

*Micronesia in Review: Issues and Events,*  
*1 July 2003 to 30 June 2004*

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Reviews of the Federated States of Micronesia, Kiribati, the Marshall Islands, and Nauru are not included in this issue.

#### GUAM

The many ongoing issues and problems during the year under review included recovery from natural disaster, preservation of culture, allegations of government corruption, budget cuts, the struggle to lead the economy onto a healthier path, and escalating youth violence. The people of Guam showed their resilience, forging ahead, helping those on and off island, and celebrating the successes of community members.

In December 2003, a year after typhoon Pongsona, millions of dollars of repairs had yet to be done. Hundreds of individuals on island still lacked power and water. There were other infrastructural woes as well, many of which were long-standing. New construction, storm activity, and unchecked vegetation growth contributed to the flooding of roads, bridges, and properties (*PDN*, 17 May 2004). Despite the abundance of water in some locales, other parts of the island, especially in the south, suffered another year of continuous water supply outages.

Guam's cultural crops and wildlife took some hits. As of May 2004, one-fourth of the island's betel nut trees, which produce treasured pugua (betel nut), were affected by a fungal infec-

tion (*PDN*, 24 May 2004). A program of injecting fungicide and burning infected trees is expected to prevent the decimation that the pugua trees suffered on Saipan a few years ago. On the positive side, mealybug-infested papaya trees were declared in August 2003 to be recovering well (*PDN*, 5 Aug 2003). And in the US legislature, work continues on a bill that would create a committee dedicated to controlling the island's pervasive, destructive brown tree snake population.

The fate of the island's free-ranging carabao, which the US Navy regarded as problematic, was especially controversial this year. Islanders questioned the navy's decision to cull the carabao herds and wondered if they should step up efforts to have Chamorros adopt the culturally significant animals instead. Hundreds are said to be on the carabao adoption waiting list. Inserted in the debate is the continuing dialogue concerning the US military's seeming insensitivity toward local concerns.

In other cultural news, August 2003 saw hundreds of community members assisting Guam's Palauan Association to raise money for a new abai (the Guam version of the Palauan term *bai*) meetinghouse. The structure will eventually be a "multicultural center for the Pacific" (*PDN*, 24 Aug 2003). In early 2004, the Micronesian Community Outreach Program held its first meeting. The program is

designed to help migrants from other parts of Micronesia adjust to life on Guam. The program also works to dispel the negative stereotypes of Micronesians held by many on Guam (*PDN*, 27 March 2004). In his regular contributions to the *Pacific Daily News*, self-described second-generation Guam Filipino Norman Analista covered topics ranging from taking local pride in Pinoy culture to the benefits of establishing a Filipino Federal Credit Union. Also speaking to and for Guam's sizable Filipino community, "local Filipino celebrity and icon" Prospero "Popoy" Zamora is once again hosting a show on Guam's public television channel (*PDN*, 27 July 2003).

The need to promote and preserve the Chamorro language was discussed in the media throughout the year. Some worry about the deterioration of the Chamorro language and the consequences thereof. Sagan Fin'nâ' Guen Fino' Chamoru Day Care, which conducts its daily activities solely in Chamorro, was featured in the media (*PDN*, 28 March 2004). The University of Guam (UOG) sponsored its first Fino' Chamoru Na Kompitision (Chamorro Language Competition), with participants from both Guam and Northern Mariana schools. UOG language professors developed and produced an instructional Accelerated Learning method Chamorro text and CD set. Others wrote to the newspaper to suggest increasing the number of Chamorro-language public signs and defended the reinstatement of proper Chamorro place, village, or other names. And for everyday listening, radio station KISH 102.9 began operations in late June 2003; it is "all

Chamorro, all the time" and provides a selection of over 2,000 Chamorro songs (*PDN*, 17 July 2003).

Land issues are also close to Chamorro hearts. Land that was taken or otherwise obtained by the US government some sixty years ago, ostensibly to strengthen the US military's strategic position in the East Asian-Pacific region after World War II, continues to be gradually returned to Guam-Chamorro families. More than 143 parcels of land were returned in 2003, while at least 100 more parcels were said to be slated for future return (*PDN*, 23 Dec 2003).

Amidst these cultural victories, Guam lost several proponents of Chamorro rights, culture, and language during the year. The death of Angel Santos on 6 July 2003 dominated the island newspaper's front pages for many days. Just forty-four years old, Santos was known as "an impassioned and eloquent political and Chamorro rights activist" (*PDN*, 7 July 2003). The same month, the media announced that Donald Topping, respected throughout Guam's community for his research and publications created to help people better understand, preserve, and teach Chamorro, passed away as well (*PDN*, 5 July 2003). Segundo Blas, the Saipan born and raised master carver who was an important force in passing on traditional Chamorro skills, died on 27 April 2004.

On the political front, there was almost constant discussion of elected leaders' efficacy and the general state of the island. Officials passed over eighty laws this year dealing with issues such as reorganizing the island's

judiciary, establishing a firefighter reserve program, and providing funding for construction and repair of schools and health-care facilities (27th Guam Legislature 2003–2004). While many island constituents are appreciative of the support for community causes provided by some leaders, others have expressed disappointment and are dispirited and angry about party politics and inadequate island conditions. Some issues that have featured in political campaigns for years or perhaps decades—from the need to close the island dump, to the dire need of fundamental supplies for public school students, to the need to improve island infrastructure—have yet to be satisfactorily resolved.

As has become the pattern, many public figures decried corruption among island leaders, and approval ratings for elected officials decreased as their terms progressed (*PDN*, 21 Dec 2003). Some constituents charged that island leaders had not kept their campaign promises, had not accomplished anything, and were generally embarrassing. Other people have faulted the political complacency and complicity of community members. Groups such as the Committee to Get Guam Working, made up largely of business leaders, also entered the fray, running costly and ardent campaigns for and against particular issues and individuals.

Further undermining the public's trust, Guam's Office of the Public Auditor reported in mid-2004 that some \$20 million of the Government of Guam's monies may have been wasted or abused. Although Public Auditor Doris Flores Brooks helped raise public awareness of potential

misconduct within government agencies, indictments and prosecutions did not keep pace with her findings. As a result she predicted that the situation regarding the mishandling of government funds is not likely to change anytime soon (*PDN*, 12 May 2004). In response to this sort of concern, the Government of Guam (GovGuam) continued its efforts to privatize the Guam Telephone Authority (said to be the only US phone agency still run by a local government), the Guam Waterworks Authority, management of the Port Authority of Guam, and certain services within the island's Department of Education and the Guam Memorial Hospital (*PDN*, 20 Dec 2003).

During his two years in office, Governor Felix Camacho's strong stances have had mixed receptions. He has pushed for a bond to keep the GovGuam running in the face of a cash shortage (approved by legislators but currently blocked by the island's attorney general), and advocated reorganizing (meant to translate into streamlining) the current forty-eight island government agencies into ten. This year *Pacific Daily News* gave Camacho "kudos" when he called for the resignations of government employees alleged to have misused government credit cards. On the other hand, others have had to publicly ask the governor to appoint members to certain supervisory boards that still lacked sufficient numbers to operate. Camacho has also been scrutinized for appointing or nominating family members to important positions. He nominated his brother-in-law, attorney Robert J Torres, to serve as a justice of the Supreme Court of

Guam, and he appointed a cousin to serve as deputy director of the Guam Department of Youth Affairs.

