tiaco moved to dismiss several cases brought by her predecessor involving former Governor Carl T C Gutierrez, former hospital comptroller John Pangelinan, former public school head Rosie Tainatongo, former education comptroller Ray Miranda, and former hospital administrator Bill McMillon. These cases involved nonpayment of retirement contributions, among other charges. Also dismissed was the case against Guam Election Commission executive director Gerald Taitano (kuam, 13 Feb 2007). In May 2007, former Guam Memorial Hospital associate administrator Therese Hart pled guilty to third-degree felony charges in a case involving improper authorization for a wrongful death settlement (kuam, 31 May 2007). Gil Shinohara, former chief of staff for Governor Gutierrez, filed a motion to dismiss charges against him related to Gutierrez’s pension. Shinohara still faces a thirty-two-month federal prison sentence after local charges are resolved (PDN, 10 May 2007).

May 2007 saw another high-profile case: the attorney general’s office brought a civil suit against former Senator Mark Charfauros, commissioner of the Guam Baseball Federation, for violating government procurement rules, among other charges (PDN, 15 May 2007).

The community mourned the passing of former Senator Paul Bordallo, the Chamorro Land Trust Act author and Chamorro rights promoter; and Marine Captain Peter C Siguenza Sr, the first Chamorro Marine Corps officer who helped free Guam from World War II enemy occupation (PDN, 19 May, 25 May 2007).

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References


Commonwealth of the Northern Mariana Islands

Over the course of the year under review, events in the Commonwealth of the Northern Mariana Islands spiraled almost out of control. The problems involved everything from the general economy, public utilities, public health, and education, to social issues and the environment. The garment factories have been closing at a rapid rate, and tourism has not yet recovered from the cessation of the Japan Air Lines service between Japan and Saipan. Many of these issues are of extreme urgency and will have long-term consequences.

Forces affecting developments in the commonwealth include the US government’s concerns about federalization of the minimum wage and immigration, the transfer of eight thousand marines
from Okinawa to Guam, global warming, Pacific airline schedules and routes, and the hopes and desires of thousands of migrant contract workers to obtain free access to the United States. For their part, Islanders—who have felt impotent in the face of a range of external forces and who fear losing political control—were dismayed by the perceived insensitivity of the authorities in Washington DC and are desperate to hold on to a way of life that is fast disappearing.

The closure of the Japan Air Lines service between Japan and Saipan in October 2006 eliminated about 40 percent of the tourist traffic on that route. Although both Continental and Northwest restructured their routing (in some cases using smaller aircraft to open routes and schedules to and from Japan), this did not make up for the overall loss of Japanese traffic.

Tourist arrivals over the period under review were running around 400,000, compared to the peak of 750,000 in 1997. Hotel room rates were down, which is good for tourists but shrinks the 10 percent room tax, which constitutes a significant portion of government revenues. Some hotels have closed off wings and put their workers on part-time.

Starting in January 2005, the removal of restrictions on trade by the World Trade Organization made Saipan noncompetitive for the international garment market. Factories began closing and, as of this writing, continue to do so. The pending federally mandated increase in minimum wage will make it impossible for the factories to adapt and remain on the island. User fees, excise taxes, and income taxes generated by the industry have dried up. During the peak years, the commonwealth annual budget was well above $250 million. A year after Governor Ben Fitial took over, it was $160 million and falling. It used to be that the garment industry contributed about $140 million to the commonwealth tax base, with most of the rest coming from tourism-related taxes and fees. As of this writing, only about ten of the original thirty-five factories remain open, with only a few thousand active employees.

The side effects of the garment closures include repatriation of contract workers, closure of many ancillary retail outlets, and a possible increase in the number of prostitutes, many of whom are out-of-work seamstresses who are reluctant to return to China. A small number of former garment workers from China have applied for political asylum. The exact number is not clear because the attorney general’s office does not release this type of information. The group is made up primarily of followers of the Falun Gong meditation movement, which is outlawed in China.

At the State of the Commonwealth message in April 2007, the governor outlined the condition of the Commonwealth Utilities Commission, which manages all power, water, and sewage utilities. He reported that none of the generators have been repaired recently and all of them should be replaced. He also noted that the utility rates traditionally paid do not even come close to meeting actual production costs, given current fuel prices. All government agencies now have to meet utilities costs from their own operating budgets. Utility rates have doubled, and in some cases
tripled, since the new administration announced power rates would be linked to the cost of fuel. It is not unusual for individual households to pay between $1,000 and $2,000 a month for utilities. Everyone is scrambling to find ways of cutting their costs, and power outages, both announced and unannounced, are the rule rather than the exception.

