

Micronesia in Review: Issues and Events,
1 July 2001 to 30 June 2002

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

GUAM

Spiraling economic, social, and political crises occupied Guam headlines during the year, while campaigns for upcoming gubernatorial, senatorial, and congressional elections sought to offer solutions and rekindle the optimistic spirit of disillusioned island residents. Dropping income levels, rising unemployment rates, increased bankruptcy numbers, and other economic troubles plagued the island, as did mounting allegations of government corruption and mismanagement.

Finding answers to a laundry list of problems consumed the four teams in the running for the governorship with primary elections scheduled for September 2002 and general elections for November. On the Democratic Party slate, with lame duck Governor Carl T C Gutierrez ineligible for reelection due to term-limit regulations, his wife, Geri Gutierrez, geared up to take his place. After months of searching for a running mate, Geri teamed up with retired army general Benny Paulino. Basing their campaign on the slogan "Faith and Trust," the Gutierrez-Paulino team essentially positioned themselves as the incumbents. In the primary election they are running against the team of Robert Underwood and Tom Ada. Underwood, as Guam's five-term delegate to the

US Congress and a former professor and administrator at the University of Guam, and Ada, a popular senator in the Guam Legislature and himself a retired army colonel, brought long résumés of public, private, and military service to their ticket. Espousing the slogan "Rebuilding Guam. Din-uebu!" both Underwood and Ada have been extraordinarily high vote-getters in recent elections; Underwood won his last congressional race with 78 percent of the vote and Ada placed first among fifteen senators for the third time.

On the Republican slate, a race between two teams of four senators in the Guam Legislature is expected to be tight. Long-time senator and current Speaker of the Guam Legislature Tony Unpingco partnered with senatorial colleague Eddie Calvo, son of former Governor Paul Calvo. Focusing their campaign on a call for honesty, accountability, and effective management, the Unpingco-Calvo team has made government reform a major issue. They will challenge a pair of senators whose fathers also occupied the seats to which they now aspire. Senators Felix Camacho and Kaleo Moylan are running as a team as did their fathers, former Governor Carlos Camacho and former Lieutenant Governor Kurt Moylan, using the slogan "There is Hope" to fuel their aspirations.

Running to fill the seat of the US delegate to Congress vacated by the gubernatorial-candidate Underwood

are two Democratic candidates, current Lieutenant Governor Madeleine Bordallo and Senator Judy Won Pat; on the Republican ticket is former governor and current Senator Joseph Ada. The effects of Typhoon Chatha'an, a July storm that resulted in a federal disaster declaration for Guam, coupled with the island's severe economic crisis, forced the various candidates to rely on means other than costly media campaigns to inform and rally their supporters. In light of the financial problems facing much of the island population, few of the Gutierrez-style \$500 and \$1,000 political fundraisers were held; instead, the old-fashioned, grassroots style campaigns of the 1970s and 1980s returned, with almost nightly village meetings, pocket meetings, and rallies.

Despite retreating to the campaign styles of previous decades, politicians confronted vastly different demographic conditions than their political forerunners faced. In February 2002, the US Census Bureau finally released the official results of the 2000 census, attributing delays to the bureau's need to reprocess all of its data sets for Guam and adjust its data for undercounts. According to the census, Guam's population in 2000 was 154,805, only slightly more than the total reported for 1990. Ethnically, the census showed the indigenous Chamorro population at 37 percent, 6 percent less than in the previous census. The ethnic group with the largest gains in the 2000 census was the growing Filipino community, which at 26.3 percent showed a 4 percent increase relative to the total island population and a 35.6 percent increase since the 1990 census. The village of

Dededo in northern Guam absorbed the vast majority of the immigrant community. From 1990 to 2000, Dededo saw its population increase by 35 percent, jumping from 31,000 to 43,000, with Filipinos constituting 45 percent of the total village count.

The latest census report also reflected changing economic conditions on the island. Compared to statistics gathered in the 1990 census, three times more residents are considered unemployed (3.8 percent in 1990, 11.5 percent in 2000). Perhaps most disturbing is the finding that 23 percent of Guam's population is officially classified as living in poverty, a stark increase over the 1990 census figure of 14 percent. Yet while the number of persons in poverty has increased substantially, government funds for social welfare programs have shrunk. In the 2002 budget, the Guam Legislature decreased public health and social service funds by 25 percent, and welfare recipients faced a cut in their assistance checks of about 57 percent.

