

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

#### FEDERATED STATES OF MICRONESIA

In this report, I discuss the progress of the painful public-sector reforms instituted after the third step-down in Compact I funding in order to stimulate private sector growth in the FSM national economy. I touch on the role of politics in scaling back these reforms. In addition, I address the ever-present tension between the two political branches of the national government. Rather than discuss the progress of issues in much detail, this report summarizes the important economic and political issues taking place during the reporting period.

For the past several years, the main concern for leaders in the Federated States of Micronesia has been the country's slow (perhaps too slow) progress in economic development. To kick-start the economic development program, the Third FSM Economic Summit approved a strategy developed by the Economic Management Policy and Advisory Team (EMPAT) that would encourage growth in the private sector of the economy. The summit, which was held in 2004 as the concluding act of the EMPAT group, followed in the wake of the politically contentious and painful public-sector reforms carried out at all levels of the gov-

ernment at the advisory team's urging.

The main impetus for the private-sector growth strategy was the public-sector reforms instituted after the third and last step-down in funding under the first Compact for Free Association. As conceptualized, the reforms included reduction in government employment and salaries. These reforms were supposed to be continuous. Initially under the reforms program, all the states met their objectives of reducing employment and salaries in their respective government sectors. Then some of the states began to roll back the accomplishments of their reform programs, especially after seeing that some elected officials who implemented the programs had been thrown out of office. After Compact II implementation, all the states and the national government seem to slide into complacency. One national government official complained to me privately that the national government was circumventing its own policy of keeping the public sector small. It has resorted to hiring new employees on special contracts. It is easier to justify this type of hiring because the contract is supposedly for a specific length of time. In addition, these hires do not show up on the list of permanent employees. However, as another official pointed out to me, "the effect on the overall government is the same: it increases the budget. In fact special contract hiring is more expensive."

If the degree of complacency about public-sector reforms is the yardstick to gauge the growth of the private sector, then the result is readily predictable: it is growing at an excruciatingly slow pace. In 2005, growth in the gross domestic product hovered around 1.5 percent. This growth may be attributable to new hiring in the public sector after Compact II implementation. The agriculture sector, which has always been a top priority on everyone's list, shows very little development activity. Student interest in agriculture as a major at the national campus of the College of Micronesia-FSM might be seen as a good indicator of the lack of activity in the sector. Every graduation the college graduates 1-2 students in agriculture compared to 7 in Micronesian studies and 20 in liberal arts. This suggests that agricultural development will remain as a top priority on paper only.

Like agriculture, fishery tops everyone's list as the sector with the greatest potential for investment. However, faced with constraints such as high costs, uncertain freight systems, and small profit margins, development activity in fisheries is almost nonexistent. The fishery companies that sprang up almost overnight under the first compact and had been the focal points of hope for economic development no longer command any attention. Some have gone bankrupt and others have scaled back their operation to one or two fishing boats. The Micronesian Longline Fishery Corporation is now in receivership and the FSM Congress is calling for investigation and prosecution of its board of directors.

The FSM government will continue to sell fishing rights to "distant-water" fishing nations (DWFN) to exploit the deep-sea marine resources of its exclusive economic zone. Licensing of foreign fishing boats is a lucrative program and the major source of foreign exchange for the Federated States of Micronesia. In a good year, it brings in between US\$19 million and \$22 million to the national coffers. However, experts have recommended the adoption of a comprehensive fisheries management law that includes resource allocation and management, with sound research, monitoring control, and surveillance, as well as a suitable enforcement apparatus (World Bank 1995, 49). The country has adopted a fisheries law, but nothing has happened yet; the national government seems content with selling fishing rights to distant-water fishing nations.

Commercial agriculture and fishing make up only 8 percent of the total FSM market economy (EMPAT 1996). The Third FSM Economic Summit also identified tourism as a sector with high growth potential. But in the years since the economic summit recommended tourism as a high priority for development, nothing has happened. According to government statistics, about 14,000 people visited the country in 2005, the same as the previous year. Though the numbers of tourists remain unchanged, some hotels stand virtually empty. The high cost of air travel and the relatively undeveloped tourist attractions have left the Federated States of Micronesia out in the cold vis-à-vis tourism. The country is finding out that it is easy to target the tourism sector for high

growth, but it is much harder to attract visitors.

Governments at all levels are adjusting to the power and influence of the “budget tsar” provided for in the new compact. Under Compact II, the FSM constituent states are required to formulate their annual budgets in accordance with the Joint Economic Management Committee (JEMCO) guidelines, and then transmit them to the national government for submission to JEMCO for review and approval. State and national officials grumble about neocolonialism and identify JEMCO as a latter-day trust territory high commissioner. The Pohnpei state governor took out his frustration about the Compact II budget process on the national government and JEMCO by suggesting that state leaders consider another political status to avoid the interference of these two foreign entities, the FSM national government and JEMCO.

The JEMCO chairman made a couple of stops in the Federated States of Micronesia to preach publicly his brand of social and economic development. The message in his public pronouncements was reminiscent of the 1960s accelerated education program. The cynical local view of JEMCO’s involvement is that it resembles a cargo-cult syndrome. According to this view, the construction of more classrooms will bring immediate economic self-sufficiency. Whether JEMCO’s involvement will bring immediate economic self-sufficiency or not, the FSM public is at least encouraged.

The two main features of the FSM national government are separation of power and checks and balances. In the separation of power scenario, each

of the three branches has assigned roles. The two political branches, executive and legislative, have the roles of executing laws and making laws, respectively. The relationship between the two branches has been characterized by a constant jockeying for power. The president vetoed congressional acts, and in turn the congress overrode the vetoes and rejected presidential nominees for department heads and for the FSM Supreme Court. In June, the Speaker of the FSM Congress filed a lawsuit against the president (*Christian v Ursemal*). This controversy involves interpretation of the national constitution. For a bill to become law, a little-known provision in the national constitution requires the congress to pass it on first and second reading on two separate days. The disagreement centered on the meaning of “two separate days.” Does this phrase mean two separate calendar days or two separate legislative days? In its special session in the state of Kosrae, the FSM Congress passed several bills on first reading before 10:00 AM and adjourned. At 10:00 AM on the same day, it reconvened and passed the bills on second and final reading. When the congress transmitted the bills to the president for his signature, the president vetoed them, arguing that congress violated the national constitution when it passed bills on first and second readings on the same day. This veto precipitated the Speaker’s lawsuit, which argues that congress passed the bills on first and second readings on two separate “legislative” days. According to the Speaker, a legislative day is different from a calendar day because it begins at 10:00 AM and ends at 10:00 the following morning. In his lawsuit,

Speaker asked the Supreme Court to set aside the president's veto because the congress had acted within constitutional bounds.

In its opinion, the appellate division of the FSM Supreme Court did not even attempt to define the phrase "two separate days." It sidestepped that problem and addressed the remedy the Speaker requested. According to the court, the constitution grants absolute veto power to the president. Moreover, this veto power is not subject to the review power of the court.

Although this kind of dispute is endemic to the FSM system of government, many people see it as symptomatic of a congress-dominated government. The powers exercised by the national congress are the same as those exercised by the US Congress. However, the method of electing the president and the politics surrounding it tip the balance in favor of the legislative branch.

The antagonistic relationship between the two political branches will continue for at least the rest of the term of the current administration. Several controversies are still looming large on the political horizon, such as the unauthorized US\$120,000 loan the ambassador to the United States took out to pay for cost overruns at the embassy in Washington DC. During its regular session in May, the congress adopted a resolution requesting the president to recall the ambassador to the United States. But instead of recalling the ambassador, the president authorized the payment of the loan from funds appropriated for other activities. The congress filed a temporary restraining order to stop him, but it was too late; the administration had already paid

the full amount to the lending institution. The bad blood between the president and congress will probably have some effect on the FSM presidential election in May 2007.

This year Richard H Benson, who sat as a specially designated justice on the Trial Division of the FSM Supreme Court in Chuuk, convicted one former member of the national congress. Justice Benson found the former senator guilty of one count of criminal conspiracy to violate certain sections of the national code. He sentenced him to thirty months in jail with certain release conditions for work and religious service. Previously, another former national senator had pled guilty to one count of criminal conspiracy to violate the national code and he was sent to jail for two years. Earlier this year, the chief justice of the FSM Supreme Court found the former Speaker of the national congress guilty of one count of criminal conspiracy and sentenced him to a suspended two-year jail term.

