

tions decided to continue to employ Jack Abramoff, lobbyist for the commonwealth, to try to block such legislation in Washington DC.

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PALAU

Political events during the period under review were dominated by the change of executive leadership in the Republic of Palau. The eight-year tenure of President Kuniwo Nakamura came to an end. Nakamura's two-term vice president, Tommy E Remengesau Jr, a youthful forty-four, took on the mantle of leadership, making it clear that a new dynamism would be brought to the office of the president.

Palau's sixth national campaign and election 2000 were the most expensive, gaudy, and interesting in the young nation's history. Palau's local *Tia Belau News (TBN)* claimed the event was "excessive" and that some \$5 million had been spent in campaigning. Not only were the presidency and vice presidency contested, but the full slate of twenty-five seats (formerly thirty) in the Palau National Congress were open to challenge. Such legislative seats are highly valued by Palauans because of the prestige and business opportunities that seem to accompany the positions.

Presidential campaigning for a September primary contest occupied much of the midyear. With Nakamura retiring, the presidential race was wide open, and five qualified candidates emerged: Vice President Tommy E Remengesau Jr, Senator Peter Sugiyama, Minister of Education Billy

Kuartei, Senator Santos Olikong, and newcomer Ben Roberto, the former governor of Angaur State.

In July 2000, Nakamura finally announced that his "anointed one" was none other than Vice President Remengesau. This gave a significant boost to Remengesau's efforts, in addition to his vigorous campaigning, which involved a great deal of travel and grassroots contact. With 70 percent of the Palau electorate turning out for the primary, Remengesau came out on top, taking nearly 4,000 votes (43 percent) of the 9,221 cast. The second-place finisher, Senator Sugiyama, garnered 2,050 votes, or 22 percent of the total. Sugiyama had supported Nakamura throughout his tenure in office and was disappointed that the outgoing president had not thrown his political weight behind such a longtime, loyal supporter.

After his defeat in the primary, Sugiyama redoubled his efforts and gained the support of the other three losers, who signed a contract pledging mutual support. Sugiyama recognized that if he could get a major share of their supporters and a reasonable portion of the electorate who had not turned out for the primary election but would for the general, a November victory was possible. Sugiyama was the underdog and had several disadvantages compared to Remengesau, but he campaigned hard as the November general loomed. After all the ballots were counted, Sugiyama had done surprising well, with nearly 5,000 votes. His hard work and alliance with the other primary election losers nearly got him a win. As it turned out, Remengesau was able to stay ahead, defeating Sugiyama by

674 votes of the 10,718 cast. In the primary, Sugiyama had trailed Remengesau by 21 percentage points, but in the one-on-one contest the gap was cut to only 6 percentage points. Some 81 percent of Palau's voters had turned out and elected Remengesau by a relatively small margin. Palau had its sixth president.

The vice-presidential race was a contest of style and reputation. Delegate Alan Seid projected an image of the smooth operator, the deal-maker, the jet set. In contrast Senator Sandra Pierantozzi came across as committed, honest, hardworking, and caring. She entered the race late but, like Seid, campaigned vigorously. She also had as much in the way of financial resources as Seid did. In the end, Pierantozzi defeated Seid by over 800 votes to give Palau its first woman vice president.

More than sixty candidates had entered the race for the twenty-five congressional seats. Fourteen incumbents regained their seats, but there were some surprises with "green" challengers such as Mlib Tmetuchl, Yukiwo Dengokl, Steven Kanai, and environmentalist Noah Idechong gaining enough votes to be elected. Two women had entered the congressional race. Lolita Gibbons finished twenty-third in the twenty-five-person Senate race. In contrast to that poor performance, Leilani Ngirturong-Reklai lost by only a small margin to incumbent Steve Umetaro, with 225 votes to 259, in the race for the Aimeliik State delegate seat.

Palau's new government took office on 1 January 2001 and was inaugurated several weeks later, with nearly thirty foreign delegations present.

The executive branch got right to work on an ambitious agenda; however, the bicameral *Olbiil Era Kelulau* (National Congress) had more than the expected organizational difficulties. The House of Delegates took nearly four months to organize itself because of a seemingly endless skirmish over the House speakership.