The people of Guam were especially challenged this year by disputes between public figures. Many felt that such disputes wasted time and demoralized the public. Substantial differences of opinion between Governor Camacho and Lieutenant Governor Kaleo Moylan became widely known in early 2004. They differed on the degree to which the lieutenant governor's office can operate in its own right and independent of the governor's authority. Relations between the two leaders deteriorated to the extent that a contingent of fellow Republicans and Guam's Superior Court were called in to mediate. The Superior Court stated that the governor held authority over all executive branch employees, including those under the lieutenant governor's immediate supervision. Kaleo Moylan then asked the legislature to amend Guam law in order to provide the lieutenant governor greater autonomy. As of June 2004, the dispute had not been fully resolved.

Guam's first elected attorney general, Douglas Moylan, received even more media attention during the year. He was in the spotlight because of a lengthy list of criminal indictments (up 17 percent from the previous year), challenges to governmental authority and particular laws, lawsuits against government agencies and private businesses, and confrontations with people in the community. Moylan, whose logo when running for office in 2002 was a pair of boxing gloves, declared that his office was "at war." He stated that others were working to "disarm"

his efforts aimed at keeping administrators from using the system to benefit themselves rather than the public (*PDN*, 28 May 2004).

There were several high-profile indictments this year. Former Guam Airport Executive Manager Gerald Yingling was indicted for charging thousands of dollars worth of personal expenses to a government credit card. Former Guam Power Authority General Manager Thelma "T" Ann Perez was charged with authorizing private streetlights to be paid for with government funds. Yingling, former Governor Carl Gutierrez, and Gutierrez's former Chief of Staff Gil Shinohara were each accused of participating in the theft of government property during the construction of Gutierrez's personal ranch in Urunao (see *PDN* trial articles archived at <<http://www.guampdn.com/guampublishing/special-sections/ctcg-indictment/index.html>>).

Although the attorney general's office increased the number of criminal cases filed and received the "thumbs up" from many in the community, others feel Moylan is too combative and that the office's conviction rates are low (*PDN*, 28 April 2004). There have also been accusations that Moylan expected preferential treatment and wanted to make special, self-serving deals (*PDN*, 6 Dec 2003). Claims of emotional and physical abuse by both Moylan and his estranged wife against each other were also publicly aired during the year.

There was some relief for Guam's 31,000 students during the year. School facilities improved somewhat, and the Liberation Organizational

Committee 2003 contributed monies for textbooks. Nevertheless, the school system still experienced shortages and difficult conditions. Scarcity of buses caused students to wait for transport, sometimes for hours. Lack of working air conditioners resulted in shortened instructional days. Nine schools operated without nurses on campus. Schools lacked a wide variety of supplies. The Department of Education ended the school year still owing millions of dollars to the Guam Retirement Fund and the Guam Power Authority.

Other education-related challenges included the widespread introduction of Direct Instruction (a scripted reading program that dominates the instructional day); charges that the director of education appointed in fall 2003 treated school administrators and teachers belligerently; and public airing of major differences among the new Board of Education, Department of Education, and the Guam Federation of Teachers. Such conditions may be driving a substantial number of teachers off-island and away from teacher-training programs. Tired of Guam's public school conditions, parents and student and alumni volunteers increased their efforts to repair and maintain the schools and to raise funds. Despite setbacks, many of Guam's students continued to shine. A student from the Academy of Our Lady of Guam was the recipient of a 2004 Presidential Scholars award, and a University of Guam senior was one of eighty students nationwide awarded a Harry S Truman Scholarship (*PDN*, 6 May, 30 March 2004).

Guam's people faced some tough financial situations. Stresses to the

economy included rising power, gasoline, and other costs; loss of GovGuam revenue due to federal and local tax cuts; worry about the island's job market; and budget cuts for many GovGuam agencies. Some factors served to boost the economy and counter these woes. Asia's economy was recovering, and visitor arrivals increased. The number of jobs rose. Business ventures (including two movies filmed on island) infused money into Guam. Millions of typhoon-recovery and state-relief-fund dollars were pumped into the island. GovGuam's cash deficit decreased by \$70 million, down to \$209 million (*PDN*, 4 Feb 2004). GovGuam's six-month-long practice of whittling the workweek to thirty-two hours was lifted. Compact-impact payments (provided by the US federal government to jurisdictions heavily impacted by Micronesian compact agreements with the United States) were increased to a record high of \$14 million annually. Guam Congresswoman Madeleine Z Bordallo negotiated a debt-reconciliation bill through the US Congress that authorizes the president to approve debt relief of \$157 million owed to federal agencies by GovGuam (meant to serve as compensation for years of insufficient federal compact-impact aid to Guam). The much protested 50 percent increase in the gross receipts tax, implemented in 2003, was reversed in 2004 (some hinted that this transpired just in time to please voters before the election). US military presence grew and may continue to do so, pumping dollars into the economy.

Not all activities that bring in

dollars are necessarily desirable. The issue of legalized gambling entered public debate and is slated for a public vote in Guam's November elections (see <<http://www.guamgaming.com/Initiative/gcm.htm>> to view the proposed 2004 gaming initiative). Proponents argue that gambling has the potential to increase the number of jobs by thousands while netting millions of dollars in revenue. Others counter that the industry will only enrich a few and introduce a variety of undesirable effects.

Not only does Guam grapple with internal political relationships, but there is also still a debate about its relationship with the US military. Many struggle to come to terms with the years that the US Navy governed Guam as a colony and stripped land from Guam's people. At the same time, Chamorros have established a reputation for being loyal US citizens who have served and sacrificed for US military causes again and again. This may partly explain why more recent news about US activities in Iraq did not often make headlines, while news concerning the deployment, return, and death of local soldiers received prominent media attention. Guam families, like other US families, wait for their soldiers to return after their deployment, often for eighteen months.

The increased military presence was much discussed. Not only has the number of military personnel increased on Guam, but there has also been an increase in the money allocated to beef up the island's homeland security and to add B-52 bombers, submarines, and other military accouterments. But many also feel that the

increased military presence on the island comes with some heavy price tags.

Much time and energy was spent honoring Chamorros who endured the harsh conditions of World War II, whether during the three-year Japanese occupation or in serving the people of Guam and the US military in other ways. GovGuam agencies and other groups, such as UOG Chamorro language students, sponsored oral history workshops, gathered and presented oral histories in a variety of venues, located significant World War II sites, coordinated special commemorative events, and initiated memorials to wartime experiences.

The creation of a five-member Guam War Claims Review Commission in September 2003 was particularly significant. The commission was given the task of determining whether Guam Chamorros had received reparations for their wartime sufferings equivalent to those received by US citizens. More than 8,300 on-island and off-island Chamorros filled out questionnaires surveying World War II atrocities (*PDN*, 12 May 2004). The commission's June 2004 report to the Bush administration and US Congress found that Guam-Chamorro war reparations had not been on par with those paid to US citizen war victims, and it made several specific recommendations to remedy the situation (*PDN*, 12 May 2004). However, the recommended compensation still appeared inadequate to some for several reasons. It is difficult if not impossible to fully compensate for the loss of family members or for personal pain and suffering. Many also noted the relative lack of official

attention to World War II commemorative events in the Pacific, compared to those in Europe.

Though not much discussed, activist groups were busy this year. A Chamorro Information Activist bimonthly e-zine and forum board appeared, designed to promote alternative “ways and ideas of thinking” about Guam issues, to promote the Chamorro way of life, and to work toward the island’s decolonization (<<http://www.geocities.com/minagahet>>). In June 2004, an Independence Task Force for Guam (e-mail <[freeguam@hotmail.com](mailto:freeguam@hotmail.com)>) sent a letter to the United Nation’s Decolonization Committee and petitioned the UN Office of the High Commissioner for Human Rights “to help us stop the violations against our human rights by the United States of America (US).”