When the senators were still in congress, they had voted in favor of a resolution that had disapproved the appointment of Richard H Benson as a specially designated justice to preside over their trials. The president challenged the constitutionality of the law that had allowed the congress to approve or disapprove specially designated justices. The Supreme Court upheld the president's challenge and ruled that the law was unconstitutional. Consequently, Benson was reappointed to preside over the former senators' trials. In addition, the senators had participated in an effort in congress to grant blanket amnesty to members under investigation at

that time or in the future. The amnesty bill would have passed quietly, but once people found out about it they came in large numbers to the congressional chamber to observe the session. Perhaps the outpouring of public interest in the amnesty bill forced the congress to abandon it. However, its ripple effect had caused the defeat of a move to renominate the attorney general to serve the new administration.

With the departure of the attorney general, the investigation of public officials seems to be relegated to the back burner. For the past three years, no indictments were issued and there was no news of fresh investigations from the national Department of Justice. The political waves the FSM Congress created had effectively drowned the investigation of the public officials. It was supposed to cover all four states, but it ended prematurely in Chuuk.

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### GUAM

This year's hottest topic—championed by Guam's governor as the island's largest economic boom—was Guam's impending absorption of 8,000 relocated Marines, their 9,000 family members, and 15,000 construction workers, to build up island facilities. While Guam's strategic role as the "tip of the spear" for the US military intensifies, perhaps even more meaningful to the community has been the steady growth of the Guam-Chamorro voice, presence, and activity. This serves as armament of its own.

In 2005, news traveled that Trini Torres and others had created the Chamoru Cultural Development and Research Institute, a nonprofit humanitarian organization encouraging self-sufficiency through culturally viable means. "I Fine'ne'na' na Konferensian Chamorro" (The First Chamorro Conference) was held in March 2006. According to Rosanna Barcinas, program officer for the Guam Preservation Trust (one of the conference sponsors), Chamorros gathered from throughout the Mariana Islands to "discuss, share, and inspire every aspect of Chamorro people and their culture. From this konferensian [conference], a commitment was made to perpetuate Chamorro language and cultural unification despite political divides"; the impetus was the recognition that "we are one people" (Barcinas, pers comm, 13 July 2006). At the konferensian, the Chamorro Land Trust Commission formally approved land for the nonprofit group Inadahen Lina'la Kotturan Chamoru to develop a Chamorro cultural center.

Shortly thereafter, off-island Guam-Chamorros (attending university or otherwise on the US mainland) coordinated a stateside-based conference called “Famoksayian: Decolonizing Chamorro Histories, Identities and Futures,” which was held 14–15 April 2006 in San Diego, California. The conference served to empower participants by reaffirming their Guam and Chamorro identities.

Bolstering the visual presence of indigenous Chamorro in Guam was the rebuilding of the typhoon-flattened Traditional Seafaring Society’s canoe house at Paseo, Hagåtña; progress toward realizing a Guam Museum; the opening of a Chamorro Heritage Resource Center; the release of Julian Aguon’s book *Just Left of the Setting Sun*, which examines the contemporary political and cultural landscape of Guam-Chamorros; the local and national premieres of Alex Munoz and Baltazar Aguon’s sixty-second film *Matta Saina-Ta Hurao (The Return of our Elder Hurao)*, which showcased an ancestral leader celebrated for leading the cause of freedom; the publication of Baltazar Aguon’s updated Chamorro resistance legend, *I Dos Amantes (The Two Lovers)*; the launch of new Guam-based Web sites, such as <<http://freewebs.com/allthingsguam>>, which organized hundreds of Guam links into indigenous time categories; and regular protests by Chamorro activists demanding the resolution of political status and other issues.

While local programs highlighting Guam issues, such as the Malafunkshun radio and television shows, continued to be successful, other alternative media appeared last year: the

*Marianas Variety* newspaper, with a Guam edition; *GU Magazine*; ABC 14 News; Famoksayian blog and e-mail listing; and a handful of local radio talk shows. Part of this growth can be attributed to the belief by some that Guam’s public media space is dominated by traditional media and by certain people, pushing particular viewpoints and agendas (eg, *PDN*, 26 May 2006, letter to the editor).

The now commonplace public debates regarding political status issues continued during the year, asking such questions as: Is amending the Organic Act a viable solution (as one senator proposed in a bill this year)? Do we want a constitution? Should there be a Chamorro-only vote for self-determination? Should the Commission on Decolonization be eliminated? Some expressed the opinion that the media sets up such forums to unduly influence the population toward a particular viewpoint (eg, *PDN*, 15 Jan 2006).

The community in Guam continued to keep tabs on the activities of Guam-Chamorros off-island, as noted in the *Pacific Daily News* article about the Phlight Restaurant Wine Bar in California, which offers “fusion with Chamorro food” (*PDN*, 6 April 2006); and the letter to the editor titled “Mississippi Chamorros Thankful for Katrina Help” (*PDN*, 21 Oct 2005). Misfortunes were shared, as captured in the headline “Bay Area Remains May Be of a Guam Man” (*PDN*, 30 April 2006), and accomplishments were celebrated, such as Father Randolph Roque Calvo’s ordination as Bishop of the Roman Catholic Diocese of Reno on 17 February 2006 (*PDN*, 19 Feb 2006). Locals also

cheered for the Guam Little Leaguers who made it to the World Series International Semifinals; their achievement was declared the “top local sports story of the year” by *Pacific Daily News* (*PDN*, 1 Jan 2006).

In October 2005, the US Department of Defense announced the relocation to Guam of thousands of marines from Okinawa, Japan, a move that more than doubles the size of Guam’s current military presence. There may be thousands more marines to come.

Local companies wonder what their share of the relocation construction contracts will be, and how competitive they can be in the federal market. Although military sources state that Guam workers and contractors will be used “wherever possible,” they also caution that “it would be inappropriate to favor any particular company or group of companies in awarding contracts.” Further, as the government of Japan is covering some 60 percent of the US\$10.3-billion-dollar relocation costs, it will likely also have a say in how money is expended (*PDN*, 3 June 2006).

Guam’s construction labor force of 5,000 can handle about US\$300 million in projects at a time. This means that as many as 15,000 additional workers may be recruited, perhaps from Okinawa or elsewhere, on temporary H2 visas. Governor Felix Camacho has proposed training locals, and has directed the Bureau of Statistics and Plans to build a comprehensive database, identifying Guam-Chamorros and former residents as potential resources (*MV*, 5 June 2006).

Politicians have noted that the increased military presence will boost

the income tax collected from federal employees and given to Guam by US\$50 million a year, and that military spending on-island was already increasing in expectation of its expanded roles (*PDN*, 1 June, 3 June 2006). By June 2006, the master relocation plan from the US Pacific commander was still pending (*PDN*, 2 June 2006).

Calling for him to capitalize more on this move, some have criticized Governor Camacho for not assuming a stronger role in the relocation negotiations (he declined to participate in some); for severely underestimating what it will cost to build up the island’s infrastructure; and for not bringing to the negotiating table Guam’s long unsettled issues: World War II reparations (which made some progress in Congress this year); the return of indigenous lands; forgiveness of Guam’s federal debts; and an improved political status for the island (see *MV*, 1 June 2006; *PDN*, 19 April 2006). Though Governor Camacho has created a “quality of life” committee and a Civilian/Military Task Force, many still worry about the social impacts of this huge influx of troops (*PDN*, 27 May, 2 June 2006).

In an effort to explain Guam’s wariness, historian Pale’ Eric Forbes pointed to previous US military practices in relation to the people of Guam, including a double-standard pay scale, a two-track school system, and segregation. In the past, authorities have also encouraged Chamorros to be content with the limited freedoms and rights provided by the US Navy government of the day (*PDN*, 23 Feb 2006). Some residents have been reluctant to trust the federal and

military entities creating the master relocation plan. They note that these are the same entities that “purposefully killed the presidential directive handed down in 1975 by President Ford demanding Guam be given a commonwealth status ‘no less favorable’ than the one negotiated between the US and the Northern Marianas at the time.” Some have also expressed concern that the increased military presence might provoke Asian aggression against the island (*MV*, 5 June 2006).

Added to this atmosphere of distrust was a former US Navy officer’s apology for his part in concealing the fact that Guam was affected by radioactive fallout from the post–World War II nuclear testing in the Marshall Islands. He claimed that the military’s position was to keep the people uninformed (*PDN*, 5 Nov 2005).

However, Guam’s community has a long tradition of joining the US military. Residents continued to enlist in the armed services in high numbers this year, and military enlistment rates are predicted to climb higher as the United States raised the qualifying age to thirty-nine (*PDN*, 15 Jan 2006). Also this year, Guam hosted Valiant Shield, the Pacific region’s largest joint military exercise in recent history. It involved 20,000 service members from the US Air Force, Coast Guard, Navy, and Marine Corps, twenty-eight naval vessels, more than three hundred aircraft, and seven foreign countries that had been invited to observe (*PDN*, 20 June 2006).

