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#### 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 non-existent 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.

Senator DeLaCruz's daughter, Marjorie, was also indicted. At issue was the use of CNMI funds (ie, legislative allowances) to provide an educational fund for daughter Marjorie. Senator DeLaCruz asked Senator Atalig to put his daughter on his payroll while she was actually a full-time scholarship student at the University of Guam. DeLaCruz then reimbursed Atalig from his own accounts for payments made to Marjorie. Senator Atalig went to trial in April in federal district court and was convicted of twenty-six counts of wire fraud and one count of conspiracy to commit wire fraud. His sentencing was scheduled for 30 July. His legal counsel, Stephen Woodruff, appealed immediately, asking for a new trial on the grounds that the jury did not reach a correct verdict. Judge Munson did not agree. On the advice of his lawyers, Atalig continued to operate as a senator, stating that his resignation would be effective either on the date of the sentencing (30 July) or the first of October, whichever came first. This made it impossible for the Senate leadership to declare the vacancy required to have a special election to fill the post.

Senator DeLaCruz successfully plea-bargained down to one charge of wire fraud in return for a guilty plea and restitution of the money used. Daughter Marjorie also pled guilty in return for a diversion of sentencing, which means she will not receive a jail term. If she stays out of trouble during the eighteen-month probationary period, she will not have a criminal record. She must also return the money she received. Senator DeLaCruz published a letter to the editor in both the *Saipan Tribune* and the *Marianas Variety* taking full

responsibility for his acts and expressing remorse for the damage done to the commonwealth and to his family. Senator Atalig, on the other hand, challenged the FBI to investigate all of the members of the Senate who, he suggested, were also engaged in questionable practices.

A third senator, José Villagomez, was implicated in the trial process for having hired the wife of Senator Atalig for a nonexistent job on Rota while she was actually living on Guam. However, no charges have been filed against him.

In mid-July 2003, Chair of the Government Affairs Committee Senator Adriano opened hearings on a case involving Senator Kumoi Guerrero, former head of the Commonwealth Utilities Commission (CUC). Adriano sought to suspend Guerrero for thirty days because he had not repaid \$60,000 the public auditor found him liable for during his tenure as CUC director some six years ago. Guerrero responded by saying that charges had never been brought, the statute of limitations had expired, and he was not required to return the money. A few days later, an article in the *Saipan Tribune* reported that Senator Adriano himself had hired illegal aliens on Tinian to work on small construction projects.

The Atalig trial also revealed how much money senators receive. Evidence at the trial indicated that senators who chaired committees received \$5,000 for expenses over and above the \$39,000 salary. A senator coming from Rota or Tinian (ie, two-thirds of the senators) receives an additional \$5,000 for travel expenses. Officers of the Senate receive additional compensation. Of the nine senators, several

make over \$200,000 a year and nearly all of them have access to more than \$100,000.

Not to be outdone, the private sector also has had its day in federal court. After one of the longest criminal cases in CNMI history, four people were convicted on charges arising from the failure of the Bank of Saipan. Although the convictions were for wire fraud, conspiracy to commit wire fraud, or both, the prosecution alleged that the four had effectively engineered a bogus sale of bank assets to some individuals on the US mainland—using money borrowed from the Bank of Saipan itself. With over \$3 million in assets frozen by this transaction, the bank was unable to maintain normal operations and was put into receivership.

The bank, founded by the late DHL shipping company tycoon Larry Hillblom, was not insured by the Federal Deposit Insurance Corporation (FDIC). Receiver Randy Fennell attempted to liquidate the assets to pay off depositors on a percentage basis. The process revealed that several government agencies had multimillion-dollar accounts in the uninsured bank. There were also suggestions that some members of the board of directors had close ties to these government agencies. Many garment workers and small businesses had their accounts frozen pending resolution of the bank's situation.

Many of the major depositors, including several millionaires, Guam businessmen, and a former governor, objected to the liquidation of the bank and insisted on the appointment of a new receiver. Mr Fennel was replaced by local certified public accountant Tony Muña, who attempted to

rehabilitate the operation by getting stockholders to re-infuse cash into the bank. As of July 2003, the bank is open again and private depositors can access their accounts on a limited basis. Government accounts are still frozen and FDIC insurance is being actively pursued.