Also distressing has been youth crime, including severe vandalism and burglary. There were at least five different incidents of alarming brutality within a six-month period. One case involved four boys, ranging in age from 6 to 9 years old, accused of beating a 10-year-old neighbor girl to death. Three 16-year-old males were charged as adults for punching, kicking, and breaking a 41-year-old woman’s rib after she had ignored their request for sex. The same three males were also charged with beating a man, whom they believed to be homosexual, with their fists, feet, and a bat. Two months later, four teenage boys aged 16 and 17 were charged as adults for beating up a man, kidnapping and threatening to kill his female companion, and then stealing the couple’s car. Later, two young adult

males, 24 and 29, were connected with a drive-by shooting that injured two military men. According to child psychologist Kirk Bellis, crime committed by island youth has become more intense, and more is likely to come (pers comm, July 2004).

Amidst all of this suffering and tragedy, the community once again demonstrated its charitable nature toward those in need. Efforts included fund-raisers for Jonathan “Jon Jon” Toves, a five-year-old diagnosed with acute lymphocytic leukemia and in need of a bone marrow transplant; money and medicine for Chuuk islanders fighting a flu epidemic; disaster recovery support for typhoon-ravaged South Korea; food, water, and basic necessities to the Federated States of Micronesia after it too endured extensive typhoon damage; and donation drives to help allay the suffering of landslide victims in the Philippines.

The Guam community also cheered on local athletes competing in the 2003 South Pacific Games. Guam competitors earned gold medals in athletics (track and field), baseball, and bodybuilding; silver in athletics, men’s basketball, bodybuilding, women’s soccer, and swimming; and bronze in women’s golf, judo, and swimming (*PDN*, 15 July 2003). Lori Cruz Hayden, winner of two gold medals in bodybuilding at the 2003 games, also earned gold at the 2003 World Women’s Bodybuilding, Fitness, and Body Fitness Championships. This makes her one of the top female bodybuilders in the world.

Guam continued to buzz with activity at the end of the review period. Campaign signs dotted the

landscape in preparation for the November elections. Local media introduced candidates for the island's Liberation Day Queen. And various Guam agencies, organizations, and individuals were revving up to participate in the July 2004 Festival of Pacific Arts in Palau.

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SPECIAL THANKS *to Dr Robert Underwood for comments on an earlier draft of this review and to Shawn Davis for editorial assistance.*

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*PDN, Pacific Daily News.* Hagåtña, Guam.

### COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

The year under review was packed with many significant issues and events. The drama involving Senators José Dela Cruz and Ricardo Atalig played out until the last possible moment (McPhetres 2004, 132–133). Dela Cruz pled guilty and showed ample remorse for his role in the fraudulent hiring of his daughter by colleague Ricardo Atalig; he received a fairly light sentence. But Atalig

continued to provide cover for the Rota/Tinian coalition by not resigning until he was finally taken into custody and sent to federal prison for a little over five years. Atalig demonstrated how he felt about the decision with an infamous hand gesture, a dramatic moment captured on video by the cable news reporter standing outside the courthouse. During the sentence hearing, Judge Munson severely chastised Mr Atalig for his failure to take responsibility for his actions. Meanwhile, Atalig filed a new letter of resignation in the Senate, making the election of his successor in November 2003 the new effective date.

The Senate quorum remained at five regardless of the fact that Senator Atalig had been convicted and sentenced for a felony, but technically remained in office, and Senator Dela Cruz had officially resigned his position. At that time, the Senate had no provisions to automatically dismiss a convicted felon. The Senate was effectively neutralized for the rest of the calendar year, with eight official members, only seven of whom could be physically present. Following incarceration of Mr Atalig the majority changed from five to four for the purposes of passing legislation. During the November election, Rota had to elect two senators instead of one: one to replace Atalig and take office immediately, and one to take office in January when the regular term expired for the other senator from Rota. This left the Rota delegation one member short between November and January. With eight senators, a quorum to hold meetings was five, and the Rota/Tinian coalition dominated. This group, led by Senate



President Paul Mangloña, then proceeded to hold sessions on Rota without informing the Saipan delegation.

When the new majority recessed during a session on Saipan, the old majority, consisting of the Saipan delegation led by Senator Ramon Guerrero as well as one Tinian senator, staged a coup. They elected a new set of officers and took over the Senate. With Senator Ramon (Kumoi) Guerrero as new Senate president, the group then proceeded to pass a large number of pending bills and sent them on to the House. Because he was not sure who was legally in charge of the Senate, the governor refused to act on any of the legislation originating from the “new majority,” including the rejection of the nomination of Pam Brown as attorney general. The situation was completely stalemated until the swearing-in of the new Rota senator, which created a new majority. Senate President Mangloña then gave up his seat to Senator Adriano of Tinian, who proceeded to suspend the Saipan senators for various terms, for violating certain obscure Senate rules. Both sides then went to court, where Judge Govendo roundly chastised them for not resolving the issues in-house. He refused to rule on which side was correct. Eventually logic prevailed, and by February the new majority confirmed Pam Brown, the governor was happy, and the legislature resumed business as usual. The now “old majority” was reluctantly reintegrated into the membership.

Following the confirmation of Attorney General Pam Brown and a new majority in the legislature, Representative Stanley Torres, a perennial

critic of the governor, was indicted in Superior Court under a warrant issued by the attorney general, accusing him of the same violations of law that Atalig and Dela Cruz had been charged with in federal court. Along with most of the other House members, Torres lost reelection; he considered his arrest to be simple payback for his criticisms of the governor and of Pam Brown when she was nominee for attorney general.

The Bank of Saipan saga also continued, with the conviction of four of the principals involved in an attempted takeover and the subsequent bank failure. Dusean Berkich, age sixty-five, was allowed to return home pending sentencing, but he committed suicide rather than face jail time. The three others, including Tomas Aldan, were sentenced to various jail terms and restitution. The bank remained in receivership but operated normally, pending a determination of the status of several government accounts. Several major government agencies and departments had only limited access to some \$60 million tied up in certificates of deposit.

The federally mandated prison project continued to meet appropriation shortfalls during the year. In mid-2004 the Saipan-dominated House of Representatives added a million-dollar rider to the prison bill for dialysis centers on Rota and Tinian. A large dialysis center was also being built on the premises of the Commonwealth Health Center on Saipan.

The midterm elections held in November 2003 produced an unpredicted outcome. The Covenant Party, headed by Benigno Fitial, made a

nearly clean sweep of both houses. Only six of the incumbents in the House of Representatives were returned to office. A completely different legislature took office, with Fitial again as Speaker in the House and Adriano as new Senate president. In July 2004, Speaker Fitial publicly indicated his intention to run for governor in 2005.

In a dramatic decision, the Board of Regents of Northern Marianas College, under the influence of then President Kenneth Wright, and with the support of Governor Babauta, moved to purchase La Fiesta Mall, a large shopping center built about fifteen years ago to cater to the tourists at the northern end of the island. President Wright convinced the college leadership that the commonwealth would become a specialized education center catering to high-income Asian students from around the Pacific Rim. In what was called the “Gateway Project,” the mall was to become a second campus for the college. The governor funneled \$3.5 million in federal grant money to purchase the lease rights (only for twenty years) and as a down payment on all the structures. Unfortunately, the college became liable for \$200,000 a year in property payments as well as approximately \$30,000–50,000 a month in maintenance and administrative costs. By July 2004, it was evident that the college would have to dispose of the property as quickly as possible in order to maintain credibility and keep its accreditation. Studies are currently underway to find an effective resolution to this problem. The chair of the board of regents accepted President Wright’s resigna-

tion in February 2004, although it was not effective until May.