Guam’s community gathered food, and clothing, and thousands of dollars for victims of Hurricane Katrina in the United States. That same community spirit helped provide support

for residents of landslide-ravaged Leyte in the Philippines and for earthquake victims in Indonesia. Some on Guam were further motivated to help Indonesia, as the konferensian held in March had indicated there were likely ancestral Chamorro linkages to that area (*MV*, 5 June 2006). Much less appreciated than the aid itself was the brown tree snake intercepted “hanging from the side of a pallet inside a military cargo box” sent from Guam to Oklahoma (*PDN*, 29 Sept 2005).

This year involved preparations to implement standards of the Every Child is Entitled to an Adequate Public Education Act. The act vested parents with the right to file civil lawsuits against the Government of Guam (GovGuam) and its agencies and officials if they fail to meet the act’s standards (*PDN*, 1 Jan 2006). By 2008, Guam’s schoolchildren will have five new schools, with construction groundbreaking occurring for some of them in 2006. Perhaps they will soon be waving farewell to the overcrowding and double sessions that currently occur in public schools (*PDN*, 28 March 2006).

During the review period, issues surrounding the elected Guam Education Policy Board received attention and steadily became more heated. The board cancelled the Direct Instruction afternoon sessions (which they considered to be taking time away from other subjects); banned bags and plastic bottles, after homemade bombs injured students at school; informed the long-controversial Superintendent Juan Flores that his contract would not be renewed, although he could reapply for the position; and then fired Flores early one morning for insubordination.

Public debate opened up. Parents readied and signed petitions to recall board members, though no recalls were realized. The governor blamed problems on the board's removal of Flores, though others remembered similar problems occurring under Flores's control (*PDN*, 20 June 2006). Some felt that the governor and particular lawmakers were manipulating events to gain support for placing the selection of school board members back in the hands of the governor—a process Governor Camacho had worked against when he was a senator.

Guam tackled many health issues during the year. The community worked toward preparing for a possible bird flu pandemic. Governor Camacho followed the federal order to form a task force commissioned with improving services for those with mental illnesses. The hospital worked to overcome crowding, nurse shortages, and lack of medicines and basic supplies. Taxpayers continued to subsidize hospital operations to the tune of US\$22 million for fiscal year 2006. The hospital's board of trustees announced plans to award a contract in 2006 for a qualified hospital management team to reduce costs, streamline operations, and increase efficiency (*PDN*, 15 March 2006). On a positive note, Guam Memorial Hospital performed ten free open-heart surgeries this year, "the largest philanthropic efforts in Guam's healthcare history" (*PDN*, 1 Jan 2006).

In his 2006 State of the Island Address the governor declared, "There are more jobs, the public schools have improved, tourism arrivals are on the rise, and the military, which is expanding its presence here, is now

set to bring about the greatest economic boom our island has yet seen." He was reported as proffering "no new initiatives or goals," except for continuing to "set things right" and "moving forward with progress" (*PDN*, 23 Feb 2006). And while facets of Guam are thriving or recuperating, many people still struggle with quality-of-life issues—trying to keep up with rising health care costs, soaring gas prices, increasing water rates, skyrocketing electricity bills, and wage scales lagging woefully behind local inflation. Yet, some relief may be in sight, as in June 2006 lawmakers were working to increase the island's minimum wage standard.

A report released in October 2005 announced that GovGuam scored a 2.86 out of 10.00 points in its most recent Performer analysis. The governor's office noted that this was 0.82 points higher than the previous score, indicating improvement (*PDN*, 19 Oct 2005). Also noting GovGuam performance problems, the Guam's public auditor's annual report identified US\$7.2 million in "wasteful, unauthorized and possibly fraudulent spending of government money" (*PDN*, 25 May 2006; OPA, 2006).

The governor sustained his efforts to raise some US\$400 million through selling long-term bonds, largely to pay for GovGuam's numerous unmet commitments. However, the attorney general has continued to oppose this and has kept the process stalled in court. In response, the governor has appealed to lawmakers to legislate the attorney general out of the process. Some worry about the feasibility of GovGuam's paying off a sizeable loan and would like to see more proactive solutions (*PDN*, 3 Feb 2006).

Governor Camacho unveiled a revamped GovGuam reorganization plan. The plan merged twenty government entities into seven super-departments, with savings expected “after reorganization occurs” (*PDN*, 8 Oct 2005, 8 Feb 2006).

Lawmakers created several substantial changes for Guam this last year. They transferred certain aspects of the Civil Service Commission’s oversight authority to the administration department in January 2006. GovGuam agencies had stated that the commission’s oversight limited their ability to control office efficiency and effectiveness because it had final say over the tailoring of office positions and wages (*PDN*, 18 Dec 2005). Lawmakers also worked to end Guam’s reputation as a “divorce mill” by creating a new residency requirement (*PDN*, 15 Jan 2006). The discovery of convicted sexual offenders working within GovGuam in 2005 provoked a series of reactions—the law now provides stricter guidelines and requires government employees who are charged with or convicted of a crime to notify the head of their agency.

Debate regarding the privatization of government entities and their services continued. People questioned the now privately owned Guam Telephone Authority’s right to lay off twelve former GovGuam workers (*PDN*, 20 June 2006). Some leaders overseeing the Guam Waterworks Authority promoted a Performance Management Contract, though a few community members very vocally disagreed with any form of privatization of the authority (*GU*, Jan/Feb 2006). The Guam Port Authority, legally mandated to privatize its operations

and maintenance activities, broke off negotiations with the consultant company that was to put together its privatization plan this year. Other GovGuam departments and agencies continued to be examined for the potential benefits of privatization.

GovGuam headed several projects this year. The Department of Public Works was in the midst of twenty-nine road improvement projects. Flood-prone property was bought and demolished. More power lines went underground. Airport officials planned upgrades and improvements. Laws were passed to encourage GovGuam to become an “e-government,” requiring each government department to have a current Web site. Residents began to be able to go online to pay certain GovGuam bills or file their 1040EZ income tax forms. GovGuam also broke ground for projects, such as the new Guam Homeland Security Office of Civil Defense Emergency Operations Center, and began the renovation of the third floor of the Department of Mental Health and Substance Abuse facility.

In March 2006, the governor was declared eligible to retain independent counsel. Camacho has chosen to do so partly because Attorney General Douglas Moylan “often disagrees” with his legal position, and has even sued him (*PDN*, 12 March 2006). In April 2006, the attorney general’s office was reported to have raided the Camacho campaign headquarters, looking for government employees campaigning at taxpayers’ expense (*PDN*, 22 April 2006). For his own part, the attorney general stated that his visit to the Camacho campaign was not a raid. The following week, investigators from the attorney gen-

eral's office also showed up at the Kaleo Moylan–Francis Santos campaign headquarters for the same purpose.

The issue of government agencies failing to make retirement fund payments came to a head this year. Many claimed that they had been unable to receive retirement or survivor benefits. In response, the attorney general's office indicted former Department of Education Superintendent Rosie Tainatongo, former Department of Education Comptroller Raymond Miranda, former administrator Bill McMillan, former Governor Carl Gutierrez, and former Hospital Comptroller John Pangelinan for nonpayment of retirement contributions. These individuals were awaiting trial as of this writing.

Progress was made on very public indictments initiated in years past. The island's Supreme Court declared that criminal charges related to public streetlights, which had been filed against former Governor Gutierrez and others, should be dismissed "for good," and reprimanded the attorney general's office for certain conduct (*PDN*, 10 Nov 2005). Two months later, all theft and official misconduct charges against former Retirement Fund Director John Rios and former Governor Gutierrez, accused of "illegally altering Gutierrez's retirement status so he could collect thousands more in retirement," were dismissed (*PDN*, 1 Jan 2006).

Five business and political leaders were ordered to give "I am a convicted felon" speeches as a condition of their federal criminal cases: Gil Shinohara, Gutierrez's former chief of staff (who began serving a thirty-two month prison sentence in 2006 while

facing additional charges regarding involvement in the alleged altering of Gutierrez's retirement status); former Senator Willy Flores; former Speaker Tommy Tanaka; and businessmen Takahisa Goto and James Martinez (*PDN*, 1 Jan 2006).

Dr Davina Lujan, former Guam Memorial Hospital administrator, was sentenced to five years' probation "in connection with writing prescriptions in other people's names" (*PDN*, 13 April 2006). A change of plea hearing for former Guam Memorial Hospital Associate Administrator Therese Hart, accused of coercing a notary, was pushed back to August 2006 (*PDN*, 31 May 2006).

