

## 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.

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### *Reference*

TBN, *Tia Belau News*. Weekly. Koror.