To complicate matters even further, a Korean “entrepreneur” convinced about eighty Chinese students to enroll in the University of Tinian, which he owned, using an Internet brochure featuring luxury facilities. The students arrived on Tinian to find no facilities whatsoever. They were moved to a couple of classrooms in an office building on Saipan, although there were no library or computer facilities, and their living quarters were substandard. The students had paid \$5,000–\$10,000 in advance and had been promised employment in the commonwealth. Under the labor regulations and immigration law, foreign students cannot work. Eventually the operation went bankrupt, and the Federal Bureau of Investigation (FBI) arrested the entrepreneur on Guam for a variety of immigration violations, and for the fraudulent establishment of a university on Guam. Many of the students found jobs in the local garment industry with the permission of the commonwealth government, others returned to China, and some enrolled in Northern Marianas College.

The sale of Verizon, which operates the commonwealth telephone and cable system, continued to be controversial. Governor Babauta originally opposed the sale, citing the dangers associated with foreign ownership of any communications system. The Federal Communications Commission and the FBI found no problem with the potential ownership of Computer Telephony Integration (CTI), a very large company involved in communications in the Philippines and owned

by the Delgado family. By July 2004, the issue had become the company's potential monopoly over the high-speed cable linking Saipan with Guam and the rest of the world. The governor went as far as to suggest that the government should invest in a second cable to break the perceived monopoly. Meanwhile, the Commonwealth Telecommunications Commission indicated it might go ahead and approve the sale despite the governor's reservations.

Washington Representative Pedro A Tenorio continued to push legislation to get a delegate position for the commonwealth in the US House of Representatives. A comprehensive signature campaign for a petition to that effect got underway in the commonwealth. While most observers feel that the bill would pass if it ever got to the floor, the pending US presidential and congressional elections will probably prevent that from happening during 2004. The commonwealth is the only US territory in the system without a delegate in the US House of Representatives.

Another issue involved children born in the commonwealth between 1974 and 4 November 1986, when citizenship was granted by proclamation of President Reagan. From 1978 to 1986, a child with at least one parent who was a US citizen automatically got US citizenship. However, section 301 of the Commonwealth Covenant denied that right to persons born to non-US citizens between 1 January 1974 and Reagan's proclamation. As a result, around 400 children were born and raised in the commonwealth as if they were Americans but ineligible for US passports,

federally funded scholarships, and other perks that were available to others, including in some cases their siblings who were born before and after the blacked out period. The vast majority of these individuals refused to accept the citizenship of their parents and fought to become US citizens. In June 2004 the Ninth Circuit Court of Appeals overturned a decision by Judge Alex Munson of the Federal District Court denying citizenship to this group on the basis of the covenant. The court argued that the Fourteenth Amendment was applicable as of 9 January 1978, when the commonwealth covenant became partially effective. Article three, the citizenship clause, was not effective at that time, because trusteeship had not been terminated. Those individuals born between 1 January 1974 and 9 January 1978 are still out in the cold and require a special act of Congress to grant them citizenship. To date, it is not clear if the federal government will appeal the Ninth Circuit Court decision. No passport has been issued to any member of the group included in the court decision.

The governor continued to press for legislative appropriation for his fiscal year 2005 budget, which approached \$226 million. Although projected revenues were under \$200 million, he contended that new taxes would close the gap. In the last few months of the review period, revenues from the garment industry increased slightly; the number of arriving tourists was on the rise, with hotel occupancy running about 70 percent in July 2004. On the other hand, retailers noted that tourists were spending much less than before, leading to

overall revenues that were flat or decreasing. Compounding matters, the commonwealth budget deficit was reportedly in the vicinity of \$100 million. This included payments to the retirement fund, government health insurance, and interagency obligations, as well as refund and rebate tax accounts. Several travel agencies on Saipan complained about nonpayment for past travel, and they refused to honor government travel requests for overseas trips.

One of the very bright moments in the past year was the commemoration of the sixtieth anniversary of the invasion of Saipan and Tinian. A complex array of activities and events honored the almost fifty veterans, their wives and families, and in some cases their widows, who showed up for a week in the middle of June. Events included World War II-type shows, complete with pinup girls and 1940s style dancing, as well as local indigenous folk dancing. A fireside chat had a dozen veterans, their families, and others discussing personal experiences during the war. Unexpectedly, a Japanese veteran arrived to thank the Americans for saving his life when taken prisoner of war. A Red Cross recreation snack bar was set up, complete with contemporary Coca-Cola bottles, a gift shop, and a display of the art that American fighter pilots and bomber crews in the Pacific had commonly used to decorate the noses of their planes. A highlight of the commemoration was the presence of Brigadier General Paul Tibbetts (retired) and two of his surviving crewmates from the *Enola Gay*, the aircraft that had flown out of Tinian to drop the first atomic bomb on

Japan. General Tibbetts was the keynote speaker for the main event.

The war in Iraq came to the islands in very real fashion in June when the first resident of Saipan was killed in action in Iraq. Eddie Chen was buried in Arlington Cemetery, while a second wounded soldier returned to a hero's welcome on Tinian in early July. Others have followed. Orders from the US Department of Defense to mobilize an army reserve unit in mid-July resulted in nearly fifty police officers, firemen, and others being sent to Hawai'i for specialized training, followed by deployment to Iraq for up to two years.

Military interest in the commonwealth for a variety of unspecified projects related to the war on terror and the situation in Korea increased during the year. Saipan is now a permanent base for five forward-deployed military supply ships, each one capable of keeping at least one battalion of marines in a combat situation for one month. This has provided something of an economic boom for Saipan, as the crews spend much of their time ashore waiting for orders and spending money. There have been suggestions that some kind of permanent presence might be established on Tinian, where the Department of Defense has a 100-year lease on two-thirds of the island.

The latest population estimates for the commonwealth indicate a total of 79,000 people, an increase of almost 10,000 from the 2000 decennial census. Nevertheless, Saipan is preparing for a substantial population loss with the implementation of the World Trade Organization treaty removing quotas for garments exported to the

United States. Some smaller garment factories have closed up already or have been absorbed by bigger operations. It is expected that approximately half of the twenty-six factories remaining on Saipan will move to areas with lower production costs in order to remain competitive. In the meantime, Saipan is gearing up for a rush of asylum-seekers whose jobs will be lost as the result of factory closure. Those who do not want to return home for religious or other reasons may apply for political asylum. The commonwealth is responsible for administering the asylum programs according to United Nations High Commissioner for Refugees standards rather than those of the US Immigration and Naturalization Service.

The Garapan Revitalization Project, which will create a vehicle-free pedestrian mall in the Hotel District, was nearly completed during the year, despite protests by various commercial establishments. It promises to be a major improvement in tourist-friendly facilities, in an area widely known for prostitution and related activities.

A German firm proposed to provide high-speed auto ferry service between Saipan and Tinian, with possible charter service to the Northern Islands, Rota, and Guam, but the proposal died due to a very well organized campaign by residents of the southwestern beaches near Sugar Dock. Residents cited a loss of their traditional recreational areas and access to the fishing dock. The ferry, which had already been built on the strength of government approval for the service, was moved by its owner for service in the Caribbean.