The high poverty rates and escalating unemployment figures confirm that the troubled economy has affected Guam residents in nearly every walk of life. According to Department of Labor reports, average household income decreased by 9.3 percent from the 2000 level to less than \$41,000 in 2001. But even that figure is deceptively high, as Guam households contain more members than the national average. Similarly, per capita income dropped by 5.2 percent over the same period, to \$10,900 (compared to a per capita income of over \$20,000 in the mainland United States).

The increasing poverty rates and falling income levels reflect the gener-

ally diminished economic opportunities in all sectors of island employment. Indeed, Guam's private-sector businesses saw the elimination of more than 4,200 jobs in 2001, including 2,000 jobs lost in the two months immediately following the September 11th terrorist attacks in the United States. Most of these jobs were related to tourism, and many of Guam's workers faced the threat of layoff for months after the attacks. Lowered occupancy rates forced hotels to let go many chefs, front-desk clerks, housekeepers, food servers, and other workers. The employment statistics for 2001 also reveal that while the number of full-time workers on the island has decreased, the number of part-time workers has increased. The private-sector trend of reducing the working hours of full-time staff to avoid layoffs has affected thousands of jobs in addition to the thousands that were eliminated.

The unemployment rate improved, although this could hardly be read as a positive economic indicator. While Guam's unemployment rate peaked in 1999 at 15.2 percent and hovered at 13.0 percent in 2001, the first quarter of 2002 showed a decline to 11.4 percent. This improved rate, however, merely reflected a massive surge in out-migration as well as increases in the number of people of working age who did not want jobs or who wanted jobs but did not look for work. According to Guam Department of Labor statistics released in January 2002, over 2,500 people in the island's labor force left the island since September 2001. In addition, earlier in 2001, approximately 3,000 residents had already left the island for greener

employment pastures in the United States. Joe Bradley, Bank of Guam economist and vice president, estimated that as many as 20,000 job hunters have left Guam in the last few years (*PDN*, 18 Jan 2002).

Besides layoffs, unemployment rates, and reduced income levels, bankruptcy filings in 2001 also testified to the economic slump. Court records showed a nearly 100 percent increase in bankruptcies between 2000 and 2001. This trend continued into 2002, as Guam's bankruptcies in just the first quarter of this year totaled 103, compared to 288 bankruptcies in all of 2001. These various economic factors contributed to a reduction in Guam's gross domestic product by close to \$300 million to an estimated \$2.8 billion in 2001.

Tourism, Guam's primary industry, suffered its own setbacks in 2001, as Guam's Japanese-dependent market faltered. Continuing economic woes in Japan, compounded by the fears of flying to US destinations after September 11th, contributed to a sharp decline in tourist numbers. In the two months following the terrorist attacks, tourist arrivals dropped precipitously. For the month of November 2001, Japanese visitor arrivals declined by 55 percent from November 2000, with 47,175 fewer tourists visiting the island. The financial impact of this decline was considerable; for example, the November decrease translated to approximately \$700,000 less in hotel occupancy taxes paid to the government of Guam. Gross receipts taxes for the month also decreased by more than half a million dollars. While visitor numbers began to increase by December 2001, levels still lagged far

behind the pre-September 11th totals. For the year 2001 in total, Guam saw a 14 percent decline in Japanese visitors.

South Korean tourism, on the other hand, showed signs of revitalization, posting a 3 percent increase in the number of visitors from the year before. In December 2001, Korean Air resumed its flights to Guam, joining Asiana Air in providing transportation services between Guam and Korea. Korean Air's return to Guam was an emotional and sensitive one, only four years after the tragic crash of Korean Air Flight 801 that killed 229 of its 254 passengers. The return of the beleaguered airline contributed to growth in the number of tourists from Korea; nearly 90,000 arrivals in 2001 provided a glimmer of hope for the struggling tourism industry.

These trends in visitor arrival patterns continued in the first five months of 2002, as Japanese visitor numbers did not meet those reached in 2001 while Korean numbers continued increasing. The advertising and spending patterns of the Guam Visitors Bureau came under public scrutiny as prominent business leaders and regional economists urged the agency to pay more attention to the budding Korean market, rather than almost exclusively marketing Guam to potential Japanese visitors.