Freezing the CNMI accounts at the Bank of Saipan exacerbated an already serious economic situation. In the buoyant mid-1990s, government revenues amounted to about \$250 million a year. However, revenues have dropped steadily since 1997 due to a variety of factors, including the crash of a Korean Airlines flight on Guam, the Japanese economic crash, the 9-11 terrorist attacks, and the SARS epidemic. Nevertheless, the governor presented a budget for over \$120 million for fiscal year 2004. Projected revenues ran from about \$180 million to \$190 million. To justify his budget, Governor Babauta proposed cost-cutting measures and "revenue enhancements" (higher taxes) to make up the shortfall. One proposal involved asking government employees to donate thirty minutes of their time every day in uncompensated work. There was no enthusiasm at all for this initiative, which was dropped after it was discovered it would violate the federal Fair Labor Standards Act. A proposal to raise taxes also fell by the wayside, except for the so-called "sin tax." This tax, which was run through the legislature without public hearings, and despite the opposition of the Hotel Association, doubled and tripled existing taxes on alcohol and tobacco products.

The fiscal crisis has also forced the administration to dip into special funds to pay annual tax refunds, and

to fall behind on its contributions to retirement and health insurance programs. Patients referred for medical treatment in Hawai'i or California are frequently told that they must pay the cost of the procedures up front, and then take the chance of being reimbursed by the insurance fund.

As is usual in times of economic difficulties, the perceived easy solution is frequently pursued. Despite his having rejected the idea in the past, Mayor Benjamin Manglona proposed the establishment of a casino on Rota, to be run like Native American casinos in the continental United States. It is not clear how many customers would be attracted to Rota, and how profitable the operation would be. The casino on Tinian has been operating at a loss for several years.

The Tinian Dynasty Casino and Hotel has been severely handicapped in recent years by the economic downturns in Asia. The operation has depended on direct charter flights twice a week from China to Saipan, with customers then taking the ferry to Tinian. The Tinian International Airport has been completed, but lacks the personnel to operate it. All airports in the commonwealth, including "international" airports on Rota (proposed) and Tinian as well as Saipan, now have to comply with Department of Homeland Security regulations. As a result, the cost of maintaining such small installations could be enormous. Furthermore, if Homeland Security decides that the local control of immigration and security is inadequate, it could mean the end of visa-free travel to the commonwealth, with enormous local consequences.

The proliferation of poker machines and poker establishments

throughout the commonwealth continues to cause major social problems. A recent research report by students of Northern Marianas College indicates that 60 percent of the violent crime in the commonwealth is committed in or near the more than 200 poker establishments on Saipan. In the year under review, several murders, severe cases of spouse and domestic abuse, and a variety of other violent behaviors have been reported. The situation is unlikely to change, however, because the government is receiving approximately \$14 million a year in tax revenues from gambling establishments.

Citizenship has emerged as an issue for a small group of people born in the commonwealth before 1986. According to various legal sources, anyone born after 1978, the year the covenant was signed, but before 1986, when the Trust Territory was officially dissolved, did not automatically become a US citizen. Affected are some 300 to 400 young people who have decided they would prefer American citizenship rather than the citizenship of their parents, who are mostly of Filipino and Korean origin. Unless these individuals apply for non-US passports, they are unable to travel outside the commonwealth.

The Verizon conglomerate, which operated the telephone system in the commonwealth for several years, has attempted to sell the business. A potential buyer was a very large Filipino telecommunications corporation, owned by the Delgado family, which proposed a 60/30 percent partnership with Saipan garment mogul, Willie Tan. The remaining 10 percent of the operating company would be

held by a small US corporation based in the state of Missouri.

The proposal provoked acrimonious debate over whether or not the telephone system should be controlled by a foreign corporation, and whether or not Willie Tan should be allowed to extend his empire even further. After several months, Tan withdrew, claiming that the CNMI government had declined to support his participation. The Missouri firm also withdrew. Local Saipan construction engineer Efrain Camacho stepped in with an offer to take up the 40 percent in partnership with the Delgados; however, he withdrew his offer shortly after making it. The Delgados remain interested in the purchase, while the government is appealing to the Federal Communications Commission because of possible foreign ownership problems.