The flight of health-care providers at the Commonwealth Health Center, citing working conditions and differences with the administration, created a shortage of doctors, particularly in the emergency room. The need was met with the temporary assignment of US Navy doctors from the Guam Naval Hospital. The secretary of health services argued that most outpatient health care should be handled by the growing number of private clinics, frequently staffed by former government doctors. On the other hand, many health-care providers, on island as well as in California and Hawai'i, do not accept government health insurance, forcing many patients to pay up front or use the understaffed government hospital.

For the past several years the government has used the health insurance fund, the tax rebate and refund accounts, and other funds to meet operational expenses incurred because of the economic crisis. Spending levels continued at the 1997 level of about \$230 million, when times were very good. Because of the Japanese economic crisis, the terrorist attacks of 11 September 2001, and other factors, real revenues dropped to around \$170 to \$190 million annually. No new economic investment in the commonwealth for more than five years has contributed to the shrinking tax base.

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## REPUBLIC OF PALAU

Affairs in the Republic of Palau during the period under review were dominated by two tragic events, one involving a high chief and the second a commoner. It was business as usual for the executive and legislative branches of government, although the politicians had one eye on campaign 2004. Palau received more loan, grant, and expert assistance. Tourism experienced a huge improvement over 2002–2003. A new, homegrown airline took to the skies. A new bank building was opened in central Koror. While Palau's leadership debated a grand plan to extract oil from the ocean floor, nearly the whole of Palau was busy preparing for the 9th Festival of Pacific Arts, which was held in July 2004.

Palau has two high chiefs, the *Ibedul* and the *Reklai*. In January 2003, *Ibedul* Yutaka M Gibbons, chairman of the Koror State Public Lands Authority, became involved in an argument regarding the presence of Mathew Johnson in the authority's office. Johnson was an expatriate attorney for the Palau Public Land Authority, which, in theory, oversees all state land authorities. Because Johnson repeatedly refused to leave the meeting, which was about to begin, Gibbons became angry and hit Johnson with a baseball bat, fracturing one of Johnson's arms and bruising his back and other arm. Charges were filed and the case went to court. Prior to trial, a plea agreement was worked out with the Palau attorney general, allowing Gibbons to plead guilty to a charge of assault and battery with a dangerous weapon in exchange for dropping the more

serious charge of aggravated assault. Justice Ngiraklsong sentenced Gibbons to three years imprisonment, with two years suspended and one to be served in the Koror jail. Gibbons was fined and required to pay all the medical costs incurred by Johnson. The punishment of one year in jail generated a social uproar in Koror as legislators, governors, chiefs, and women's groups called for leniency and pardon. Only one prominent person—Senator Joshua Koshiba—publicly stated that the rule of law should be applied and the high chief should be jailed. However, with support for the high chief pouring in daily, President Remengesau issued a conditional pardon in August 2003 and a full pardon in June 2004.

The interesting dimension of this serious incident is the rationale that was provided for the Gibbons pardon by both President Remengesau and the press. Some 4,000 people signed petitions supporting Gibbons; this had an impact on Remengesau. It appears such "voting" can weaken a court decision. Remengesau referred to "constitutional clemency" and the "process of clemency" in his August statement of pardon, but the Constitution of the Republic of Palau does not contain these phrases. However, it does grant the President the power "to grant pardons, commutations and reprieves subject to procedures prescribed by law." Remengesau also considered tradition in his pardon decision, appealing to the constitution's preamble and Article V, Traditional Rights. He stated that he took these sections "to heart in the best interests of all our people, both today and tomorrow." For its part, the press labeled Johnson's actions as confron-

tational, arrogant, and improper, and appealed to Palauan traditional law: “Gibbons could have resorted to traditional law whose underlying principle supersedes written law and disregards application of the assault and battery charge and the authority of the police and the court” (*TBN*, 18–25 June 2004, 15). This argument is flawed because it mischaracterizes Palauan traditional law, which is administered by a council of chiefs (*rubekul ordomel*) according to a systematic and fair process of hearings by impartial groups of chiefs. These hearings are conducted after the offense is committed, and serious punishments, including death, can be imposed on a lawbreaker. The *Tia Belau News* also speculated that the incident could have generated a “direct confrontation between traditional and constitutional systems of governance . . . a national crisis.” On the face of it, this is not credible. The rule of law is well established in Palau. Furthermore, chiefly titles confer great prestige and are highly respected, even revered. The title *Ibedul* and Gibbons’s sincere remorse are what saved him from going to jail.

Palau’s second tragic incident during the year involved the murder of three members of a Seventh-day Adventist (SDA) missionary family and abuse of a fourth member. The brutal murders of Pastor Ruimar DePaiva, his wife Margareth, and son Larrison, and the abuse of daughter Melissa, were committed by Justin Hiroshi, who had been in prison on both Guam and the US mainland. Reportedly Hiroshi was on a methamphetamine “high” at the time of the attack on 22 December 2003 at

the SDA high school campus in Airai State. News accounts stated that the murderer had been deported to Palau without any records being sent to law enforcement officials there. The 29 December public funeral of the Depaiva family members galvanized most everyone in Palau with emotions of deep sadness and grief. Appropriately, President Remengesau declared a national day of mourning, and all of Palau’s social and political leaders paid their respects at the funeral.

President Remengesau neared the end of his fourth year in office and will stand for election in November 2004. He and the twenty-five-member National Congress (*Olbiil Era Kelulau*, or *OEK*) engaged in a number of skirmishes and disagreements involving casino and banking legislation, method of amending the constitution, the congressmen’s official expense allowances, the status of the minister of justice, and the venue for the president’s annual State of the Republic address. Remengesau vetoed *OEK* amendments to the casino and banking laws in late 2003. With the determined help of some 100 church and women protesters who parked themselves at the House of Delegates chambers, the president’s veto of the casino bill was sustained by the delegates after the Senate had overridden his actions. Given some moral support by the Australian ambassador in Pohnpei, the *OEK* amendments to Palau’s Financial Institutions Act were also turned back. Remengesau maintained that the changes would tarnish Palau’s international standing in the banking community and jeopardize the safety of deposits held by individual Palauans. Several years ago over a

billion dollars was laundered through several dubious banks in Palau, which were later put out of business under the provisions of the act.

Sometimes it appears as if OEK members may be more *law-breakers* than they are *law-makers*. This characterization concerns the resurrection by the congress of a statute that was declared unconstitutional by the Palau Supreme Court in 1995. That same provision provided congressmen an additional \$1,000 for monthly expenses and was written into RPPL 6-37. This increased OEK member annual compensation by \$12,000 to a total of \$56,000, of which \$24,000 would be tax-exempt. Special Prosecutor Everett Walton filed suit against 24 of the 25 congressmen for unlawful receipt of \$1,000 monthly expense allowances. He claimed that the funds were used for private rather than official purposes and therefore constituted unlawful compensation. Walton requested the court to order the defendants to pay restitution of tens of thousands of dollars and a civil penalty of \$10,000 each. As of 30 June 2004, the court had not ruled on his motion. Earlier in the year the minister of finance informed the congressmen that they would no longer receive the monthly allowance, and he told them to return what they had received to date. One member, Senator Yukiwo Dengokl, returned some \$32,000. With the public airing of the entire issue, congressmen were criticized for acting arrogantly, lacking moral stature, and abusing their authority. The Constitution of the Republic of Palau is crystal clear on the issue of compensation for congressmen: “No increase in compensa-

tion shall apply to members of the Olbiil Era Kelulau during the term of enactment.”