The Northern Marianas Retirement Fund for government employees has been described as perhaps the most generous within the US system. Former Trust Territory employees with fifteen years or more of service were able to retire after only five years employment by the commonwealth, regardless of their age. Elected officials and judges were able to retire at their highest salary after serving only one term in office. For example, a judge who served for six years at $120,000 per year could retire at age fifty and receive the same salary for the rest of his or her life. For several years there was a 30 percent bonus awarded to anyone who retired before the end of 2005. Under this scheme, individuals earning $25,000 a year would be entitled to a retirement salary of $20,000 plus an additional 30 percent for the rest of their lives. However, the government stopped making employer contributions to the fund several years ago. The same is true for the government health insurance program, which is also run by the Retirement Fund. Both funds are in a critical state and the administration is forced to pay retirement and health benefits in full out of the invested principal, the interest from which was supposed to grow enough to make the fund self-supporting by 2020.

Recent events have led to the movement of a significant number of permanent residents to the US mainland. Although exact numbers are not available, it is well known that many skilled people have opted to relocate to the United States, rather than accept the 10 percent pay cut imposed on government employees in October 2006. The governor also instituted “Austerity Fridays,” requiring all government agencies, with the exception of so-called essential agencies, to close down for one day every two weeks. Employees lose that day’s pay. Exempt agencies included Public Safety, public schools, and Northern Marianas College; only instructional personnel in the public schools and the college are exempt.

Health services are in crisis. It is expected that by August 2007 there will be a critical shortage of doctors at the hospital. Many teachers have left the public school system or are considering doing so. Following the enforced salary cut, several key people left Northern Marianas College as well. The present governor inherited a budget of $223 million from his predecessor, Juan Babauta. Within months it was reduced to $193 million and, as of this writing, it stands at $163 million.

The Marianas Public Land Authority (mpla) has contributed significantly to the morass. For several years this agency, which is responsible for the management of public lands and compensation to landowners whose property was confiscated by the government, spent income from rental and lease payments as if it was its own. Mpla employees paid themselves hundreds of dollars for meetings
of the MPLA Board of Directors, and purchased round-trip first-class tickets for one member who lived in California. The Office of the Public Auditor filed a report on the authority, which outlined the egregious dispensation of largesse. To date nothing has been done about this, although the agency has been replaced by the Department of Public Lands, which answers directly to the governor.

Both educational institutions, the Public School System and the Northern Marianas College, took severe hits. Both had to deal with 15 percent across-the-board budget cuts. This was particularly difficult because in the past utilities were not a part of the budgeting process. For the college, utilities represent costs of almost $1 million a year out of a total reduced budget of little more than $4 million. The college was also hit by the resignation of key personnel at a time when it was being examined for continued accreditation. Thirty-five key positions were left empty after personnel left, with no money to hire replacements. As a result of this and other faults dating back some sixteen years, the Western Association of Schools and Colleges put the Northern Marianas College on warning status. This is just one step short of removing accreditation completely. This in turn caused a drop in enrollment and further loss of instructors. The new president is attempting to meet the challenges. Enrollment at public schools is up considerably since the parents can no longer afford tuition at private schools. However, there is no money to hire additional instructors.

One of the potentially positive results of the closure of the garment factories is the large number of empty warehouses, factory buildings, and barracks. These could be of interest to the US military as they plan the transfer of 8,000 marines and about 30,000 dependents and civilian personnel from Okinawa to Guam in 2010. Military officials have already made it clear that they are very interested in using Saipan and Tinian to facilitate the move. The buildings could be used for equipment and supplies during the construction phase on Guam, or they could also be used for a variety of other purposes such as hydroponics, or for warehousing parts and supplies for sale to Asia.

Korean money has been used to purchase the Lau Lau golf course complex for a luxury resort. Through this deal, Kumho Corporation, the parent company of Asiana Airlines, has signaled its interest in bringing tourists to Saipan. Public land in the southern part of the island next to the Pacific Islands Club has been leased to another Korean company for a major resort. Korean-owned World Resort has recently completed a $1 million water park in the center of Chalan Kanoa. Mini shopping malls, constructed by Korean entrepreneurs, have sprung up like mushrooms in the Garapan area. However, very few of them have any occupants yet.

Russian tourism is on the rise. This is a different kind of tourism and involves whole families staying for weeks and sometimes months. They are also big spenders. Several hotels now have Russian-speaking staff, Russian-language menus and informational brochures, as well as recruiting programs based in Russia. Efforts are being made to maximize Chinese
tourism as well. China now has the right to bring in unlimited flights to Saipan. Up till now, clients of the Tinian Dynasty Hotel & Casino had to arrange charter flights for weekend visits.