China loomed as another new market for potential visitors, and the government of Guam spent close to \$100,000 in travel expenses for a trip there. A fifty-two-member delegation of public- and private-sector officials, led by Governor Gutierrez, traveled to Guangzhou in March 2002 in a bid to lure tourists, investors, and students

to Guam, as well as to establish cultural ties with the city. Two months later, in May 2002, nine Guangzhou officials visited Guam as a part of the overall plan to lure Chinese tourists. Deep skepticism lingered, however, amid unanswered questions about the government's ability to obtain federal approval for Guam-only travel visas for potential Chinese tourists.

With the health of Guam's primary source of revenues in question, in October 2001 the Guam Legislature cut Governor Gutierrez's 2002 budget request by \$94 million, arriving at a final budget of \$420 million. The budgetary process thereafter became mired in political squabbles between the administration and the legislature as the two sides held to their conflicting estimates of the exact magnitude of the economic decline. For weeks, debate on the government budget ensued, leaving government of Guam (GovGuam) workers hostage to menacing threats of layoffs and pay cuts.

On 14 February 2002, after eight years as governor, Gutierrez gave his final "State of Our Island" address, filled with grim news of a bleak financial future for the government of Guam and proposals to alleviate his forecasted \$60 million revenue shortfall. Governor Gutierrez proposed numerous dramatic measures, including a government-wide 10 percent pay cut, a 50 percent increase in the gross receipts tax, and the borrowing of \$427 million in the bond market to pay for government employee retirement benefits. Members of the Guam Legislature, particularly those running on the various gubernatorial tickets, immediately denounced the governor's proposals, citing government misman-

agement as the cause of the crisis and rejecting pay cuts and tax increases as solutions.

Less than three weeks later, on 6 March 2002, newspaper headlines screamed, "3,800 Layoffs Loom." Governor Gutierrez announced that because the legislature had rejected his February proposals to address the government budget crisis, even more drastic measures, including the layoff of 3,800 government workers, would be necessary. Beginning in mid-March, the governor began implementing his threatened layoffs by eliminating 33 of the 125 unclassified employees in his office, including 9 special assistants, 13 assistant staff officers, 4 office aides, and 2 special projects coordinators. Senator Kaleo Moylan, chairperson of the legislature's Ways and Means Committee and a candidate on the Camacho-Moylan gubernatorial ticket, attacked and dismissed the governor's layoff threat. According to Moylan's estimates, Guam's revenue shortfall for 2002 would be \$37 million, far less than Gutierrez's estimate of \$60 million. He thus charged that the crisis could be averted if Gutierrez's administration would simply collect tens of millions of dollars in uncollected taxes and overdue federal reimbursements.

Following Gutierrez's announced layoffs, television, radio, and newspaper reports swirled around the impending crisis. Economists predicted that the multiplier effect of the layoffs would dramatically impact the entire island economy, deepening an already decade-long financial downturn. The governor announced a government-wide hiring freeze, ostensibly as the first step in his plan to begin laying

off employees. Meanwhile, administration officials continued to bicker with legislators over their differing budgetary shortfall projections. Unsurprising in the context of heated gubernatorial races, no action was taken by leaders in either the executive or legislative branches.

Justifying their inaction regarding pay cuts, layoffs, and other government cutbacks, legislators charged the governor with overspending and mismanagement. Senators pointed out that in every year since 1991, the government of Guam has spent more than its resources allowed and has consistently borrowed additional money when its bills became too large to handle. Exacerbating an already tenuous financial situation, in June 2002 Administration Director Clifford Guzman acknowledged before the legislative Ways and Means Committee that the government was expected to spend \$69 million more than it budgeted for the current fiscal year and might face a severe cash shortfall of up to \$100 million. Yet to the date of this writing, both branches of government have failed to take direct measures to address the dire situation, and in all likelihood no action will be taken until after the November 2002 general election.

In the midst of vociferous political squabbling, Wall Street financial analysts Standard & Poor lowered the government of Guam's bond rating to BB, considered noninvestment grade or "junk bond." This downgrade reflected the government's inability to address the deterioration in its financial position and the prospects that the island's weak economy would lead to further financial pressures. In par-

ticular, Standard & Poor identified three factors that influenced the lowered credit rating: overreliance on tourism and, in particular, a heavy dependence on the shaky Japanese tourist market; a very weak financial position “aggravated by the softness in the economy and the need to take adequate measures to reduce its accumulated debt”; and a high debt burden of \$440 million, translated into \$2,845 per person on Guam, with debt payments accounting for 12 percent of GovGuam spending (*PDN*, 27 March 2002).