In the Senate, the seating of Senator-elect Elias Camsek Chin evolved over the months into a bitter fight that escalated to include the traditional chiefs, the Palau Supreme Court, and the state governors. In question were Chin's qualifications—was he a Palauan citizen, and did he meet the residency requirement as required by the Palau Constitution? The Palau Supreme Court ruled that Chin was qualified to take his seat, but the majority of the Senate—Joshua Koshiba, Seit Andres, Johnny Reklai, Steven Kanai, and Harry Fritz—demanded he sign a consent form allowing for a probe of his past citizenship. Chin agreed in December, and soon after that the US Embassy in Palau provided information indicating that he was not and had never been a US citizen. Some time later the majority faction in the Senate again requested Chin's signature on a consent form. Chin refused, arguing that such a requirement was not established in the Palau constitution as a qualification for legislative office. The Senate declared his seat vacant and called for a new election. In response, Chin filed suit in the Palau Supreme Court, arguing, essentially, that five senators had illegally excluded him from taking his seat in the sixth Congress in violation of the Palau constitution. Chin, a minister of justice in

the Nakamura cabinet, asserted that he was constitutionally a senator because senators are “chosen by the vote of the citizens of Palau eligible to vote in general elections, and by no other method” (*TBN*, 23–29 June 2001, 2). This tense issue was unresolved by midyear.

Palau appears to have two kinds of private, foreign-supported development projects going on: first, small-scale, practical, appropriate technology projects, such as the successful Palau Organic Farm venture in Ngaremlengui State, or the agriculture operation in Aimeliik State supported by a Japan-based nongovernmental organization; second, Palau seems to have a talent for attracting huge, multimillion dollar corporations that occasionally have an aura of exclusivity and even mystery. The Allied Boston Bank is chartered in Palau, received its Foreign Investment Board certificate in 1999, and is now headquartered in central Koror’s Palasia Hotel. The bank has an interesting pedigree and a huge amount of money. The Palau operation is a subsidiary of Allied Boston International, which brokers acquisitions, mergers, and joint ventures.

In turn, Allied Boston International is a subsidiary of the Allied Group of Geneva, Switzerland. This group consists of wealthy individuals who pool their millions to finance projects all over the world, and apparently has made some \$500 million in loan funds available to Palau’s Allied Boston Bank (*TBN*, 26 Aug–1 Sept 2000, 9). Recently the Allied Boston Bank has been granting unsecured loans in Palau of up to \$2,500 with proof of an applicant’s employment and has

claimed it will provide \$5 million as a low interest loan to the Palau Development Bank for small business development loans. The bank claims it is interested in community service and will make \$80 million available to stalled mega-resort projects that were planned for Koror years ago. Yet, there remains some skepticism about the Allied Boston Bank in Palau.

Another more public project is the new national capital construction effort going on in Melekeok State in central Babeldaob. The second phase is valued at \$25 million and will result in Washington, DC-style buildings for Palau’s executive, legislative, and judicial branches of government. Although receiving some criticism for its un-Palauan design and unimportance, the project is reportedly financed by a \$20 million soft loan from a Taiwan bank and \$5 million from the Palau National Congress. Black Micro Corporation is the project’s current contractor and has turned over some completed structures from phases one and two. Former President Nakamura had suggested the government of Japan might be approached for funding for the third phase, consisting of roads, and water and sewer treatment facilities. Critics of the grandiose project claim the final cost will escalate to \$40 million and is irrelevant to nation-building.

A foreign investment project that got off the ground—at least legally—during the period under review was an internet gaming and gambling venture. In August, President Nakamura signed RPPL 5-45, which provided him authority to negotiate and enter into agreements granting exclusive rights for the operation of virtual

gambling games originating in Palau. Soon after, a joint Japan-Palau group, Micronesia Internet Development Technologies Corporation (MIDTECH), applied for the exclusive right to operate software and a computer server that would make virtual *pachinko* available to players in Japan and other Asian countries, but not in Palau. From this operation, Palau would receive \$2.5 million, plus 4 percent of the gross revenue, which would total about \$7 million yearly. In contrast, MIDTECH stated in its foreign investment application that it expects to earn a net profit of \$19.5 million per year for the first two years and a whopping \$42 million its third year of operation (*PH*, 1–7 Dec 2000, 5). So far, MIDTECH is not in operation.

Alan Seid, loser in Palau's recent vice-presidential race, is a partner in the MIDTECH venture. He is also the energy behind the Aimeliik golf course project, which underwent rigorous environmental scrutiny by the Palau Conservation Society. This watchdog organization found potential problems with the project's environmental impact statement in the areas of chemical and weed control, and the use of fresh water and land, and great uncertainty regarding when (if ever) the golf course would "produce a true profit." Seid and his partners brought in some US environmental experts who provided responses to all the criticisms. The Aimeliik State Legislature then gave its stamp of approval to the \$33 million, 192-acre investment scheme, as did the Palau government's Environmental Quality Protection Board.