In June 2007, the US Congress passed a law raising the national minimum wage to $7.25 an hour in four stages. The same law carried a rider specifically raising the minimum wage in the commonwealth by $.50 per hour effective on 19 July, and $.50 per hour every year thereafter until it reaches $7.25 per hour. The federal government will fund an impact study to examine the effect on the economy.

Along with the minimum wage, the new Democratic Party–controlled Congress has drafted legislation to federalize immigration operations in the commonwealth. The draft legislation contains several unique provisions aimed at mitigating the adverse impact of imposed US immigration laws and regulations. For example, visas would be “Commonwealth only,” available to tourists from countries such as Russia and China, who have difficulty obtaining regular US tourist visas. There would also be special provisions for contract workers who could continue to enter the commonwealth on an as-needed basis until they can be replaced by US citizens.

Very controversial is a provision that would grant nonimmigrant status to contract workers continuously employed and resident in the commonwealth for at least five years, and who have no criminal record and are in good health. The provision is vigorously opposed by members of the local business community, who fear the flight of key employees from Saipan to the United States. The migrant employees, on the other hand, are eagerly awaiting passage of this bill. This is particularly the case with the Dekada movement, a group of about 3,000, which comprises mainly Filipinos, but also Bangladeshis, Sri Lankans, and Chinese. Significantly, the aim of the movement is to obtain US citizenship, or at least a green card, for long-term migrant residents. The Jack Abramoff saga continues to make waves in the commonwealth. The plea-bargaining by several of Abramoff’s underlings revealed his underhanded activities involving the commonwealth. Implicated in these activities were the former director of Immigration Labor, several officials of the Department of Interior, and members of Congress. Despite the scandal, the administration has employed a new (only much cheaper) lobbyist in Washington, and the governor has employed a public relations specialist to try to polish the image of the commonwealth in the national capital.

The war in Iraq has had its impact on the commonwealth in many ways, with increased military traffic and tightened security. Casualties from Saipan, Tinian, and Rota now number six, several of them buried in the new veterans’ cemetery on Saipan. This has not put a dent in enlistments in the reserves or the active services. In fact, the commonwealth, Guam, and American Sämoa have the highest per capita enlistment rates in the American “family.” This has been largely attributed to both the educational benefits provided through the military and the lack of employment opportunities in the islands for local people.

The planned move of 8,000 marines
from Okinawa in 2010 promises a major economic shot in the arm to the whole archipelago. Approximately $10 billion has been earmarked to develop infrastructure and facilities on Guam; the impact of this spending will be felt in Saipan, Tinian, and even Rota. There may be a massive depletion of construction skills in Saipan as long-resident workers are given free access to the United States. Tinian will almost certainly be utilized as a military training area on a permanent basis, requiring permanent infrastructure on the island. It is also expected that the educational establishment on Saipan, Tinian, and Rota will be expanded to provide vocational services for people seeking employment in the military.

Two new casinos with 300 to 500 guest rooms are slated for construction on Tinian. One casino will include a golf course, while the other will include a collection of luxury villas for its clientele. These enterprises will certainly find the expanded population on Guam attractive in terms of marketing opportunities. Popular initiatives to allow casinos on both Saipan and Rota were slated for the November 2007 ballot. The Tinian airport is now capable of handling international jets, although operations await the installation of an instrument landing system to allow the planes to land at night.

Crime has been on the rise. Attacks on poker arcades, some of which have involved firearms, have risen, with thirteen robberies over a period of three months. Some arrests have been made. Another criminal activity that has become endemic is copper-wire theft. Because of the high price offered for copper by local scrap dealers supplying Chinese markets, thieves are actually stripping the copper tubing on anything from window air conditioners, live electric dropped lines, and power lines to streetlights along the Beach Road walkway. Even telephone switch boxes have been gutted, cutting telephone services to entire neighborhoods.

SAMUEL F McPHERES

REPUBLIC OF PALAU

Activities of Palau’s president and National Congress, relocation of the national capitol, the Taiwan-sponsored summit with its Pacific allies, advances in conservation and environmentalism, preparations for compact review, establishment of diplomatic relations with Russia, and the collapse of the homegrown Pacific Savings Bank were some of the major events that took place in the Republic of Palau during the year under review. As of January 2008, President Tommy E Remengesau, Jr, has one year remaining in his second four-year term and is ineligible to run for office again in November 2008. Nevertheless, he has remained very active. During the year under review he met with the presidents of the other freely associated states (the Federated States of Micronesia [FSM] and the Republic of the Marshall Islands [RMI]) at their sixth summit in Majuro, RMI. Perhaps their most important achievement was the agreement to begin implementation of the Micronesian Challenge, whereby signatories pledge to have 30 percent of their nearshore marine areas and 20 percent of their forest