Early in his administration, President Remengesau had spoken about amending the republic’s 1979 constitution. He invited the congress to join the effort. Finally, on Independence Day (1 Oct) 2003, he announced a people’s initiative to amend the constitution via petition, one of the three avenues available. Five provisions would be offered to the voters for their consideration on general election day 2004. These would change Palau’s National Congress from two houses to one house; limit terms in the congress; require a uniform fee for congressmen’s compensation; allow Palauans to hold dual citizenship (US and Republic of Palau only); and require the presidential and vice-presidential candidates to run together on one ticket rather than separately. The congress responded by calling for a constitutional convention, urging that the issue be put to the voters in November. The congress passed a resolution to place the question: “Shall there be a Convention to revise or amend the Constitution?” on the ballot. Remengesau opposed this method as too expensive, politically destabilizing, and radical. As he stated in a letter to the Senate, “Our country is at a tender age still, and should not have the foundations shaken by the turbulence of an unnecessary Constitutional Convention” (*TBN*, 16–23 Jan 2004, 3). By the end of the period under review, Remengesau’s petitions had garnered the requisite number of signatures. The distinguished women’s leadership group Mechesil Belau offered three other amendments that



would make the Palauan-language version of the constitution superior to the English version in cases of conflict; create a tradition and customary court to adjudicate matters relating to land, chiefly titles, and other key customs; and set term limits for all court judges. These provisions have yet to be placed on the November ballot.

For unexplained reasons, the National Congress took a dislike to Minister of Justice Michael Rosenthal, who served as the special prosecutor before joining the cabinet. The congress had earlier tried to get rid of him by not budgeting funds for his position. In June they demanded Rosenthal's resignation, claiming that he was ineffective as a manager and was responsible for a rash of prison escapes. Remengesau came to Rosenthal's defense, stating that the problem of prison escapes reflected larger issues. Furthermore, according to the constitution, cabinet appointees "serve at the will of the President."

Despite some sparring and disagreement, the congress and Remengesau passed some important legislation during 2003–2004, which, among other things, protected copyright; provided tax waivers for sustainable agriculture, mariculture, and aquaculture; established a protected areas network; reorganized land claims; changed the labor law; restored "sin taxes" on alcohol and tobacco; strengthened fishing laws and prohibited shark finning; established a free trade zone with tax incentives; increased penalties for driving under the influence of alcohol or illegal drugs; allocated funds for payment on the Taiwan loan for the Melekeok capital construction, and additional

funds for the 9th Festival of Pacific Arts; and made it possible to borrow \$15 million from the Taiwan International Commercial Bank of China (a twenty-year term at 3.5 percent interest) for major repair of the airport's runway. Finally, Remengesau and congressional leaders worked out an important agreement allowing for the use of World Bank expertise in an independent feasibility study of oil exploration in northern Palau, as well as analysis of proposed legislation regarding such exploration. Going into the 2004 campaign season, relations between Remengesau and the congress were much improved.

During the year, new ambassadors from Sweden, the Netherlands, and Japan presented their credentials to President Remengesau. Spain's non-resident ambassador presented both his credentials and a grant for \$250,000 for energy resources projects and to support the 9th Festival of Pacific Arts. Stuart Beck of New York City was confirmed as the republic's ambassador to the United Nations, presenting his credentials to Secretary-General Kofi Annan in April 2004. Beck had served as legal counsel to the Palau Political Status Commission, which negotiated a separate political status for Palau and defined the basic framework of the compact of free association. He was granted honorary citizenship of Palau in 1979. The Czech Republic became the thirty-first country to establish diplomatic relations with the Republic of Palau when Ambassador Stanislav Slaviky and State Minister Temmy Shmull signed a joint communiqué in September 2003.

President Remengesau traveled to

French Polynesia for the first time to meet French President Jacques Chirac at the meeting of the Pacific Islands Forum. Soon after, Remengesau met with the presidents of other freely associated states in Majuro. Kessai Note of the Republic of the Marshall Islands, Joseph Urusemal of the Federated States of Micronesia, and Remengesau discussed quarantine standardization, extradition treaties, anti-terrorism issues, and other matters. At the Pacific Islands Forum meeting in New Zealand, delegates were interested in Remengesau's regional plan for the removal and recycling of solid waste, as well as his ideas about a renewable energy program. In May 2004, Remengesau and key political and cultural leaders visited the Republic of China (Taiwan) to attend the inauguration of President Chen Shui-bian. Taiwan has been a major benefactor, providing multimillion-dollar grants and loans since Palau's independence in 1994. In March Remengesau had visited Tokyo, Kyushu, and Hokkaido to promote Palau as a destination for wealthy senior citizens. In June, the president returned to Japan to meet with former Prime Minister Yoshiro Mori to discuss economic support and cooperation, including a plan for comprehensive repair of Koror's roads. Japan has agreed to repair Koror's three causeways, which were built by the Japanese colonial government prior to the Pacific War. While in Tokyo, Remengesau spoke to officials at Japan Airlines, urging them to send more charter flights to Palau. He also met with 500 members of the Palau-Japan Friendship Association, giving them an update on Palau affairs

and inviting them to the 9th Festival of Pacific Arts.

At a grand gathering on 18 June, Remengesau declared his candidacy for a second four-year term by accepting a nominating petition. He stated that his campaign motto would be identical to 2000: "Preserve the best and improve the rest." He indicated he would continue attempts to grow the economy while protecting the environment: "Our environment is our economic future, and our economic future is our environment. They are one and the same" (*TBN*, 25 June–2 July 2004, 5). Remengesau is an energetic, skilled campaigner and convincing speaker, but several challengers for the presidency have emerged. Ben Roberto, a Church of the Latter-day Saints pastor, has begun a campaign, as has former Congress of Micronesia member and multimillionaire businessman Polycarp Basilius. Roberto finished last in a field of five in the 2000 primary race with less than 2 percent of the vote, but Basilius has a solid core of support. Like a heavyweight boxer, he is coming out of retirement hungry, ambitious, and with money to spend. Although it seemed likely that Vice President Sandra Pierantozzi will also challenge Remengesau, she remained uncommitted at the end of the review period.

Pierantozzi is both vice president and minister of health. She is active, focused, and outspoken, and has gained considerable self-confidence and sophistication through nearly four years of international activity. Pierantozzi was the key person keeping Palau free from Severe Acute Respiratory Syndrome (SARS) during

the outbreak of this disease in 2003. She is knowledgeable about health issues in many parts of the world and is committed to active participation for Palau in all matters relating to health. In April in New Zealand, Pierantozzi represented Palau well at the Pacific Islands Forum meetings, which scrutinized and accepted a new vision and mission for the organization. In Honolulu, she was elected president of the Pacific Islands Health Officers Association.