Yet another group of construction projects is being funded with grants from the governments of Japan or the

United States. Funded completely by Japan, the graceful new Koror-Babeldaob bridge is nearly complete. Representatives of Japan and Palau recently signed an agreement granting Palau \$14 million for a new airport terminal building and improvements to the aircraft parking apron. The old terminal, currently being demolished, was built in the early 1980s by Roman Tmetuchl with partners from Japan.

The huge, 53-mile Babeldaob circle road project has been beset by wet weather and the unforeseen problem of "gummy" soil that is difficult to dry. The \$149 million project, funded by the United States–Palau compact, is being built by Daewoo Engineering and Construction Company, which is reportedly independent of the Daewoo Group now experiencing major legal and union problems in South Korea. The gigantic project is being overseen by the US Army Corps of Engineers, which carries out regular inspections. The completion date for the road has been extended to 2004.

Important as these projects are, both the compact and the former Trust Territory of the Pacific Islands funded dozens of smaller infrastructure projects all over Palau. These were reviewed by a Department of Interior audit team in 2000. The final report described numerous irregularities including lack of cost estimates, lack of project inspections, misuse of funds, and poor procurement procedures. Perhaps the most serious shortcoming it documented was the government's failure to begin and complete construction of the Malakal sewage treatment plant extension project, a project authorized in 1993 and allocated \$5.15 million. Because the cur-

rent facility is operating beyond its capacity, it discharges pollutants into the waters near the plant (*TBN*, 26 Aug–1 Sept 2000, 4). The Interior report recommended numerous corrective measures.

In a full-page statement, President Nakamura presented his farewell message to the people of Palau (*TBN*, 16–22 Dec 2000, 4). After a very successful eight-year presidency, he was finally bowing out, stating that he had “the utmost faith and confidence in the newly elected leaders” and that he would aid and support their efforts.

In just six short months, Palau’s new president—Tommy E Remengesau Jr—has established himself as an executive leader with energy, vision, and commitment. He has a strong background of government service. His father, Thomas Remengesau Sr, was Palau’s district administrator under the former trust territory administration for nearly a decade, and later served as vice president and interim president for four months in 1988, following the tragic death of former president Lazarus Salii.

Strikingly, the new president did not use his position as either a senator (1986–1992) or vice president (1993–2000) to become wealthy or begin a business—rather atypical for a Palauan politician. The Code of Ethics financial disclosure requirement revealed that Remengesau had about \$70,000 in assets (*TBN*, 28 Oct–3 Nov 2000, 5), an unimpressive sum compared to those of most other candidates in the 2000 election, four of whom reported assets ranging from \$1.7 to \$12.5 million. What appears to be both unique and refreshing about the Remengesau presidency is

that it will have its eye more on the public good than on private gain.

Remengesau began his presidency with zest, issuing ten executive orders and presidential directives. These covered establishment of important task forces and offices, the most significant of which was the Office of National Bank Commission and a related task force to draft comprehensive banking legislation. This order also imposed a six-month moratorium on the approval of any new banks in Palau. Other moratoriums were established with respect to executive branch hiring and travel. These actions indicated that the Remengesau style would be a proactive one.

Remengesau’s emphasis on government service can also be seen in his choice of cabinet ministers. Vice President Pierantozzi was entrusted with the Ministry of Health and has done very good work in just six months. The other ministers were chosen because of their competence and record of dedication to government service. They include former special prosecutor Michael Rosenthal as minister of justice, Elbuchel Sadang as minister of administration, Alexander Merep as minister of community and cultural affairs, Fritz Koshiba as minister of resources and development, Temmy Shmull as minister of state, Oitoichi Besebes as minister of commerce and trade, and Mario Katosang as minister of education. Remengesau adroitly healed a family political wound by appointing former election opponent the Reverend Billy Kuartei to the important position of chief of staff to the president.

President Remengesau was fairly busy in foreign affairs during his first

six months in office. He accepted the credentials of Neil Robertson, New Zealand's ambassador to Palau, and met with President Leo A Falcam of the Federated States of Micronesia and President Kessai H Note of the Republic of the Marshall Islands. The heads of state agreed to work on issues of common concern, such as extradition treaties and standardization of custom and immigration regulations. They also agreed to express their concerns to the United States regarding its withdrawal of support for the Kyoto Protocol on global warming.

Remengesau made his first overseas state visit to Japan since taking office, and was accompanied by former President Nakamura. Both men received honorary degrees from Japan's Saga University and signed an agreement with that institution regarding facilities in Palau for research on ocean thermal energy conversion. While in office, Nakamura had acquired over \$100 million in grant funds from Japan, and Remengesau hopes to continue that success. The president had a "shopping list" of projects in need of support: the new air terminal (which received funding support), the new Melekeok national capitol, fisheries and aquaculture projects, modernization of Palau's telecommunications technology, and rural infrastructure projects.