The bond downgrade again fueled public debate over the Gutierrez administration’s fiscal mismanagement and aggravated fears regarding the health of Guam’s retirement fund. Guam Economic Development and Commerce Authority (GEDCA) director Ed Untalan predicted that, because the government has continually drawn on the pension fund to cover its budgetary shortfalls, the retirement fund might face bankruptcy within ten to twelve years. Of the government of Guam’s total \$1.18 billion in obligations, almost 80 percent, or \$774 million, is owed to the retirement fund (*PDN*, 27 March 2002).

On top of the government’s economic woes, throughout 2002, a number of financial and managerial reviews by both government and independent auditors revealed case after case of government mismanagement. Guam’s first elected public auditor, Doris Flores Brooks, came into office in 2001 and immediately began conducting reviews of GovGuam agencies. Among her first audits were two of Guam’s major computer purchases, the Oracle and Agupa systems, both

of which have long been sources of public frustration. In 2001, Brooks called on federal officials to look into unresolved problems with the health department’s \$4.7 million Agupa computer system, which was supposed to have been operational in August 1999. The Agupa system was intended not only to computerize Guam’s health records, including birth and death certificates, but also to provide integrated public health and social service information. To the date of this report, Agupa is not fully functional.

To address the second computer debacle, Brooks called on the US Department of Interior to evaluate Guam’s \$4.5 million Oracle-based financial management system, which was to have replaced the previous, non-Y2K compliant system in December 1999. Continual public outcry has accompanied the GovGuam Department of Administration’s inability to get the system working appropriately. Because the expensive system has been unable to handle even the basic payroll and personnel management functions for which it was allegedly designed, administration department personnel have been forced to resort to a combination of manual operations and a retreat to the old computer system.

In addition to the problems concerning these multimillion-dollar computer fiascos, Brooks’ audit of the Department of Parks and Recreation uncovered improper accounting procedures in the collection of permit fees, vendor contracts, and other collections for services, and pointed to thousands of dollars in missing revenues. An audit of the Retirement Fund for fiscal years 1998 and 1999 noted serious management deficiencies and weak

internal controls, questioning the long-term ability of the fund to pay retiree benefits.

Additionally, federal and independent auditors raised their own concerns in the early months of 2002. A US Department of Interior audit report criticized the Guam Economic Development and Commerce Authority's handling of twenty-five land leases as well as the agency's failure to provide bond service and financial advisement to GovGuam agencies, costing the government millions of dollars. Another audit, conducted by the Georgetown Consulting Group, detailed managerial inefficiencies at Guam Power Authority that have resulted in lowered power generation and millions of dollars in increased costs. The auditors recommended that a private management company be hired to oversee Guam's power plants.

Yet another independent audit, by the accounting firm of Deloitte and Touche, raised concerns about the government of Guam's management of its federal funds. In particular, Deloitte and Touche assessed the administration's use of compact-impact funds and Federal Emergency Management Agency (FEMA) monies received after Supertyphoon Paka in 1997. Despite its attempted comprehensiveness, the audit did not cover all of the government agencies, as some, including the Department of Education, were deemed to have records in such disarray that they could not be audited. The education department's last audit was in 1997, and the agency is now three years behind in providing financial management information to auditors.

Allegations of government corrup-

tion busied Guam's federal courts as well. Indicted in January 2001, former GovGuam agency director A J "Sonny" Shelton was convicted and sentenced to ten years in a federal prison by the US District Court of Guam on twelve counts of bribery, bid rigging, wire fraud, and money laundering. He was also ordered to pay restitution of \$112,000 for accepting kickbacks from the 1997 Supertyphoon Paka recovery projects. Investigations revealed that Shelton conspired with other businesspersons to rig bids on seven projects worth about \$640,000, from which he accepted more than \$100,000 in payoffs.