United States–Republic of Palau compact agreement funding payments were \$14.07 million for 2003 and \$14.21 million for 2004. These compact payments will end after 2009, although Palau is banking on a second compact agreement similar to that negotiated by the Federated States of Micronesia in 2003. Palau reports annually to the United States regarding how these funds are expended. Beyond this US operational support, the Republic of China and Japan led in providing grant and loan assistance to Palau. In addition to a loan of \$15 million for airport runway resurfacing, the International Commercial Bank of China (ICBC) extended a \$5 million loan to the National Development Bank of Palau. The Taiwan government granted Palau \$470,000 to repair the T-dock facility on Koror, and another \$330,000 for permanent seating at Palau's national track and field facility. As in years past, three Taiwanese Navy ships paid a friendship visit to Palau without incident. During Remengesau's visit to Taiwan for the Chen inauguration, the Palau president commented on the two-China issue, "President Chen is committed to a peaceful process of solving

the crisis. That is important to us" (*TBN*, 28 May–4 June 2004, 2). Palau established diplomatic relations with the Republic of China in 1999 and has received about \$40 million in grants and loans to date. In turn, Palau has supported Taiwan's entry into the United Nations. Shanghai conglomerate Well Reach Ltd is interested in investing in Palau and signed a general agreement with President Remengesau in June 2003 (*TBN*, 15–22 August 2003, 2). This represents the only involvement in Palau of the People's Republic of China.

Japanese banks forgave \$20 million worth of debts, providing Palau with a sensational windfall. In the 1980s, two Japanese companies constructed multimillion-dollar short roads in Melekeok, Ngiwal, Ngerche-long, and Ngermlengui states using compact funds as collateral and the Palau national government as guarantor. Nothing was ever repaid on these loans. In 1983 an electrical power company in England made a similar \$32 million loan. Palau defaulted on that loan, court suits ensued, and finally in the 1990s President Nakamura deftly negotiated a payment settlement with British banks. The loan forgiveness by the Japanese banks was a huge stroke of luck for Palau.

Japan's International Cooperation Agency has provided Palau with highly qualified volunteers. At present twenty-four regular volunteers and eleven seniors are serving two-year stints, working in engineering, Japanese language teaching, elementary school teaching, and at the national museum and hospital. The agency also sponsored a summer festival for

Palau youth, to introduce Japanese culture, arts, and sports. To assist Palau in developing its human resources, Japan annually provides three full-expense university scholarships. This year's winners will attend Utsunomiya University, Waseda University, and Sundai Travel and Hotel College. Japanese mathematics volunteers put on a special three-week intensive math skills workshop in June 2004 so that Palauan youth could improve their performance in placement examinations for Japanese government scholarships. Koror's three causeways will be rehabilitated with a \$4 million grant from Japan. Dating from before the Pacific War, the narrow causeways have no guardrails and can be dangerous. The project was carefully researched by teams from Japan that examined structural, environmental, and design aspects. A high-level Japanese aid policy mission visited Palau in June 2004 to discuss future aid in relation to Palau's national development policy and plan. The mission reviewed past development assistance with President Remengesau's staff and defined a comprehensive framework for future development assistance. Finally, some 200 Japanese from Saitama Prefecture and the Japan Aviation Academy will visit Palau in October 2004. The connection to Saitama is through its Koshigaya Kuizu Jinja (Shinto shrine), which is related to both the grand Ise shrine and the Palau Nan'yō Shrine built in 1940. The actual buildings that became the Palau Nan'yō Shrine were constructed at the Saitama shrine.

The aviation academy hopes to open a school near the Palau Interna-

tional Airport to train car, helicopter, and aircraft mechanics in cooperation with the Palau Community College. Japanese specialists are also assisting Palau with its solid waste management system needs and problems.

Delegations from New Zealand and Australia crossed paths in Palau in early June 2004. New Zealand Minister for Foreign Affairs and Trade Philip Bruce led a huge delegation of forty-five parliamentarians, businessmen, and leaders of nongovernmental organizations. Their visit was essentially a get-acquainted one, with exchange dinners and gifts and general discussion about trade, tourism, health issues, defense cooperation, and regional security. Also with the delegation was John Goodman, New Zealand's ambassador to Palau. The Palau-Australia Defense Cooperation talks ran from 31 May to 2 June. Chief of Staff Billy Kuartei sat in for President Remengesau, who was in Japan. The four officials on the Australian side had agreed on an agenda that centered on joint surveillance issues and systems. Palau officials expressed appreciation for the Australian-supplied fast patrol boat, which underwent a complete refitting and has an Australian captain, Lt Ian Tervet.

The United States and Palau carried out their annual consultations in July. As usual, Palau requested technical and financial aid. At the top of the list was funding for an audit of Palau's financial performance, as a mechanism for identifying problems that can be corrected prior to negotiations for a new compact agreement. Other requests included assistance to improve security and safety at Palau's

airport, technical assistance to establish a financial intelligence unit, and assistance in working with the European Union, which will pay for solar lighting and bicycle paths along some portions of the compact road. A US delegation, led by an ambassador, attended a meeting in Palau of the joint telecommunications boards of the three freely associated states. Discussions concerned a range of technical issues centering on telecommunications: Spectrum 21 software, telecom security and protection, interference of high frequency stations within and between the freely associated states, master frequency lists, and compact subsidiary agreements concerning telecommunications. Finally, the US Navy ship *Safeguard* sailed from Japan to Palau to show the flag, and so that its 100 crew members could enjoy five days of rest and recreation in Palau's warm weather.

Palau lost some important people during the year. Master canoe and men's house builder and chief Kitalong Dulei died at age 78. The *Rechebong* (the second-ranked chief) Daniel Miner died at age 81. He had served as a policeman during both the Japanese and American colonial periods in Palau. Carey Dale, a specialist in human relations who integrated into Palauan society, and Hiromi Rdiall both passed away at age 63. They were esteemed people. Tosiwo Nakamura and John O Ngiraked, leaders of the Progressive political party in the 1960s and 1970s, died a few days apart at age 73. Nakamura, elder brother of former President Kuniwo Nakamura, was an educator, framer of the Palau Constitution, and

Speaker of the 7th Palau Legislature. Ngiraked, an avid Palauan politician, spent the last part of his life in prison for masterminding the assassination of President Haruo Remeliik in 1985.

Some important off-island people visited Palau during 2003–2004. Former Prime Minister of Japan Ryutaro Hashimoto teamed up with former President Kuniwo Nakamura in leading the second experts meeting of the Asia-Pacific Forum for Environment and Development. Specialists from Pakistan, Japan, Australia, and Palau scrutinized the first draft of a final report to define a new model for an equitable and environmentally sustainable society. The final version of the report will be presented to policy makers and other persons of influence throughout the world. US Senator John McCain had a week's vacation in Palau. He has been sought out for his support for Palau's membership in the National Carriers Exchange Association, which would considerably reduce long-distance-calling rates for Palau. Dr Patrick Scannon and his "Bent Prop" Project team of Pacific War aircraft researchers were in Palau to continue searching for US aircraft lost over Palau. Miraculously, in January 2004, with the help of a Palauan fisherman, the team found the American B-24 bomber it had been seeking for eight years. Discovered in the lagoon at a depth of seventy feet, the aircraft was in remarkably good shape, and it is likely to contain the remains of as many as eight airmen. President Remengesau termed the bomber a sacred gravesite that must be preserved and protected. He made a scuba dive of the site with Scannon

in early February. In late May, constitutional scholar and specialist on territorial relations Arnold Leibowitz visited Palau. He had been retained by the late former president, Lazarus Saliu, and became deeply interested in the political tensions and machinations in Palau during the 1980s. This resulted in *Embattled Island* (1996), which describes Palau's struggle for independence and is one of the few books about contemporary Palau. Leibowitz noted that the republic had done well in institutionalizing democratic government, but that self-financing and economic strength remained major challenges (*TBN*, 4–11 June 2004, 5).