A major construction project taking place on Saipan is a new 300-bed prison. The Department of Justice had mandated a replacement for the substandard current facility. However, for reasons that are not completely clear, on several occasions the government has been unable to meet its payment schedule to the contractor. In addition, the Senate attempted to attach more capital improvement projects for Rota and Tinian as riders on the prison appropriations bill, a move that was blocked by members of the House of Representatives. In late July 2003, the prison appropriation passed with only two riders, \$1 million each for dialysis centers on Rota and Tinian.

On a brighter note, efforts to rehabilitate the Garapan tourist district proceeded. Two intersecting streets will be closed to vehicular traffic and

turned into pedestrian malls. Current "adult" entertainment activities will be given up to three years to relocate. Other nonconforming businesses, such as auto repair shops and shooting galleries, will also be eased out. It is hoped that this will make the area family-friendly and reduce the number of attacks on tourists. The goal is to have most of the project completed by June 2004 to correspond to the opening of the new visitor center at the American Memorial Park.

The new visitor center will include a reception area and museum featuring the battles of Saipan and Tinian, a small theater, and a covered amphitheater, allowing for all-weather community activities. The beach walkway, one of the most popular attractions for both locals and tourists, is being extended through Garapan to connect with the Park walkway, which continues north. The opening of the visitor center is scheduled for 15 June 2004, exactly sixty years after the invasion of Saipan. Surviving veterans are being invited and many activities are being planned.

The Chamolinian Culture Center opened in mid-July 2003 on the grounds of the Carolinian Affairs office in Garapan in order to acquaint visitors with the local indigenous culture. It has several traditional boat-houses and other structures reflecting indigenous cultures, and will feature live exhibits by local artisans and artists. The center was built partly in response to tourists who have long complained about the lack of such a facility.

Two other projects may also help public understanding of the history and culture of the Mariana Islands. The Commonwealth Council for the

Humanities is sponsoring the production of an electronic encyclopedia as part of a nationwide National Endowment for the Humanities project. It involves scholars from around the world and will take four to five years to complete. A second electronic/Internet project is the Micronesian Journal of Humanities and Social Sciences, which is sponsored by the Northern Marianas College <www.mjhs.com>. Two editions of the journal have been published so far, providing outlets for scholars on topics related to the Marianas, Micronesia, and Oceania; future issues will appear twice a year.

The future prospects for the commonwealth remain uncertain. The World Trade Organization treaty becomes operative at the end of 2004, probably resulting in the loss of a large number (but not all) of the estimated 33–35 garment factories operating on Saipan. Increasing security concerns related to world terrorism could result in dramatic and drastic changes in the way the commonwealth operates. Positive developments in tourism will depend on revitalization of the industry throughout the Pacific.

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## PALAU

Reflecting their close ties with the United States, citizens of the Republic of Palau held a public ceremony to pay tribute to the seven astronauts lost when space shuttle *Columbia* disintegrated on its homeward journey. In response to the Iraq war, the republic joined President Bush's Coalition of the Willing, with Presi-

dent Remengesau's offering Palau's existing facilities as additional staging areas for military operations.

In other international affairs, Mr Remengesau hosted the second Micronesian Presidents' Summit in late July. Joined by President Leo Falcam of the Federated States of Micronesia and President Kessai Note of the Marshall Islands, the chief executives of the freely associated states discussed a host of issues and released a joint communiqué at the end of their talks. The statement called for the continuation of open immigration to the United States and requested technical assistance from the United States in the area of security and anti-terrorism measures.

A few weeks later, Remengesau led a delegation to the Thirty-third Pacific Island Forum meeting in Fiji. He presented two major proposals. The first called on the assembled nations to ease travel entry requirements for each other's citizens. The second initiative called for greater support and progress in adopting renewable energy sources such as solar, hydro, wind, and ocean thermal energy conversion. Remengesau stated that his islands' total dependence on foreign sources for fossil fuels diverted funds from much needed development projects.

President Remengesau took on an activist role at the World Summit on Sustainable Development that met in South Africa in August and September 2002. In a forum of 140 nations, he pushed his environmental agenda by calling for greater support for expansion of renewable energy methodologies and expanded financing for sustainable development programs. He also persuaded the Association of Small Island States, a subgroup in the