In 2005, controversial lobbyist Jack Abramoff eventually pleaded guilty to federal corruption charges in Washington DC. Subsequent national and local media coverage shed light on the roles played by Abramoff and his associates in aiding Guam Republicans' work to unseat then Governor Carl Gutierrez in the 1998 election. Published e-mails revealed Abramoff's attempts to get then House Majority Whip Tom DeLay to call for a timely federal investigation of Gutierrez. Current Governor Felix Camacho also noted that an Abramoff aide offered campaign strategies to the 1998 Republican gubernatorial team of Joseph Ada and Camacho. A money trail of thirty-six US\$9,000 checks, filtered through a third party, further linked Abramoff with Guam (*MV*, 3 April, 4 April 2006; *PDN*, 8 April, 10 April 2006; Tyrone J Taitano, pers comm, 14 April 2006). The dispenser of those checks, Tony Sanchez, has served as a top official in Governor Camacho's administration.

Senatorial seats opened up in 2006

as several incumbent senators opted not to run for reelection. Veteran Senator Lou Leon Guerrero stepped down midterm to assume presidency of the Bank of Guam, and three senators ran for lieutenant governor.

The year 2006 marks the first time that the island's attorney general and public auditor positions will appear on primary ballots. This will whittle down the number of contenders to two candidates per position, ensuring that the seats are won by a majority rather than a plurality of votes.

When the year under review ended, there were four teams competing in the race for governor. Incumbent Governor Felix Camacho and first-time Senator Mike Cruz ran under the slogan, "Honest Men, Proven Leaders." They were the first team to install large signage and saturate television airwaves with messages noting the benefits that they had delivered to the island. However, media coverage of government shortfalls, the nonpayment of teacher salaries, and other problems challenged some of those claims.

A mixed-party team, Republican Lieutenant Governor Kaleo Moylan and former Democratic Senator Francis Santos, was running for the Republican nomination. They ran a hard-line campaign—challenging Camacho's description of an improved economy and stating that they understood that government was "not a one-man show." Former Guam Governor Carl T C Gutierrez and former Chief Justice and current Senator Benjamin J "BJ" Cruz ran with such slogans as "Real Leaders" and "Bring the Sunshine Back." One of their main challenges was dispelling the controversy surrounding Gutierrez's

former reign as island governor (*MV*, 1 June 2006). Leading island polls as of this writing were former US Congressman Robert Underwood and Guam Senator Frank Aguon Jr, touting the slogan "Leadership for Change" (*PDN*, 31 March 2006).

Island voters will once again decide whether to keep the drinking age at eighteen or raise it to twenty-one. Senators have proposed that voters also determine whether or not to retain former Education Superintendent Flores, and whether or not to raise the minimum wage.

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### COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

From July to November 2005, the main issues in Commonwealth of the Northern Mariana Islands (CNMI) were electrical power, the cancellation

of Japanese Airlines flights between Saipan and Tokyo, and, not surprisingly, the general election in November. Other issues in the news included the continuing upswing in gasoline prices, the commonwealth budget deficit, and the drying up of foreign investment.

In the months preceding the general election of November, four political parties pulled out all the stops in financing, campaigning, and mudslinging to achieve victory. The Republican Party, represented by incumbent Juan Babauta and his lieutenant governor Diego Benevente, and the Covenant Party under the direction of former House Speaker Benigno Fitial and his running mate Timothy Villagomez, were challenged by newcomer Heintz Hofschneider and David Apatang, as well as former Governor Froilan Tenorio, whose running mate was Tony Santos. In a campaign in which money did not appear to make a difference (although much was spent), the end result was what could be called a three-way technical tie. Former Speaker and former executive of Tan Holdings Ben Fitial won with 28 percent of the total votes cast. Former legislator Hofschneider (Independent) came in second with 27 percent of the vote, followed by former Governor Babauta (Republican) with 26 percent of the vote. Former Governor Tenorio (Democrat) came in a distant fourth with 18 percent. There were over 14,000 registered voters and an 80 percent turnout.

This election was painful for the general population because the traditional family unity behind a single candidate broke down early in the campaign. Many families had two or more candidates calling for loyalty

because of blood relationships. In addition, voters not of Marianas descent, who now account for an estimated 25 to 30 percent of the registered voters (higher in some voting precincts and lower in others), made their presence felt. Because votes cast on island yielded such close results, absentee ballots from voters in Iraq and elsewhere became extremely important. However, when they were finally counted, almost a month after the actual election, the outcome at the gubernatorial level remained unchanged.

Once inaugurated, Governor Fitial wasted no time in proclaiming that the economy was his priority. One of his first measures was to continue the surcharge of 3.5 cents per kilowatt-hour on utility bills, and he put the Commonwealth Utilities Corporation directly under his supervision through the Department of Public Works. In his State of the Commonwealth address in March, Lt Governor Tim Villagomez gave a detailed account of the condition of the utilities agency. Noting that there had been no maintenance and no capital purchases of equipment in many years, he painted a picture of imminent doom. The governor himself, using a PowerPoint presentation, described the economy in similar terms. He told the crowd that there would have to be salary cuts, reductions in personnel, or both, if the commonwealth was to get out from under its burgeoning debt. He said he was going to ask the legislature to cancel the government's contributions to the retirement fund for government employees, and organize a US\$40 million loan from the retirement fund for the Commonwealth Utilities Corporation to purchase new

generators. He also promised to sell approximately five hundred government vehicles to the public and cancel all but the most essential individual telephone services, including government-owned cell phones.

As of this writing, telephone services have been cancelled, a directive has been issued that in October 2006 all government agencies will be responsible for their own utility bills, and an inventory has been conducted on government vehicles (some of which turned up missing). Some “nonessential” employees were given letters of termination. The governor reassured them that they would be rehired if he got his debt-reduction plan through the legislature. So far, even though a little over half of the legislators are members of the Covenant Party, no substantial legislation has been passed except those allowing the governor to cease employer contribution to the retirement fund, and authorizing the US\$40 million loan. However, there are legal issues regarding the governor’s authority to take these actions. More importantly, perhaps, many retirees and retirement fund officials are protesting the move as a violation of the sanctity of the fund.

In this climate of economic slash and burn, both the public school system and the Northern Marianas College have been severely affected. The public schools, whose enrollment has increased substantially, but whose budget has not changed in five years, will receive no new funds from the administration. In the past, the college has received funds generated by the new hire and renewal process for contract workers through a dedicated renewal fee. Along with other agen-

cies having “earmarked” sources of funding, the college has suffered the loss of the dedicated fund in favor of the general fund, and received only US\$6.1 million for an US\$8 million payroll.

Throughout this process, the specter of the Tom DeLay/Jack Abramoff saga continues to impact the commonwealth. Almost every news story dealing with those two figures refers to their involvement in the commonwealth. For example, DeLay’s 1999 trip with his wife to spend Christmas on Saipan as Abramoff’s guest (allegedly using money paid to Abramoff to block an increase in minimum wage and the federalization of immigration) is often mentioned. The situation, confirmed by Representative Pedro A Tenorio in his State of the Washington Office message in March, has practically sealed the fate of any legislation in Congress to establish a nonvoting CNMI delegate in the House of Representatives. Most recently, Representative George Miller (Democrat of California) came out with a new bill that would transfer control of the minimum wage and immigration to the federal government. The bill uses the phrase “indentured servitude” throughout, referring primarily, but not exclusively, to conditions in the garment industry in the late 1980s and 1990s. Although Mr Miller does not recognize it, these conditions have actually improved. Statements by Congresswoman Nancy Pelosi, also of California, calling the people of the Marianas “criminals,” also suggest that many in the US House of Representatives, at least among the Democrats, believe nothing has changed from the bad old days.

Apparently, a feature on the commonwealth in the spring 2006 edition of *Ms Magazine*, called “Sex, Greed and Forced Abortions in ‘Paradise’” on the cover, was widely circulated within Congress.

There is still much apprehension in the commonwealth about the impact of Abramoff’s testimony to the federal government. One prominent Interior Department official, a desk officer for the Marianas Islands in the Office of Territorial Affairs, recently pled guilty to misdemeanor charges for accepting free tickets to baseball games, the use of Abramoff’s skybox in the stadium, and dinners at his Signatures restaurant in Washington DC. According to the *Washington Post*, the official provided Abramoff with unclassified internal memos involving the commonwealth. Press accounts from around the world have detailed how Abramoff collected money from prominent CNMI businesspeople, and funneled it through various pseudo-charitable organizations. The close connections between this administration, Tan Holdings, and Abramoff have not been lost on the press. It must be said, however, that the mood in Saipan is rather upbeat on this issue as the governor continues to praise Mr Abramoff for his good friendship and success in preventing the imposition of more federal control.

