI and knc representatives put aside differences to present an eight-point proposal at the fourth round of negotiations in August. The proposal sought to increase Kwajalein rental payments from $13.5 million annually to $21 million, with additional funding to be provided through taxes and environmental impact payments (pir, 10 Sep 2002). Never strong, the partnership unraveled as negotiations progressed. In January, the RMI chief negotiator, Minister of Foreign Affairs Gerald Zackios, initialed an agreement amounting to $16.9 million for the landowners with a further increase to $19.9 million in 2014. The new agreement extended US military use of Kwajalein from 2016 to 2066, with a further twenty-year option (the United States can exercise an early termination option to leave in 2023).

Knc representatives objected to the new deal, sticking to a request for either $19.1 million in annual payments or a one-time $20 million payment into a Kwajalein Landowner Trust Fund. Although the RMI government added the landowner trust fund proposal to the list of outstanding issues to take to the US Congress, the rift between the Kwajalein Negotiation Commission and the RMI government remains. Opposition party senators, many of whom align themselves with the knc stance on Kwajalein, were conspicuously absent from the 30 April compact-signing ceremony held at the Nitijela (parliament) on Majuro (yo, 30 Apr 2003). As this review goes to press, knc members and other disgruntled parties are turning up the heat on the Note administration. Demonstrators gathered outside the Nitijela at its 4 August opening day ceremonies for a “Buck Stops Here Rally” protesting compact provisions on Kwajalein and a range of other issues (yo, 4 Aug 2003).

The issues raised by protestors at home in the islands in part reflect the concerns that the RMI government is itself presenting to the US Congress. At the signing ceremony in April, RMI negotiators signaled to the US administration that it would take six outstanding issues to Congress: (1) a full versus two-thirds inflation adjustment on all compact funds; (2) Federal Emergency Management Agency
(FEMA) eligibility; (3) US federal education program eligibility; (4) funding for airport repaving needs; (5) an initial contribution to the Kwajalein Landowner Trust Fund; and (6) consideration of the RMI Changed Circumstances Petition (yo, 30 Apr 2003).

After a series of congressional hearings on the compact in June and July, it is clear that the Marshall Islands is making progress on several of these issues. Chairmen in both the House and Senate committed to holding a hearing on issues related to changed circumstances. Members on both sides of the aisle also spoke to the need for continued FEMA and federal education program eligibility. Other changes up for consideration include increasing “compact impact” payments to Hawai‘i and Guam and fixing unilateral changes inserted by the US administration after the conclusion of negotiations. At press time, it remains uncertain whether and how any of these changes may be made. That uncertainty will continue to fuel compact opponents and consume the Note administration in a fight for survival.

An increasingly difficult economic climate only heightened the need for a compact funding package providing for future stability. The closing of Bank of Hawai‘i in November was just one sign of the times. The influx of Asian-owned businesses in the aftermath of mid-1990s passport sales put intense competitive pressure on Marshallese entrepreneurs. Many of the mom-and-pop stores that line Majuro’s main road are now run by Asians (PMIB, Feb 2003). Local retail heavyweights such as Robert Reimers Enterprises and Gibsons also struggled to compete. The government intervened in April by setting up a multi-million-dollar loan fund designed to assist local businesses on the verge of bankruptcy (PIR, 21 Apr 2003).

The government had no such quick fix for the increasing rates of poverty reported by the Asian Development Bank (ADB), particularly on the outer islands. The report cited several factors contributing to economic hardship on the outer islands, including the low price of copra, inadequate intra-country shipping services, high costs of goods, and continued lack of trade opportunities (PIR, 18 Apr 2003). The RMI government has engaged in a poverty reduction effort with the bank to address these problems.

On the other hand, ADB officials also pointed out that the Marshall Islands made progress implementing a broad range of policy and financial reforms that bode well for the future. Positive developments include improved fiscal operations at the Ministry of Finance, greatly reduced international debt, an expansion in tuna-licensing operations, reliable earnings from tuna transshipment, and removal from the international money laundering “blacklist” (PIR, 24 Mar 2003). New opportunities for Marshallese workers and local businesses at Kwajalein Missile Range provided another bright spot in the economy. Kwajalein Range Services (a joint venture between Bechtel and Lockheed Martin), which replaced Raytheon as the contractor on Kwajalein, implemented major policy changes that translated into better jobs and business prospects for the local Marshallese community (PIR, 12 May 2003).
Tourism is another area of potential growth. The numbers of tourists visiting the islands is climbing slowly but steadily, with scuba divers from Japan the fastest-growing segment of visitors. Established operations such as Bikini Atoll Divers booked its nine-month diving schedule well in advance of the start of dive season. Rongelap, Jaluit, and other atolls are building island-style accommodations and developing diving operations in an attempt to follow suit. There is potential for expansion with a new thirty-seat plane complementing and expanding the service provided by Air Marshall Islands’ nineteen-seat Dorniers (PMIB, Feb 2003).

The health sector experienced its own ups and downs over the course of the year. In September, the company that handled medical referrals for the Marshalls informed health officials that it would suspend operations unless the RMI government took steps to pay up to $2.4 million in medical debts (PIR, 13 Sep 2002). The Note administration has grappled with the referral debt problems since coming into power. In a radical move, the government opted to terminate its relationship with the referral company and deal directly with Hawai‘i hospitals. By July, Ministry of Health officials reported that they negotiated a 50 percent reduction in the total referral bill and paid off debts to each of the Hawai‘i hospitals it uses for referrals, with the exception of $225,973.62 owed to St Francis Hospital. The ministry also cut down referral costs by hiring specialist doctors to provide treatment locally (MIJ, 4 Jul 2003, 9). The government is working to further improve local health care capabilities by upgrading the Majuro hospital. At press time, the Government of Japan had committed $5.2 million to the project (RNZI News, 4 Aug 2003).