A critical foreign affairs issue Remengesau had to deal with involved Palau-US compact relations, an issue of potential political explosiveness. The situation concerned the visit to Palau of three Republic of China warships carrying some 850 officers and sailors. Although it was designated

a "goodwill mission" and "fleet of friendship," several members of Congress stated that such a visit of foreign warships might be a violation of the security and defense provisions of the Compact of Free Association with the United States. The fleet of friendship came and went in early February without incident. Remengesau made a clear distinction between legitimate security and defense concerns on the one side, and the exercise of foreign affairs powers on the other. He determined that the visit of the Taiwanese cadets, their superiors, and ships was an issue of Palau's autonomy in foreign affairs (*TBN*, 24 Feb-2 Mar 2001, 6).

In what may be one of the longest and most comprehensive state of the republic addresses on record, President Remengesau outlined his four-year agenda and challenged the National Congress to work with him in order "to have a reasonable opportunity to gain economic and social independence by the year 2009" (*TBN*, 21-27 Apr 2001, 18). He stated that Palau was "entering a non-payday weekend" and "at a crossroads." In short, Palau was at a point where wise decisions were mandated. He described seven developmental strategies needed for moving beyond the crossroads: restructuring and right-sizing the government bureaucracy; balancing the nation's budget; strengthening the private sector, which would include making Palau's investment system simple and transparent; diversifying the economy; balancing growth and preventing unlimited and unplanned growth; achieving sustainable development; and protecting the environment. In concluding, the new presi-

dent made a direct call to his fellow civil servants: "I therefore ask each and every member of the Senate and House of Delegates to make a commitment with me, to the People of Palau, to put our differences aside and to work together, even on those issues on which we disagree. We are all aware of the real dangers that confront us all if we do not make the changes to our government structures that must be made now" (*TBN*, 21-27 Apr 2001, 18). It is clear that the Remengesau presidency will be one of commitment.

Palau's Office of Planning and Statistics reported Palau's population in 2000 as 19,129. Nearly 70 percent (13,300) of these people reside in Koror. Of this total, some 7,483 are foreigners, most of whom (4,582) have come from the Republic of the Philippines. The next largest group is from the People's Republic of China (1,124), with 253 from Japan, 225 from Taiwan, 223 from Bangladesh, 215 from the United States, 132 from Europe and Russia, and 303 from Southeast Asia. The proportion of non-Palauan to Palauan residents has increased dramatically since 1990, when 20 percent of the population was foreign born, increasing to 34 percent by 1995, and a surprising 64 percent in 2001. In concrete terms, this means that in 2001 for every 10 Palauans, there are about 6 non-Palauans. Also surprising is that the total number of Palauans residing in Palau has declined to 11,646. This is a dramatic change, given that in 1986 the population of Palauans was 12,323; in 1990 the total had grown to 12,575; and by 1995 it had again increased to 12,824. The 2000 figure represents a

loss of 1,178 over the five-year period (*TBN*, 19-25 May 2001, 4; Palau 1999, 7, table 2.6).

A number of important events during the period under review highlighted Palauan identity, creativity, and solidarity. For the very first time, five athletes from Palau participated in the world Olympic games, held in Sydney in September 2000. Taking part was enormously important for the 185th member of the United Nations, and generated a sense of national pride. Palau excelled not just in sports; its artists, dancers, and musicians were very popular at the Eighth Pacific Arts Festival held in New Caledonia in November 2000. Because of the positive impact made by the Palau delegation, its invitation to host the 2004 arts festival in Palau was accepted.

Palau celebrated its Constitution Day on 9 July this year in Aimeliik State. Prior to 1999, celebration of this important event was held in Koror. This change is fundamentally important in terms of Palauan tradition and identity. As legend has it, the people of Palau are descended from Milad, Palau's foremother. She had four children, who in ancient times founded the village polities of Ngar-mlengui (the oldest), Melekeok (the second oldest), Aimeliik (the female of the group), and Koror. In 1999 and 2000, Constitution Day celebrations were held in Ngar-mlengui and then in Melekeok; ceremonies in Aimeliik completed the cycle with respect to tradition.

It was also fitting that on Palau's Independence Day, 1 October, Prince Leeboo finally came home. Although it was a symbolic homecoming, the unveiling of the ivory-white statue of

Prince Leeboo on the Palau Community College campus in Koror was historic and another moment of national pride. Leeboo was the son of the ranking Koror high chief, Abba Thulle (today known as Ibedul). The young man courageously left Palau in 1783 with English Captain Henry Wilson but never returned. Leeboo is buried in London, and according to a House of Delegates resolution, is the embodiment of the Palauan spirit.

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