There has been little movement in the area of economic development. Several trips to the Philippines and China by the governor yielded expressions of interest from a large shoe-manufacturing corporation in China and a brewery in the Philippines. One resort company reportedly wants to build a floating hotel and a

five-thousand-seat convention center at the Garapan fishing base. Another would like to build a shopping mall on the site of the Garapan Elementary School, while a third is interested in setting up a resort on the land presently occupied by Hopwood Junior High School. All of these cases have generated very significant public opposition. More promising are proposals for casinos on Tinian. At least two stateside corporations have signed memoranda of understanding with the governor and have taken out casino licenses from the Tinian authorities. Although ceremonial groundbreaking have taken place, real construction has not. Two other casino corporations have expressed interest, but as of this writing nothing has eventuated. The governor created a stir when he suggested that after Tinian has its five casinos he would see about opening one on Saipan.

In the process of streamlining decision-making, the governor decided it would be better if the Marianas Public Land Authority (MPLA) was under his direct supervision. The MPLA board of directors had become well known for spending very large amounts of money on travel and per diem expenses. One member of the board, resident on the US mainland, was provided with a business-class round-trip ticket each time there was a meeting on Saipan.

As a result of the governor’s decision to stop paying employer contributions, the retirement fund has been forced to dip into its reserves in order to meet the biweekly payroll of over US\$2 million for its retirees. This money is supposed to be invested so the fund will be self-sustaining by the year 2020. Class-action lawsuits as

well as a lawsuit by the board of directors of the retirement fund are under consideration.

In related areas, the governor dismissed the private company running the Marpi landfill and put the operation under the direction of the Department of Public Works. He claimed it was costing too much money to operate, but some observers believe that he may eventually have to re-privatize the service. The federally funded three-hundred-bed correctional facility on Saipan was not so fortunate. It was supposed to open in the fall of 2005, and all but minor construction has been completed, but no new opening date has been announced, pending funding for operations. A new addition that doubles the total floor space of the Commonwealth Health Center, primarily for a new dialysis center, also ran out of funds for completion and staffing.

In fall 2005, an organization made up of South Vietnamese refugees and expatriates living in the United States came to Saipan to establish a program called "Safe Haven." Headed by the titular president-in-exile of the Democratic Republic of Vietnam, the group sought support from the commonwealth to receive up to six hundred girls, aged six to sixteen, who were rescued from brothels in Cambodia and Vietnam. The objective was to place them in a secure facility in Saipan, where they would receive rehabilitation, medical care, and education from Vietnamese-American volunteers. Despite the support of then Attorney General Pamela Brown, the proposal provoked a massive public outcry. People objected to the speed with which the project had been approved, and pointed out that

the girls would be essentially stateless and without passports. No further action has been taken.

The Micronesian Games took place on Saipan for one week in June and were very successful. Hundreds of athletes, staff members, trainers, and escorts from as far away as the Marshall Islands, Kosrae, and Kiribati took over the athletic fields of the island and had problem-free sports contests, with good nature and hospitality displayed by everyone. The games almost did not take place because the government felt the costs were too high. After a strong public response, generous donations from the private sector made the quadrennial meeting possible.

The governor continues to press Washington for control of the two-hundred-mile exclusive economic zone. Congress has been willing to grant control of a three-mile limit, as it does for other territories, but the governor has rejected this proposal. Because of a recent US Supreme Court decision, the federal government controls all submerged lands up to the high-water mark and extending two hundred miles from the coastline.

During the year under review, several more garment factories closed their doors. This is due to the application of the terms of World Trade Organization treaties on international trade. As of this writing, only ten factories remain. There are still an unknown number of workers from now defunct factories looking for reemployment, and others who were left stranded when the owners absconded and the bonding agencies could not meet their obligations to provide transportation home. Both the CNMI repatriation fund and the

awards from a class-action lawsuit have been exhausted.

The redeployment of 8,000 Marines from the Japanese island of Okinawa to Guam will have substantial social and economic impacts on the Marianas. In particular, there is talk of establishing a permanent training facility, probably including staff housing, on the island of Tinian, where the Department of Defense controls 17,000 acres. The people of Tinian have been complaining since the establishment of the commonwealth that they were promised a base. Now they very well might have it. If there are mixed feelings on the island about this development, it will certainly provide a shot in the arm for the CNMI economy.

SAMUEL F MCPHETRES

#### REPUBLIC OF PALAU

Major issues and events for July 2005–June 2006 included the conclusion of the second Constitutional Convention for the Republic of Palau (ROP), work of the executive and National Congress (Olbiil Era Kelulau, or OEK), various megaprojects, and relations with countries that provide needed assistance and labor to Palau.

In November 2004, President Remengesau had outmaneuvered the National Congress by using popular initiative to place five amendments on the general election ballot. The voters approved four of the president's amendments: dual citizenship, a three-term limit for OEK members, a requirement that candidates for president and vice president run jointly as a team ticket, and a requirement that

congressmen be paid via a uniform fee structure for each day of official session. An initiative calling for a one-house congress failed. Also on the November 2004 ballot, voters were asked if they desired a second constitutional convention (Con-Con), the first one having been held in 1979. A second convention would be a way for the National Congress to respond to Remengesau's initiatives.

A second Con-Con was approved by the Palauan voters in the 2004 election and the twenty-five-member convention was in session from 17 May to 15 July 2005. Of the convention's 251 proposals, the delegates approved 22 for presentation to the people for ratification in the 2008 national elections. Regarding some of the key proposals: first, the joint-ticket amendment (for the offices of ROP president and vice president) was reversed by the Con-Con, thus affirming the separate-ticket arrangement established by Palau's original constitution. Second, the term-limit amendment for congressmen could be repealed by the voters at the 2008 election but, oddly, will be in place for the 2008 election. Third, Remengesau's dual-citizenship initiative was clarified by the Con-Con thusly: "A person born of parents, one or both of whom are citizens of Palau or are of recognized Palauan ancestry, is a citizen of Palau. Citizenship of other foreign nations shall not affect a person's Palauan citizenship." Ironically, the Con-Con then changed the eligibility for running for the offices of president, vice president, and national congressman to exclude dual citizenship. Also proposed: after 31 December 2009, trial by jury would be available for cases involving a crimi-

nal offense that is punishable by a sentence of imprisonment of twelve years or more.

Other important Con-Con proposals to be voted on in 2008 include a guarantee of academic freedom in Palau's postsecondary institutions; the opportunity to petition for Palauan citizenship by a person born of non-Palauan citizens but adopted by Palauan citizens before the age of three years; the extension from 50 to 99 years for land leased by a citizen of Palau to a noncitizen or corporation wholly owned by noncitizens; a prohibition of same-sex marriages; free and compulsory education from grades one to twelve; and a mandate that the "national government shall provide free preventive health care for every citizen as prescribed by law." To provide greater support for Palauan traditions, the Con-Con also proposed: "The national government shall take affirmative action to assist traditional leaders in the preservation, protection, and promotion of Palauan heritage, culture, languages, customs and traditions."

Despite the reversals of several of Mr Remengesau's initiatives by the Con-Con, four of the five amendments approved by the voters in 2004 are currently in place, and rules and regulations have been written to bring them into effect. Of course, come 2008, some things may be reversed. Finally, the Con-Con chose eight of its members to serve on the Post Convention Committee, which is responsible for educating the general public about the twenty-two amendments in time for the November 2008 national referendum.

While Con-Con 2 was completing its work, President Remengesau began

a very busy year of traveling, attending meetings, and engaging the National Congress. There was the normal push and pull regarding certain bills, the selection of new ambassadors to the Philippines and Japan, and the appointment of members to the Compact Review Commission.

Since independence in 1994, Palau has established diplomatic relations with forty countries, and during the period under review Mr Remengesau accepted the credentials of new ambassadors from Israel, France, Italy, Thailand, Great Britain, the Philippines, the Czech Republic, the Netherlands, Turkey, and Japan. A number of these new diplomats were on hand for Palau's eleventh Independence Day celebration, including the Spanish ambassador, Ignacio Sagaz, who brought a congratulatory letter from King Carlos and a donation of 200,000 euros to assist Palau in protecting its marine biodiversity. Also, the president appointed and the Senate confirmed Daiziro Nakamura and Ramon Rechebe as Palau's new ambassadors to Japan and the Republic of the Philippines, respectively in April and May 2006.