As director of the Department of Parks and Recreation, Shelton had been responsible for managing the FEMA funds for the procurement of goods and services during the post-typhoon recovery. The kickbacks concerned repair projects at recreational facilities such as the Paseo Stadium, Hagåtña tennis courts, Paseo De Susana grounds, Ypao beach shelters, and Wettengel football field. In addition to having worked as parks and recreation director, Shelton's notable government career included one term as a senator in the Guam Legislature, and stints as acting general manager of the Guam Power Authority, deputy director of the administration department, and the island's public auditor.

In connection with Shelton's crimes, six other people were indicted for committing various acts of money laundering, bid rigging, and supplementary related charges. All six pleaded guilty and made plea agreements in exchange for their cooperation with federal prosecutors. At Shelton's sentencing hearing in January

2002, FEMA special agent Jae Song testified that ten investigations were underway concerning other possible misuses of federal funds.

Several months later, in early July 2002, two additional top government officials—Marilyn Manibusan, a former senator and agency director, and James Sablan, the lieutenant governor's chief of staff—were indicted for similar offenses. Both Manibusan and Sablan allegedly accepted money from real-estate developers in exchange for approving their housing projects.

At the time of the alleged abuses, Sablan was director of the Guam Housing Corporation, a government agency that provides low-interest federal loans to build homes, and Manibusan was chairperson of the Territorial Land Use Commission, a government commission that regulates land development. According to federal investigators, Manibusan and Sablan were paid by developers to use their official positions to approve two separate housing development projects, and \$100,000 of the money was donated to Governor Gutierrez's 1998 reelection campaign. The two have been charged with conspiracy to commit wire fraud, misapplication of government funds, extortion under color of official right, and bankruptcy fraud, among other charges in a twenty-two-count indictment. Both have pleaded innocent, and their trial has been scheduled for early December 2002 (*PDN*, 8 August 2002).

In other court-related news, Guam's local banks took a blow when the Superior Court of Guam ruled that off-island banks could not be prevented from adding branches on Guam. The case reached the courts

when three local banks, the Bank of Guam, Citizens Security Bank, and BankPacific, obtained a court order to prevent First Hawaiian Bank from opening a third branch. While the protectionist local legislation stipulates that out-of-state banks cannot open new branches unless they first purchase an entire Guam bank, the Superior Court ruled in favor of federal law that promotes fair treatment of state, national, and locally chartered banks. In effect, this ruling gives national banks on island the same rights as Guam banks. Thus, immediately after the court decision, First Hawaiian Bank announced that it would open a new branch within four weeks.

In addition to problems addressed by auditors and jurors, widespread concerns regarding Guam's water quality, power system, sewage disposal, and waste management plagued the island throughout the year. Public health and welfare concerns topped the headlines for months in 2002, as the government's funding crisis directly affected the services provided to Guam's underprivileged. One manifestation of the crippled public health services was a measles epidemic on the island.

On 9 May 2002, Guam public health officials declared an epidemic when the number of confirmed cases reached 8, meeting the standard for epidemics set by the US Centers for Disease Control and Prevention. Working with the centers, Guam Director of Public Health Dennis Rodriguez had declared a state of public health emergency on 27 April (when the number of suspected cases reached 16), in order to mobilize the

resources needed to prevent a repetition of a 1994 measles outbreak, which had involved 224 confirmed cases of measles and three measles-related deaths. Public health nurses held free immunization clinics and visited targeted areas door-to-door before the epidemic officially ended. In total, public health officials confirmed 9 measles cases in the epidemic, and more than 4,700 children received immunizations between the 27 April emergency declaration and the epidemic's conclusion on 20 June.

Guam's public health system was further undermined when the island's health welfare insurance system faced collapse. Guam's Medically Indigent Program (MIP), with a roster of 14,000 enrollees, costs the government about \$2.5 million a month in health care. At the same time, legislative allocations to the program have averaged only about \$1.1 million a month, leaving the program \$16 million in debt. Consequently, many clinics and pharmacies have stopped accepting MIP patients because the government of Guam owes them too much money, and thus the island's most needy patients find themselves without access to medical, dental, and mental health services.

The social impact of the crumbling MIP program has been heightened by the impending expiration of welfare payments to roughly 400 families. This cutoff comes as a result of the federal government's 1997 welfare reform, which placed a five-year limit on the receipt of funds from the Temporary Assistance for Needy Families program. While the government of Guam has established a task force to address the needs of those families

whose welfare benefits end in the summer of 2002, no plan of action has been formed and members of the legislature have been loath to act on any motion that could be interpreted as "political suicide" in this climate of election-year politics.