The RMI government identified education, like health, as a priority area in the new compact. However, the potential loss of federal programs such as special education and elementary and secondary school funding under the No Child Left Behind Act threaten plans for improvement. The US Congress ultimately decides whether or not RMI eligibility for these critical programs will continue. In the meantime, the Ministry of Education has pushed to raise the bar for education throughout the country. The ministry contracted with WorldTeach, a Harvard-based institution, to place twenty-six American teachers in public schools. The presence of native English speakers in combination with a mentoring system to support outer-island teachers contributed to the highest average test scores among elementary school students in a decade (PIR, 30 Jun 2003).

However, the national college entrance exam results showed that much work remains to be done. Only 9 percent of the high school graduates who took the exam placed into credit level classes. The rest—over 400 students—tested into remedial or enrichment level classes (MIJ, 30 May 2003, 16). Concerns over low test scores were overtaken by scandal and, in the end, a struggle for survival. The College of the Marshall Islands (CMI) has been mired in a much publicized court case involving the alleged embezzlement of over $600,000 by a college employee. The case highlighted administrative and financial problems at the college that put its accredita-
tion in jeopardy. In July, a US review team recognized serious efforts by the CMI board and administration to fix these problems and allowed the college to retain its accreditation status for a probationary period (PIR, 14 Jul 2003).

Scandal also plagued the judiciary. High Court Judge Charles Henry was suspended in the fall of 2002 after being charged with cheating the government out of thousands of dollars. In an unusual twist, Chief Justice Allen Fields, whose investigative efforts helped spur the attorney general to action on the Henry case, resigned his post in January 2003 after pleading no-contest to misdemeanor sex charges in California (YO, 10 Apr 2003). In the face of this judicial fracas, the government sought to recruit an individual who already held the respect and acceptance of not only the legal community but also the Marshallese community as a whole. The appointment of Carl B Ingram in March was just what the doctor ordered. High Court Justice Ingram, a former Peace Corps Volunteer and Stanford law graduate, is a longtime resident of the Marshalls with exceptional government service and extensive private practice experience (YO, 12 Mar 2003).

Community support for the amended Compact of Free Association remains the big question as 30 September approaches and the US Congress proceeds to consider amendments to the compact package. There is even a question as to whether Congress will be able to conclude the legislative approval process in time—a reality that further complicates the approval process back home in the islands. In the end, there is no question that the special and unique compact relationship with the United States remains central to the Marshall Islands’ own vision of both its present and its future. The close ties were evidenced by the deployment of Marshallese serving in the US military to Iraq and the inclusion of the Republic of the Marshall Islands in President Bush’s “coalition of the willing.” However, it remains uncertain whether or not the amended compact will provide the support needed to not only sustain these ties but also provide for a healthy partnership over the long term.

KrisTina e steGE

Kommol tata to my friends and colleagues at home in the islands and in the united states for their suggestions and comments.

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Disclaimer

Kristina E Stege is the First Secretary at the Embassy of the Republic of the Marshall Islands in Washington DC. While this article was written with the knowledge of the RMI government,
the statements and opinions expressed are those of the author alone, in her personal capacity, and should not be construed as representing or expressing the views of the Government of the Republic of the Marshall Islands.

**Commonwealth of the Northern Mariana Islands**

The present administration of the Commonwealth of the Northern Mariana Islands (CNMI) was elected in November 2001. The governor took office in January 2002. Between 2002 and July 2003, a great many things happened: there were three attorneys general, several members of the legislature were implicated in legal violations, and two senators were convicted on numerous charges of wire fraud. In addition, the Bank of Saipan went into receivership and four individuals were convicted of fraud involving the bank’s funds. The telecommunication system of the commonwealth, presently owned and operated by Verizon, was for sale for over a year. The possibility of casino gambling to deal with a failing economy was raised again. On the other hand, diversified tourism received a boost with some imaginative innovations, including a new visitor center at the American Memorial Park, and a revitalization project for Garapan, the commonwealth’s primary tourist attraction.

The resignation of Attorney General Robert Torres signaled some of the difficulties to come. Torres is a highly respected lawyer, and one who offered a lot of hope for the office. Shortly after taking office, however, he noticed that some of the appointments being made by Governor Babauta did not comply with CNMI personnel regulations. He believed that they were being paid above the salary cap for government employees, and had been appointed to fill nonexistent positions. Governor Babauta defended his appointments by saying that every governor before him had made similar appointments. Attorney General Torres felt that he could not permit this to happen under his watch and proposed to hire a special prosecutor, because he was an appointee of the governor and it would have been a conflict of interest for him to prosecute his boss. The problem was that any contract he offered an independent prosecutor would have to be signed by the governor, and thus would not have a very good chance of succeeding. In January 2003, he tendered his resignation, saying only that the governor knew the reason.

Torres was replaced by Ramona Manglona, the first local female attorney. She only served for a few months before being appointed to fill a vacancy in the Superior Court in April. The next attorney general was supposed to be Pam Brown, the governor’s personal legal counsel. However, due to a subsequent meltdown in the Senate, and questions raised by certain senators, Ms Brown had still not been confirmed by late July 2003. She has been a private attorney, worked for the legislature as legal counsel, and served for some time as the Department of Interior’s ombudsman dealing with labor issues.

In a landmark crisis in the history of the commonwealth, criminal indictments were handed down by the federal grand jury on Saipan against Senator Ricardo Atalig from Rota and Senator Jose DeLaCruz from Tinian.