Tourism, a major money earner for Palau, rebounded greatly during the year. For calendar year 2003, Palau had 63,337 tourists, a healthy 8 percent increase over 2002. Of the 2003 total, some 27,857 (46 percent) came from Taiwan, and 21,401 (36 percent) arrived from Japan. Some 485 Australians visited, as did 800 Europeans from Germany, Britain, Italy, and Switzerland. In January 2004, Palau set a new monthly record for visitors: 8,136. Again, the largest numbers were from Taiwan and Japan. Some of the increase is attributed to Palau's appearance on CNN's *Sights & Sounds* in late 2003 and the attractive Palau Visitors Authority website <[www.visit-palau.com](http://www.visit-palau.com)>. As a tourist destination, Palau is now part of the global marketplace.

Long in the planning stage and counting on a continuation of robust tourism, Palau Micronesia Air's (PMA) Boeing 737-300 finally took to the skies with its inaugural flight to Darwin, Australia, on 5 August. This was

preceded by an inspection flight of the 126-passenger aircraft to Yap, Pohnpei, and Chuuk by the New Zealand Civil Aviation Authority. New Zealand is involved because Air New Zealand will provide flight crews and aircraft maintenance for Palau Micronesia Air. Founded by Palauan entrepreneur Alan Seid, the initial capital of a half-million dollars was invested by founding shareholders Seid, *Ibedul* Gibbons, former President Kuniwo Nakamura, former Senator Sam Masang, and businessman/Senator Surangel Whipps. The sale of stock has generated some \$3 million, according to one PMA board member (*TBN*, 2–9 April 2004, 2). The Pohnpei State Legislature invested \$500,000 and Yap state invested \$1 million. Palau's National Development Bank termed the new airline an economic growth engine and invested \$1 million, which came from the \$5 million ICBC loan. However, initial commitments of \$1 million from a Japanese source, a half-million dollars from the Commonwealth of the Northern Mariana Islands, and support from Aloha Airlines were withdrawn. Probably to the embarrassment of Governor Juan Babauta, the development authority in the Mariana Islands pulled its intended half-million-dollar investment because it concluded that the PMA projections of load factors and revenues were too optimistic in the face of high operating costs and limited capital. Air transport agreements have been worked out with government officials in the Philippines, South Korea, the Federated States of Micronesia, and Australia, and similar agreements are in the works for Hong Kong. Presi-

dent Remengesau has taken the lead in this effort, understanding the risks to the venture but claiming it is “preferable to overcome those risks rather than sit back and wait for guarantees because the rest of the Micronesian countries have been looking forward to a second airline to serve the Pacific region” (*TBN*, 2–9 April 2004, 2). Initially, Palau Micronesia Air will fly to Yap, Chuuk, Pohnpei, Manila, and Darwin, Australia; it claims its fares will be at least 15 percent below those of Continental Airlines. Although Japan Airlines has not invested in Palau Micronesia Air, it worked out a marketing tie-up whereby it will assist with PMA sales. Curiously, with Taiwan and Japan supplying 80 percent of Palau’s tourists, some of whom come through Guam, these locations are not part of the initial PMA flight routes. Sweden’s Volito Leasing Company is providing the Boeing 737. PMA President Alan Seid has had two chief executive officers to date: on 22 June 2004, Robert Nelson replaced Jim Bradfield, who reportedly returned to Australia for “personal reasons” (*TBN*, 2–9 July 2004, 12). Nelson has experience in marketing aviation services, has consulted for the US Federal Aviation Authority (FAA), holds an FAA Airline Transport Pilot rating, and is currently piloting several types of commercial aircraft. After his introduction to PMA investors and shareholders, Nelson claimed the airline was unique in having “the support and the prayers of the people of Micronesia as the wind beneath its wings” (*TBN*, 2–9 July 2004, 12).

The Bank of Hawaii, which has operated in Palau since 1961, opened a spanking new building in central Koror in October 2003. The bank

donated \$25,000 and loaned \$1 million to Palau for the 9th Festival of Pacific Arts. With some \$9 billion in assets, the bank is betting on Palau’s continued economic success. But according to Senator Yukiwo Dengokl, Palau’s leaders are not doing what experts say is necessary to build economic viability. Dengokl claimed Palau’s leadership was plundering the compact trust fund instead of building it; squandering money on needless junkets of questionable value; looking to other people for solutions to Palau’s problems instead of looking inward; increasing Palau’s dependence on foreign labor with its attendant outflow of hard cash; and failing to insure the existence of a new generation of professionals for legal, medical, accounting, and engineering work. He also said that many people are abdicating their responsibility for child rearing and values instruction. “It’s enough to make a grown man cry to see how terribly we are failing our children” Dengokl stated. He went on: “Today we see our elders and parents partying, dancing, cutting ribbons, and coloring their hair, and doing whatever it is that seems to be the current fad . . . while our children are left to tend to themselves eating processed foods and watching TV shows that are unsuitable even for delinquent adults, or playing violent videogames that leave them physically and mentally weak” (*TBN*, 25 July–1 August 2003, 8).

Work on the Babeldaob Island fifty-three-mile circle road continues to inch along; weather permitting, it might be completed by late 2005. Daewoo Engineering and Construction Corporation, the main contractor, has filed suit against the US govern-

ment, claiming defective specifications for the contract estimate of anticipated adverse weather delays for scheduling the project, and failure to disclose vital information to the bidders regarding the amount of Palau's rainfall and the time required for soil to dry out after rainfall. Such suits against the US government usually fail. Nevertheless, the US Army Corps of Engineers will add equipment and manpower to expedite the roadwork. Furthermore, the United States will provide an operation and maintenance plan for the road. However, Palau will need to confront the issue of financing maintenance for the huge road.

The Royal Taipei Hotel chain leased land on Malakal Island for a 160-room hotel. Construction on the facility began in February 2004; it will have the full range of amenities and be known as the Royal Palauan Hotel. However, the grandest plan of all is that of Palau Pacific Energy Inc, which has apparently persuaded many of Palau's political leaders that the chances of oil under the sea floor north of Kayangel Atoll are good. A \$1.7 billion figure of revenue for Palau has been bandied about, based on annual payments of \$63 million. This, in turn, is based on the assumption that 250 million barrels of crude can be pumped over twenty-seven years at \$28 per barrel. Such huge dollar amounts have brought about "oil fever" and generated an argument between President Remengesau and the congress on how to proceed. The congress claims it has informed itself about the oil exploration and exploitation business and associated environmental issues through consultation visits to Singapore and Texas,

but Remengesau takes a more cautious approach. The two sides worked out an agreement and signed a joint letter to the World Bank requesting its support for funding an independent feasibility study of oil exploration and an independent analysis of pending OEK legislation regarding oil exploration and exploitation. Hopefully with this cautious approach Palau will avoid the financial debacles of the past.

By virtue of Palau's superb performance in the 2000 New Caledonia 8th Festival of Pacific Arts, the republic was granted venueship for the 9th festival. People in Palau began preparations early and this work hit a feverish pitch in 2004 with the festival (sometimes "bestibal") taking place 22–31 July. In March, delegates from twenty-six Pacific nations met in Palau to nail down protocol, logistics, and catering details. Palau's organizing committee selected the theme, "Nurture, Regenerate, Celebrate," and the event was expected to cost over \$4 million. From the excitement, commitment, and energy generated ahead of time, the 9th festival promised to be the grandest and greatest event Palau has ever hosted.

DONALD R SHUSTER

SPECIAL THANKS TO *Yoichi K Rengiil* for comments on an earlier draft of this review.

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