One long-standing issue, the privatization of Guam's government-owned utilities, moved forward, having received strong encouragement from Chamber of Commerce members who view it as a means for the local government to stop its financial slide and improve efficiency. In particular, chamber members identified the Guam Telephone Authority, Guam Power Authority, Guam Waterworks Authority, and the Port Authority of Guam as agencies that should be privatized.

The first of Guam's utilities to attempt privatization, the Guam Telephone Authority (GTA), sponsored a bidders' conference in January 2002 to review the legal, financial, employee relations, and marketing issues involved in the bidding process. In 2001, the telephone authority posted net operating revenues of \$45 million and a total net income of \$4.6 million. At this conference, GTA officials presented the government of Guam's minimum selling price of \$70 million. In June 2002, after an extended effort by the government to sell the telephone authority, TeleBlu Inc. was announced as the only company to submit a bid to purchase. TeleBlu, an Illinois-based holding company that provides wireless voices services through a number of subsidiaries, had to meet the utility's \$70 million minimum purchase price as set by Guam law. Moreover, local legislation estab-

lished that any buyer would have to protect the employment of the four hundred GTA employees for five years and assume a long-term GTA debt in excess of \$100 million. Contract negotiations are expected to last several months before a sale is finalized.

Good news for Guam's indigenous landowners trickled in this year. In the first half of 2002, Congressman Underwood announced three transfers of military-held land to the government of Guam. These include approximately 241 acres of US military land in Dededo and Yigo deemed excess by US Air Force officials, as well as 81 acres deeded to the island for a fire station and a new high school and an additional 900 acres of land in the northern area of Harmon. The Harmon land return in May 2002 marked the twenty-second parcel of land transferred back to Guam from the US military through the Guam Excess Lands Act that Underwood passed through the US Congress in 1994. Underwood's 1994 legislation, Public Law 103-339, mandates that control of federally returned lands be transferred to the authority of the government of Guam. To determine the future of these lands, Guam senators enacted legislation in 2000 establishing that excess military lands would be placed in the inventory of the Ancestral Lands Commission. The Ancestral Lands Commission would then be responsible for helping original landowners and their heirs reclaim lands they lost during the US military's post-World War II land condemnations.

Two years after Congressman Underwood's excess lands legislation

and more than fifty years after the military's land condemnations, the first of these lands were reunited with original landowners in the first land return of its kind in United States history. On 21 June 2002, six jubilant Chamorro families became a part of history when they received deeds to their ancestral lands: the families of Rosa DeJesus Cruz, Pedro Palomo Esteban, Jesus Sablan Camacho, Vicente Camacho Cruz, Mariano Taitague Torres, and Veronica McDonald Calvo all received title to lands in the villages of Barri-gada, Asan, Dededo, and Yoña. According to Ancestral Lands Commission Director Joe Borja, twelve more claimants could receive title to their lands in upcoming months.

In another piece of historical land news, more than two hundred acres of land came a step closer to being reunited with original landowners after the owners' strident protest against the government's handling of a land trust encompassing the acres in question. In May 2002, the Guam Economic Development and Commerce Authority awarded A-L Pacific Incorporated a contract to develop 248 acres of government-owned land in Tiyan at the cost of \$1 per year for fifty years. GEDCA officials justified the low price by explaining that the company would better spend its resources on developing and marketing the property. A-L Pacific plans for the Tiyan property included proposals for an industrial park and a medical economic zone.

The land in question, however, forms a block referred to as the Tiyan Trust, created after the US Navy officially transferred the land back to the government of Guam in 2000. In

the process of returning the 248 acres to the government of Guam, federal officials stipulated in the deed that future use of the lands must be for the economic development of Guam. To oversee the development of these returned lands, the Guam Legislature established the Tiyan Trust, requiring the Guam Economic Development and Commerce Authority to pay money into the trust for Tiyan's original landowners as the property is developed and produces revenue. The Guam Legislature bill that created the trust also stipulates that contracts involving the Tiyan land cannot be implemented without legislative approval.