Along with one hundred seventy other heads of state, Mr Remengesau attended the sixtieth anniversary summit of the United Nations. While recognizing the critical role the United Nations plays, Remengesau urged the location of UN representatives in the Pacific. UNESCO committed its support to teacher training with a grant to Palau of US\$250,000. UNESCO also designated Ngeremeduu Bay, Ngeremlengui State, as a biosphere reserve, the very first such designation in the Pacific. The UN Food and Agricultural Organization provided Palau a

grant of US\$323,000 for (1) improving milkfish farming; (2) developing a sustainable national aquaculture strategy and action plan; and (3) building capacity via training workshops in aquaculture. Also, Palau was elected as one of the ten members of the Bureau of the Subsidiary Body of Scientific, Technical, and Technological Advice panel to deliver advice to the UN Convention on Biological Diversity, which is concerned with conservation and sustainable use of global biodiversity. Dr Joel Miles will serve as Palau's Asia-Pacific region representative to the bureau. Additionally, Palau's UN ambassador, Stuart Beck, joined four of his island colleagues at the United Nations to push for a direct presence of the world body in the Islands, specifically the establishment of five UN Development Program (UNDP) sub-offices in the Republic of the Marshall Islands (RMI), the Federated States of Micronesia (FSM), the Republic of Nauru, Tuvalu, and the Republic of Palau, in order to strengthen capacity to design and carry out crucial development projects. The sub-office heads would serve under the UNDP resident representative stationed in Fiji. This effort has so far funneled over a million US dollars of Global Environment Facility funds to three Palau nongovernmental organizations. Finally, Palau provided two of its police officers to serve for nine months as members of the UN Peacekeeping Mission in East Timor. It is expected this will be an ongoing involvement.

Throughout the year, Mr Remengesau, who has become known as a strong environmental advocate, signed legislation and delivered addresses

concerning the environment. At the World Expo in Japan, he contrasted "global greed" with "global need" and complimented Japan for its environmental leadership as a nation that has "established sustainable patterns of economic growth that complement social and cultural integrity while preserving the natural environment" (*TBN*, 8–15 July 2005, 15). The young Palau president first presented his "Micronesian Challenge" to attendees at the US Coral Reef Task Force Conference, held in Palau in December 2005. The idea challenges the Micronesian nations to commit to protecting at least 30 percent of their near-shore marine resources and 20 percent of their forest resources by 2020. In Brazil, at the March 2006 meeting of the Parties to the Convention on Biological Diversity, Mr Remengesau announced the commitment of the Micronesian states to this challenge and stated that he would begin discussions to bring the challenge into reality. If realized, it would add significantly to the fifty terrestrial and fifty marine protected areas in Micronesia that now exist.

Two of the five presidential appointees to the Compact Review Commission were turned down by the Senate, which later approved Stevenson Kuartei, MD, and Minister of State Temmy Shmull, in place of Ambassador Beck and businessman Surangel Whipps, Jr. Dr Kuartei and Shmull joined former President Kuniwo Nakamura, retired educator Masaakai Emesiochel, and Minister of Finance Elbuchel Sadang on the commission. The commission's task is to review Palau's performance under the Compact of Free Association

Agreement (which expires in 2009) and identify key issues for future discussion, including requirements for achieving a sustainable private sector. Remengesau is hoping Compact 2 talks with the United States can begin in 2007.

In the 2006 annual meeting of the Palau-US Joint Committee, which included the US Chargé d'Affaires Deborah L Kingsland and Rear Admiral Joe Leidig, the president expressed his concerns about completion of the fifty-three-mile compact-funded circle road on Babeldaob, which has been plagued with mudslides. These bothersome slides occurred in places where major cuts were made for the roadbed. These same cuts have revealed fascinating archaeological evidence showing that much of the interior of the island was sculpted into gigantic earthworks about three to four thousand years ago. It might be conjectured that the mudslides can be traced to insufficient compacting by ancient Palauan builders.

Mr Remengesau also mentioned that during the year, 81 Palauan young people joined the US military: 76 with the Army, 2 into the Navy, 1 with the Coast Guard, and 2 into the Marines. He suggested to the US officials that the marines relocating from Okinawa to Guam would be more than welcome to visit Palau for rest and relaxation. Also, Palau had its first West Point Military Academy graduate, Matthew James Borja Wang. A new recruit for West Point is Tkel Shannon Etpison, who was selected by the military academy from among six candidates in 2006.

Mr Remengesau met in Palau with his counterparts, RMI President Kes-

sai Note and FSM President Joseph Ursemal, just as the South Pacific Mini Games began in Koror. Besides regional issues of marine boundaries and extradition matters, the Palau president was interested in an update from his colleagues concerning Compact 2 matters, since both of the other nations completed new compact agreements with the United States several years ago.

Early in 2006 Remengesau met in Yap with the other western Micronesian chief executives, but the most important regional meeting was the tri-annual Pacific Islands Leaders Meeting (PALM) hosted by Japan Prime Minister Junichiro Koizumi in June. Koizumi announced that Japan would supply over US\$400 million in grant aid over the next three years, to be provided according to national development plans, and including people-to-people exchanges via scholarships and volunteerism. At the summit, Remengesau urged Japan to take the lead in conducting research into alternative energy sources to help relieve the islands' overdependence on fossil fuels. He also repeated Palau's endorsement of Japan's permanent membership on the UN Security Council. At the end of the year, Mr Remengesau traveled again to Japan to submit Palau's development assistance proposal and to promote Palau's noni (*Morinda citrifolia*) health food products; to Saipan for the opening of the Sixth Micronesian Games; to New Caledonia for the Pacific Islands Forum meeting; to France at the invitation of President Chirac; and finally, to Israel at the invitation of the Israeli government.

In his State of the Republic address

in April 2006, Mr Remengesau announced that the national capitol will relocate in October to the stunning, new, four-building complex in Melekeok State, and that the Palau leadership summit recommendations of February 2006 would be incorporated into a revised action plan. These recommendations include expanding economic base activities, improving health care, ensuring environmental protection through the Micronesian Challenge, and pursuing alternative energy sources. He urged the national leadership to work together to “set our nation on a voyage that is unique to Palau, driven by Palauan winds and steered by Palauan captains. Our moment in time is now. Let us grasp it—together. And let us leave no Palauan behind” (*TBN*, 21–28 April 2006, 1, 8, 15).

As the nation’s vice president, Elias Camsek Chin kept up a busy schedule as well. Chin also carries the Ministry of Justice portfolio, as he did under former President Kuniwo Nakamura. Important international meetings at which the vice president represented the Republic of Palau were the thirty-sixth meeting of the Pacific Islands Forum in Papua New Guinea, the Asia-Pacific Business Forum conference, and, separately, sessions of the UN Economic and Social Commission for Asia and the Pacific in Jakarta, Indonesia. In Papua New Guinea, Chin provided input to the Pacific Plan, a proposed moratorium on deep-sea bottom trawling, and a resolution updating the functions and purposes of the Forum. Meetings in Indonesia centered on business networking and partnerships and improvement of telecommunications.

The UN commission sessions focused on strategies for strengthening developing Pacific Island states and territories via regional cooperation. As a side note, Indonesia is Palau’s huge southern neighbor, but the two nations have yet to establish diplomatic relations.

Vice President Chin is very much a “people person” and he often presents his unique coins to visitors, especially Palau’s youth. The coin extols the values of tradition, progress, people, trust, and loyalty. During the year, Chin met with Palau’s Boy Scouts, students of law-enforcement education, and state governors who needed assistance with key state projects, and he was inducted into the Paradise Lions Club. On a visit to Guam, he swore in the new members of the Palau Community Association of Guam and presented the entire Con Con 2 journal to the University of Guam for use by future research students. Mr Chin initiated Palau’s first Big Brother/Big Sister program and a series of town hall meetings in Palau’s rural states. These meetings have become tremendously useful for exchanging information and completing routine business. The vice president met with members of the BentProp Project, which searches Palau for WWII crashed aircraft, hoping to find human remains. He also launched an Internet-based search effort to identify Palauans serving in the US military. The vice president’s purpose is to keep in touch these young, skilled citizens in the hope of encouraging them to eventually return home.

