have been specifically designed to neutralize the Federal District Court on Saipan, which handles appeals from the commonwealth trial court. In a far-reaching provision, the law permits the new court to rehear all appellate decisions made by the federal court since 1976.

Important for future commonwealth-federal relations in general and the November referendum in particular is Section 902 of the covenant, which provides for periodic discussions regarding the interpretation or application of the covenant. After a long hiatus, Section 902 talks were resumed in November 1988 with Undersecretary of Interior Becky Norton-Dunlap representing the federal government. Lieutenant Governor Pedro A. Tenorio and the Commission on Termination of the Trusteeship represented the commonwealth. However, with the US national elections dominating the mainland scene, and substantial differences on sovereignty issues apparent, little could be accomplished before Norton-Dunlap resigned following President Bush’s inauguration. By the end of July 1989 no replacement had been named.

Meanwhile, attempts were made during the year to deal with some of the adverse effects of the unexpected surge in commercial activity in the Northern Marianas. New commercial establishments were required to provide all of their own electric power, while established major consumers had to provide their own power during peak user hours. Water was rationed in many parts of Saipan, and the capacity of waste disposal facilities was exceeded. Management of the utilities was contracted out to a private firm, Lyonnaise Marianas America, which set about upgrading the whole system. A new generating plant was planned.

The recent surge in economic activity was reflected in the commonwealth budget, which was US$177 million in fiscal year 1989, compared to about US$15 million in the mid-1970s. For the first time, locally raised revenues exceeded those provided by the federal government.

SAMUEL F. MCPHETRES

FEDERATED STATES OF MICRONESIA

On 10 May 1989, the Federated States of Micronesia (FSM) completed its first ten years of constitutional self-government. There was no fanfare or celebration, although Constitution Day is one of only four national holidays. Two months earlier citizens of the FSM had voted decisively to revise or amend the constitution. Voters in Pohnpei and Truk voted yes overwhelmingly. A majority of Yap voters also voted affirmatively. However, voters in Kosrae and Yap’s outer islands voted no.

What the proposed constitutional convention will produce is uncertain. In early 1989 there was little talk of substantive amendments, although many leaders believed that the presidency was too weak and the congress too strong under the existing constitution. Some favored moving toward a parliamentary system. However, it is likely that narrower issues will demand much of the delegates’ attention. For example, Trukese leaders, representing 50 percent of the federation’s population of one hundred thousand, have
long sought a larger share of the financial pie and more clout in congress. Trukese Senator Kalisto Refalopei has argued tirelessly that his Faichuk area should be a separate FSM state. Yapese leaders have consistently sought a diminution of national government's interference in their affairs. Some Pohnpei politicians have talked of seceding from the FSM, even though its capital is located in their state. Any constitutional amendment will require 75 percent approval by voters in three of the four states, and this will not be easy to achieve.

The small, culturally distinct, and far-flung states of Kosrae, Pohnpei, Truk, and Yap began functioning as a federation in May 1979, after the constitution, drawn up in 1975, was ratified by the peoples of these islands. But the FSM remained part of the Trust Territory of the Pacific Islands until 3 November 1986, when the trusteeship agreement was declared terminated by the US and FSM governments. With the implementation of the Compact of Free Association on that date, the FSM attained sovereignty over its internal and external affairs, while defense matters remained the prerogative of the United States. The day commemorating implementation of the compact is known as Independence Day.

The move to declare the trusteeship ended apparently took FSM officials by surprise, and there were no celebrations in 1986 or 1987. The first public celebration of Independence Day took place on 3 November 1988, when FSM President John R. Haglegam said “We are here today to celebrate a dream come true.”

Members of the international community have also been slow to recognize the FSM's independence. This has been the price of going along (in order to receive compact funds) with the US government's plan not to seek United Nations Security Council approval of the trusteeship termination, thereby avoiding a Soviet veto. By June 1989, only eleven countries had established formal relations with the FSM: Australia, Fiji, Israel, Kiribati, Japan, the Marshall Islands, Nauru, New Zealand, Papua New Guinea, the Philippines, and the United States.

Many countries have withheld recognition, with the assertion that the trusteeship remains in force until the Security Council terminates it. Meanwhile, FSM passport holders, including diplomats, have had trouble getting into some foreign countries. Ironically, one of the area's former colonizers, Germany, has not yet recognized the FSM, and has made entry difficult. A significant breakthrough came in December 1988 when another former colonizer, Japan, formally established relations. The FSM government opened an embassy in Japan in May 1989, and one in Fiji in April. The FSM became a member of the South Pacific Forum in 1987, and officials have been working to get recognition from South Pacific nations. In August 1988, the FSM congress ratified and acceded to the Convention on International Civil Aviation, and opened the way to becoming a party to the Vienna Convention on Diplomatic Relations.

President Haglegam complained in his 15 May 1989 state-of-the-nation message that “had we taken up guns and fought for our independence, few nations would have denied us recogni-
tion once it was clear that our government was supported by our people. Instead, we have taken a peaceful route; we are penalized." Another irony is that the Pacific Daily News, published in neighboring Guam, seems to have trouble viewing the FSM as an independent nation. When President Hagelgam paid a first state visit to Australia in October 1988, even receiving a 21-gun salute when he arrived in Canberra, the Pacific Daily News buried the story in a column of news briefs.

Whatever those elsewhere may think about FSM dependence on the United States, the changes from trust territory days have been significant. FSM leaders control the direction and daily operations of the government and also manage the extensive two-hundred-mile fisheries zone, which at one time was a great source of contention between the FSM and the United States.

On the economic front, leaders have been grappling with how to establish an economic base that will withstand the first step-down in compact funds from the United States in 1992. By mid-1989, the greatest source of local revenue was fishing licenses and violation fees. In 1988, fishing revenues were US$7.7 million, up from US$3.9 million in 1987. Hagelgam has proposed that the national government focus its resources primarily on fisheries and put about half of all fisheries rights fees, along with all the proceeds from fines and forfeitures, into a loan fund for commercial fisheries development. Hagelgam would also like to see foreign banks operating in the FSM loan back more money for economic development to its citizens. Less than 23 percent of the more than US$52 million deposited in the banks was being loaned back to borrowers in 1988–1989.

There has been little economic growth and a great deal of ambivalence regarding foreign investment in the FSM. Constitutional prohibitions against land ownership by foreigners, combined with vague standards and unpredictable or arbitrary applications of foreign investment laws, have served to discourage potential foreign investors. The government has placed emphasis on investing the compact money and on schemes for financing economic development. In May 1989, the federation’s congress appropriated US$400,000 to pay the initial costs of a plan to issue medium-term bonds secured by anticipated Compact of Free Association funds.

JOAN KING

GUAM

The political status debate and economic expansion provided the context for nearly all significant developments on Guam during the year under review. Guam’s elusive quest for self-determination and commonwealth status with the United States symbolized much more than a path to greater political autonomy. It represented in dramatic fashion the problems of being only partly American. For some, that was too much, and for others it was not enough. Of equal, if not greater significance, was the continuing economic boom. The stresses introduced by rapid economic development were manifested in avid debate over the