Public outcry greeted the GEDCA announcement of the lease award. Legislators criticized GEDCA officials for failing to put the lease out to bid and for finalizing the development project without public consultation. Additionally, landowners protested the GEDCA action and called for return of the land to its ancestral owners who could develop it themselves. In response to the public's overwhelmingly negative reaction to the A-L Pacific lease, Guam's senators removed their support for the Tiyan Trust and moved instead to have the land transferred to original landowners. Thus Bill 295 was created, terminating the trust and providing a process through which landowners could begin receiving deeds for lands that had been taken by the military during World War II. The new legislation, which took effect on 6 June 2002, requires landowners to develop the property for Guam's economic benefit, in accordance with the agreement made with the federal government.

In other hopeful news, the Energy

and Natural Resources Committee of the US Senate approved a bill sponsored by Congressman Underwood to provide World War II reparations to residents who suffered torture, forced labor, internment, and deprivation during the Japanese occupation of Guam from December 1941 to July 1944. As the bill has already passed the US House of Representatives, it now awaits passage on the Senate floor and approval by President George W Bush. Underwood's bill would create a five-member federal commission to investigate and document the wartime traumas of Guam's survivors and estimate the cost of paying claims for wartime losses and suffering to people still alive today. The commission would have nine months to submit recommendations for war reparations to Congress and the Interior Department. Underwood estimates this measure would bring between \$30 and \$50 million dollars in reparations to the war survivors. War-restitution bills have been introduced by every Guam delegate since 1972, the year Guam attained non-voting membership in the House of Representatives. The passage of this measure would bring tremendous resolution to a long-standing issue between Guam's war generation and the federal government.

The year 2002 was a good one for the University of Guam, as a US accrediting commission, the Western Association of Schools and Colleges, removed the university's probationary status and reaffirmed its accreditation through 2008. The university had been on probation since July 2000 for not meeting several accreditation standards, including institutional

integrity, finance, and planning. But changes in the university administration have brought dramatic improvements to the institution. Since 2001, Interim President Roy Tsuda and his successor, President Harold Allen, have led the university in making sweeping changes to restore integrity to the way the university conducts its academic operations.

In unresolved political news, according to members of the Gutierrez administration, funding shortages will cause a delay in a decolonization political status plebiscite that was scheduled for September 2002. This plebiscite is intended to give those classified as “native inhabitants” in the 1950 Organic Act of Guam an opportunity to select their preference for the island’s future political status from among the choices of US statehood, free association with the United States, and independence. Lack of political will and only halfhearted support by both the administration and legislature, however, resulted in a poorly funded and ineffective education campaign, as well as a nonexistent voter registration drive. While officials estimate that as many as 16,000 people could be eligible to vote in the plebiscite, election authorities revealed that only 15 had registered as of January 2002.

The plebiscite was established by Guam law in 1994, and while the election was originally scheduled for September 1998, inefficiencies in education and voter registration have led to numerous postponements. Decolonization Commission chairperson Leland Bettis explained that due to the government’s financial crisis, funds were not available for either education

or voter registration, and thus the task forces that were created to educate the public on the three status options have faced severe limitations. Guam Senator Mark Forbes, the author of a 2000 law that appropriated money for the plebiscite, charged the administration with demonstrating a lack of initiative and effort in utilizing the monies that were already appropriated. With the election date looming, inaction by both the administration and the Guam Election Commission signaled that the plebiscite would again have to be rescheduled for a later date.

This year marked the passing of two of Guam’s prominent and beloved cultural leaders, Elizabeth Perez Arriola and Clotilde Castro Gould. A former senator in the Guam Legislature, teacher, and Catholic Church lay leader, Elizabeth Perez Arriola was respected and revered for her commitment to family values, the Roman Catholic Church, and Chamorro culture and history. Affectionately dubbed the “Mother of Historic Preservation” for her legislative support of funding for the protection and preservation of Guam’s historic landmarks, Senator Arriola is perhaps best remembered regionally and nationally for her impassioned pro-life stance and anti-abortion activism in the 1980s.

Clotilde Castro Gould, known as “Auntie Ding” to her friends, colleagues, and family, was acknowledged locally and regionally as a master storyteller. Auntie Ding was one of Guam’s leading activists for bilingual education, fighting specifically to include Chamorro language education in the public school system. Successful in garnering support for

her cause, she subsequently served as the long-time administrator of the Department of Education's Chamorro Studies division. Recipient of numerous awards for her achievements in the areas of Chamorro language and culture promotion, her "Juan Malimanga" cartoon, placed prominently in the right-hand corner of the *Pacific Daily News* cartoon page, will remind generations into the distant future of Auntie Ding's contributions to Chamorro culture and history as a dramatic and humorous weaver of stories.