Palau’s Olbiil Era Kelulau (National Congress) is made up of a

nine-member Senate and a sixteen-member House of Delegates. During the past year, the congress produced legislation regarding lifestyle diseases, the national budget, foreign workers, and a salary increase for government employees, as well as a controversial bill extending land-leasing to foreigners from 50 to 99 years; a cash courier disclosure act; a money laundering and proceeds-of-crime act; an act to rename the national airport after Roman Tmetuchl, the late governor and congressman; and a long-term tourist visa act. Significant public opposition developed concerning the land-lease extension and the visa act because of the perception that these bills, if approved into law, would benefit the wealthy, both local and foreign, more than the average Palauan citizen. The long-term visa act is designed to attract an elite class of noncitizens who wish to establish second homes in Palau. The visa requirements would involve payment of an initial US\$10,000 and an agreement to purchase or rent a dwelling for US\$100,000 (\$10,000 per year). The so-called “long-term” is ten years. Dependents (up to age twenty-one) and spouse would have to pay US\$5,000 each to accompany the long-term renter to the second home in Palau. Beyond the revenue the visas would bring in, the dwelling fee would go into the hands of a private Palauan citizen. It would therefore not be available to the government for capital or service improvement.

The 99-year lease bill was likely written to benefit foreign investors such as the Shimao Group of the People’s Republic of China (PRC), which has proposed a huge, US\$400 million

resort development project for Melekeok State and is insisting on a 99-year lease arrangement. This issue has resulted in two notable complications. First, will the legislators who received all-expense-paid trips to Hong Kong and Shanghai by Shimao be accused of conflict of interest if they act officially in support of the 99-year bill? Second, the Palau Supreme Court in 1990 ruled that a 99-year lease is unconstitutional, because such long-term alienation of land is “tantamount to ownership” as it denies land to three generations beyond the lessee (*TBN*, 30 Dec 2005–6 Jan 2006, 2).

Some sparks were generated when the Senate, in its role of advice and consent, debated the reappointment of Palau’s special prosecutor (SP). Everett Walton, a no-nonsense, energetic prosecutor, had over the years hauled to court a large number of state and national legislators for various civil violations, obtaining many convictions or settlements. Known simply as “the SP,” Walton has become popular among the grassroots people and was reconfirmed by the Senate after some “grilling” with a strong vote, 8 yes to 1 no. The SP is independent, has a five-year term, and has kept corruption in check.

More sparks were caused by Senator Alfonso Diaz, who also runs a private radio station, WWFM, in Koror, who has come under fire for his blunt, “in-your-face” style of radio commentary. This resulted in a recall movement on the part of Voices, a group of young professionals who claim to be dedicated to good governance and transparent leadership. Voices argued that Senator Diaz was guilty of misconduct in office. Their recall effort

caused Diaz to sweat a bit, but he survived the recall, with 2,924 voting in his support and 2,371 against, a 55 percent to 45 percent split.

Minister of Health Victor M Yano, MD, was awarded the University of Hawai'i Distinguished Alumni Award. Vanessa Wong, MD, who serves on the faculty of the University of Hawai'i School of Medicine, returned to Palau to participate in a *ngasch*, the ceremony celebrating the birth of a woman's first child. Attorney Roman Bedor was selected by the important traditional leaders of Ngchesar State to take the highest-ranking title there, that of *Ngirakebou*. And Kathy Keso- lei, a distinguished woman from Melekeok State, was selected by *Pacific Magazine* as one of twenty-five promising leaders who are demonstrating regional influence and are seen as "rising stars" in the Pacific. President Remengesau conferred the title "Palau's Goodwill Ambassador" on Mr Hideo "Joe" Morita for his tremendous contributions and valued friendship. Morita established the Palau Organic Farm in Ngaremlengui State in 1995; Dolphins Pacific, a huge natural aquarium; the Morita Educational Foundation Scholarship program, which annually supports eight Palauan high school students at the prestigious, private St John's School on Guam; and he assisted Palau in negotiations with Japan Airlines for charter flights to Palau—all impressive contributions.

Palau did well with its dancers and displays at the World Expo in Aichi, Japan. This visit allowed Palau to reestablish sister-city agreements with Aichi and Mie Prefectures and Nishin City, Japan. For eleven days in July,

Palau hosted the Seventh South Pacific Mini Games, which were dominated by New Caledonia, winning one hundred twelve medals. Twenty-two countries and 1,600 athletes competed at Palau's much-improved athletic facilities. As with the Festival of Pacific Arts in 2004, Palau was a superb host and also did well in the final medal count, finishing eighth, with nineteen medals to its credit. Of course, with 3,000 people arriving for the games, the event was good for Palau's economy, which saw an increase of gross revenues by some 5 percent.

Palau Micronesia Air has remained grounded since its abrupt collapse in December 2004. Despite restructuring, the company has not gotten a plane into the air or money back to the individual Palauan investors, the Palau National Development Bank, the Yap State government, or the Pohnpei State government. These failures may impact the political futures of some of the founders of the airline. In the meantime, in April 2006 Asian Spirit Airlines began serving the Davao–Manila–Palau route with three flights per week, using Palau Micronesia Air operating rights. Large contingents of tourists and government officials made reciprocal visits with the inaugural flight of Asian Spirit Airlines in April. Both Palau and the Philippines are hoping the air link to Davao City will be an economic stimulus for both countries. The third largest city in the Philippines, with 1.4 million people, Davao has high-quality medical and educational facilities and may be a source of both tourists and skilled workers for Palau.

Governor Jackson Ngiraingas of Peleliu has been the main and unrestrained cheerleader for the grandiose Nautilus City Resort project of hotels, villas, marinas, casino, and golf course. He has butted heads with President Remengesau over the project because the external investor, HKIHL Investment Holdings Limited (HKIHL), apparently of Malaysia, was not clear about meeting requirements established by Palau's Foreign Investment Board. In July 2006, Peter Moran of HKIHL pulled his company out of the billion-dollar Peleliu project, citing Palau's foreign investor unfriendliness. However, the Palauan leadership has a good nose for scam artists, and HKIHL had that aroma. Furthermore, Ngiraingas's enthusiasm for the Nautilus project generated opposition from the Peleliu State Legislature, which attempted to impeach him. The governor sued, claiming denial of due process. Palau's Supreme Court agreed and Ngiraingas will complete his term of office.

In contrast to HKIHL is the Aman Resort Group, a European consortium with eighteen resorts worldwide, which successfully completed arrangements with Palau to build a luxury resort hotel on the site of the former Nikko Hotel grounds in Ngermid, on the outskirts of Koror. The resort will consist of extraordinarily luxurious bungalows, which will meet super-international standards and, at US\$800–\$1000 per day, will attract only the very wealthy.

Another ambitious but potentially dangerous project that deserves careful watching is Palau Pacific Energy's search for oil and gas on the Japan-Palau ocean ridge north of Palau's

only atoll, Kayangel. In March 2006, David Gettleson, president of Continental Shelf Associates, Inc, of Florida, was in Palau to talk with the Environmental Quality Protection Board and top leaders. Gettleson sought permission to drill two exploratory holes, one to a depth of 6,000 feet for oil, and a second to 2,000 feet for gas, to determine (somehow) whether there are commercial possibilities. If so, Palau could become terribly rich, and this possibility poses a great attraction for some people. Issues discussed included potential environmental impacts, mitigation of negative impacts, and unavoidable impacts. Gettleson and his team lobbied National Congress members as well as President Remengesau (*TBN*, 17–24 March 2006, 1). Remengesau has requested the congress to devise a framework for understanding and dealing with the drilling proposal. Some unsubstantiated reports claim the seabed area may hold some 366 million barrels of oil and 162 billion cubic feet of natural gas (*TBN*, 24–31 March 2006, 4). The American oil people reportedly had a supportive letter to Mr Remengesau from former Secretary of State Colin Powell. When asked for his views, Hideo Morita stated that the petroleum search could be a great opportunity for revenue and advised Palau “to ask for oil money up front in case the oil exploration company files for bankruptcy in the midst of an oil spill catastrophe” (*TBN*, 19–26 May 2006, 2).

A project that was first reported last year continues to keep Palau's attention (Shuster 2005). Joseph Tung, executive director of Shimao, presented details of the huge project,

called “Blue Dream,” to the leadership of Melekeok State, the National Congress, members of Con-Con 2, the Foreign Investment Board, and the Environmental Quality Protection Board. Shimao is offering to build a US\$400-million resort at Melekeok, which would include a 300-room hotel, casino, golf course, aquarium, yacht club, shopping center, and villas. The investors claim the project will produce US\$14 million in tax revenue and US\$5 million in lease rental and employ some 2,750 people. But Shimao’s price is pretty high: a 99-year land lease, a 50-year exclusive casino license, foreign investment permits, and Palau’s agreement to provide sufficient water, power, sewage, and telecommunications services (*TBN*, 1–8 July 2005. 1). In Palau’s recent history, as often as not, huge projects like “Blue Dream” get stalled because of bothersome and occasionally endless land disputes.

Shimao’s efforts with Melekeok may be a cautious attempt by the People’s Republic of China to gain some influence in Palau. Also, opportunism on the part of state governors and national congressmen has resulted in some embarrassing moments for officials in President Remengesau’s office. Apparently without consulting Palau’s foreign ministry, Governor Hideo of Ngchesar and Senator Koshiha separately invited small PRC delegations to Palau to compare notes on trade, commerce, and tourism. At least three such visits took place during the period under review. For his perceived indiscretion, Hideo lost Taiwan’s grant support for a road in his state.

Deaths leave a significant impact on small-scale societies such as Palau,

with its population of some 20,000 people (a 2005 census resulted in a count of 14,439 Palauans and 5,467 foreigners). Titleholders (chiefs) *Esebei* Arbedul, *Ngirkelau* Butelbai and *Edobo* Temengil passed away during the year. Ball player Paulus Kumangai died at age 55, as did Augurio Joseph, a former teacher and government director. Marcelino Melairei, a former cabinet minister, passed away at age 72, and Kempis Mad, a local historian and linguist, died in May, at just 52 years of age. Also passing away was Silas Orrukem, age 53. The passing of Professor John Kenneth Galbraith was recognized with respect in Palau because of important assistance he rendered to Palau during compact negotiations with the US in the late 1970s. At that time, when the Hilo Accords and other important principles were agreed on, the Palau Political Status Commission was under the leadership of Roman Tmetuchl. Galbraith was the first person granted honorary citizenship of Palau for the wise counsel he provided, gratis. He died at age 97.

Transparency International, a non-governmental organization operating in ninety countries, gave Palau a generally clean bill of health in their 2004 report, but embarrassing incidents of corruption took place during the period under review. A former senator was found guilty of perjury in a case related to an altered invoice for overseas travel and work. A Chinese woman and Palauan man were arrested for alien smuggling; the two used an elaborate plan in an attempt to smuggle one Chinese woman into the country. She had paid US\$20,000 up front with the hope of getting into

the United States, where she was then to make a second US\$20,000 payment. The effort was foiled by careful work of US and Palau customs and immigration officials. Additionally, an employee of the Koror State Government pled guilty to numerous charges of forgery, larceny, and cheating; his fifteen-year prison term was suspended except for two years, and he must pay a US\$5,000 fine and make restitution. Ngardmau State Governor Schwartz Tudong was properly impeached by the state legislature for the misuse of public funds, and Ngilwal State Governor Elmis Mesubed was also removed from office for a long list of illegal behaviors, including misconduct in office, larceny, and forgery in the illegal spending of public funds. Tudong attempted to win back his seat by running for governor in a special election that was held to fill the seat he lost through impeachment. However, former national Congresswoman Akiko Sugiyama soundly defeated him and will serve as Ngardmau governor for the remainder of Tudong's term.

Palauans are becoming more health conscious, thanks to the activities of the Ministry of Health (MOH). The first Public Health Convention was held in late 2005 with the aim of increasing people's awareness of community health issues. The leading causes of death in Palau are noncommunicable diseases such as cancer, heart disease, hypertension, diabetes, stroke, obesity, betel-nut chewing, smoking, and alcohol and drug abuse. President Remengesau established a Council on Substance Abuse Prevention. The council examined figures for the importation of alcohol and deter-

mined that the annual consumption of beer per person over age twenty-one increased from 377 cans in 2000, to 398 in 2001, and to 434 in 2002; more recent figures are not available. A cancer support group was formed and is active with both Palauans and residents from the Philippines. Furthermore, campaigns to persuade people to stop smoking were launched with some success.

The Ministry of Health is urging people to think of health professionals as partners; also more Palauans are jogging and walking for their health. The ministry is training more health professionals—some fifty-five this year—via a consortium involving Palau Community College, the University of Auckland, the Fiji School of Medicine, the University of Alaska, and the University of Guam. Financial support for the training was provided by the US Department of Health and Human Services and Department of Interior.

An MOH survey revealed seven reported cases of HIV/AIDS for the 1993–2004 period; there is some indication that transmission may be taking place within Palau's heterosexual population, which experienced three deaths due to AIDS in the 25–44 age group.

Remengesau also created the National Avian Influenza Advisory and Coordination Team for developing a plan to battle the bird flu virus, H5N1, should it arrive in Palau. Dr Pat Scannon of the BentProp Project lent his expertise to this planning effort early in 2006, and Palau and Taiwan signed a formal agreement to exchange information regarding the virus.

The growing of noni trees has become very popular and capsules are now produced in Palau for export to Taiwan. Noni, which grows well in Palau, is supposedly a cure for heart disease, arthritis, backaches, skin disorders, and even depression.

While Palau has diplomatic relations with forty nations, the most significant ones are the United States, Japan, Republic of China (ROC, that is, Taiwan), Australia, and the Philippines. Japan is working very hard on controlling Koror's solid-waste site (actually a dump) located adjacent to the International Coral Reef Center. Control work now centers on construction of a dike to enclose the entire waste area and separate it from the non-waste, mangrove and lagoon environment. Japanese Overseas Cooperation Volunteers to schools and government offices are regularly replaced, and the important widening of Koror's causeways is nearly completed. These efforts are coordinated under the auspices of the Japan International Cooperation Agency, which has an office in Koror.

The US Federal Aviation Authority has granted Palau US\$13 million for major repair of Palau's airstrip, including resurfacing, paving, and installing lights. In annual talks, a US State Department official expressed concerns about the costs associated with relocation of the capital from Koror to Melekeok. The ROP spokesperson responded that the relocation will serve as an economic stimulus and provide a surge for the rural areas. The US Department of Health and Human Services granted US\$1.2 million for health plans and services, and Palau received US\$75,000 from the

US Department of Agriculture for design work for a new Palau Prison. These grants are on top of a compact allotment of US\$15.8 million in both direct and indirect payments for governmental operations for fiscal year 2006.

Anthony Reyes, the new chargé d'affaires at the Philippine Embassy, is a welcome change from his predecessor, who was unable to adequately deal with labor complaints. Reyes stated that he would ensure the protection of Filipino workers without jeopardizing diplomatic relations. Past cases of worker abuse centered on poor housing, cruel treatment, lack of medical benefits, and poor working conditions. Reyes also will be pushing for proper documentation of all Filipino workers. Currently there are 3,253 registered workers from the Philippines, but a large number of undocumented ones—as many as 1,100. It appears that many of the nearly 5,000 Filipino workers are legally working in Palau but left the Philippines illegally via escort services and “fixers” that arranged “under-the-table payments” (*TBN*, 17–24 Feb 2006, 7). The Philippines government has been campaigning to get all Palau's Filipino workers legally documented so that they can gain the benefits of the Overseas Workers Welfare Administration.

Palau's population of Taiwanese has grown large enough to have a community association that elected its officers for 2006–2008. Taiwan agreed to dispatch to Palau volunteer specialists similar to Japan's Overseas Cooperation Volunteers and the US Peace Corps Volunteers. Embarrassingly, one of the two ships of the

“Taiwan Fleet of Friendship” ran aground when maneuvering through a barrier reef passage. And for a road that will link the new compact road to an existing road in Airai State, Taiwan is granting Palau US\$7 million.

Probably more troublesome than the ship aground was the visit to Palau of Ji Peiding of the PRC National People’s Congress. Clark Chen, ambassador to Palau from the Republic of China (Taiwan) made crystal clear his criticism of Peiding’s visit, stating that it was designed “to disrupt the strong relationship shared between Palau and Taiwan” (*TBN*, 26 May–2 June 2006, 2), and that Taiwan has contributed over US\$100 million to Palau’s development compared to “little or none” from the People’s Republic of China. Taking its security seriously, Taiwan posted Isabel F Y Lo, second secretary, to Palau to carefully screen all visa applicants, to prevent the entry into Taiwan of any illegal workers or criminals. Also, Taiwan’s Far Eastern Air Transport (FAT) celebrated ten years of business with Palau, which began with some 3,400 tourists in 1996 and expanded to 42,000 by 2004. A tourist couple from Taiwan was tragically drowned in a boating accident in January. The couple had not been wearing life jackets. Some

sixteen others sustained minor injuries.

In addition to a state-of-the-art patrol boat of some two hundred sixty tons, Australia has provided the services of a maritime surveillance adviser. During the year, Commander Matt Brown ended his two-year term. He was a popular and important addition to the foreign contingent living in Koror Town and was quite public in his praise of Palau’s marine law enforcement division’s officers and men. Brown was replaced by Commander David Hannah. Further, Australia provides Palau significant assistance in sports training and aid to schools.

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