ANNE PEREZ HATTORI

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NORTHERN MARIANA ISLANDS

The year in review was another one for the books. A four-way election for governor, a major local bank going belly up, the tragedy of September 11th, and a variety of other incidents and events combined to make this year typical of recent ones in the Northern Marianas.

First there were five and then four sets of gubernatorial candidates: Juan Babauta and Diego Benevente, Ben Fitial and David O Sablan, former Governor Froilan Tenorio and public school administrator Rita Inos, and

finally former Lieutenant Governor Jesse Borja and legislator Bridget Ichihara. Outgoing Lieutenant Governor Jesus Sablan kept everyone guessing as to his intention to run even after losing the primary. He finally announced his withdrawal from the race. The campaign was pointed, to say the least. A new party was born, the Covenant party, led by Fitial. Froilan Tenorio ran under his own Reform party banner. Babauta ran as Republican, while Borja ran as a Democrat. Much of the campaign revolved around how much money each side spent and how much garment magnate Willy Tan donated to the various campaigns. In addition, the issue of whether to rehire lobbyist Jack Abramoff in Washington DC was a subject for all candidates to discuss. Interestingly enough, Ben Fitial, former employee of Willy Tan and a controversial Speaker of the House of Representatives, was the strongest advocate for Abramoff, who, it appears, actively assisted in the campaign of Fitial. Fitial's campaign was peppered with endorsements from right-wing congressmen in Washington DC, friends of Abramoff.

For once, money did not determine the election outcome. The Babauta/Benevente team won handily with 44.9 percent of the vote. The Fitial/Inos team came in second at 25.5 percent. Surprisingly, the Borja/Ichihara team came in a distant third with only 18.0 percent. Not too surprisingly, the Tenorio/Sablan pair came in last, attracting only 11.5 percent of the votes cast.

In addition to the gubernatorial race, there was a very heated dispute over the office of Washington repre-

sentative. There were three contenders for the office: Pedro A Tenorio, Agnes Manglona McPhetres, and Herman Guerrero. The results indicated that Tenorio, the former lieutenant governor and covenant negotiator, was preferred over the other two. He took 44.4 percent of the votes cast. Political newcomer McPhetres came in a respectable second with 34.2 percent followed by Guerrero with 21.4 percent.

In a very unusual exercise of the democratic process in the commonwealth, Virginia Sablan Onerheim, a judge in Superior Court (the first indigenous woman judge), was voted out by a surprising 61.8 percent of the voters. The constitution requires that every judge be reconfirmed in the first general election after the first four years to his or her first six-year term. In the previous general election, Judge Timothy Bellas was also voted out. In Onerheim's case, however, a very determined citizen mounted a well-coordinated campaign against her reconfirmation. The citizen had been extremely upset at a decision made by Onerheim concerning a child abuse case in which the woman accused her Nepalese housekeeper of mistreating the woman's baby. Based on expert testimony at trial, Onerheim decided that the babysitter was not guilty and dismissed the case. The angry mother used posters, videotapes, public meetings, and other media to persuade the voters to reject Onerheim.

The process was modified for this election, using scanning equipment for the first time. Machine counting created some new problems in terms of candidates' placement on the ballots. Given the large number of candidates,

both sides of the ballot paper had to be utilized. This led to much confusion, particularly among older voters, and kept the precinct workers busy explaining procedures. In addition, for some time, rumors were floating around that since party candidates were listed together on one side of the page, a voter had to vote along straight party lines. In the end, however, the new procedure went very smoothly and the results for all races were known by early the next morning. Added security from the office of the public auditor ensured that proper voting procedures were followed, and the election could be said to be the most representative (and probably the most expensive) in the history of the commonwealth.

Following its election, the Babauta/Benevente campaign team formed specialized committees to plan for the transition into office. This process came under heavy fire from various quarters because the transition teams frequently included employees of the departments they were supposed to evaluate. This gave rise to accusations of revenge for real or perceived problems in the past, where a lower-level employee could give a poor evaluation of his or her superiors. This process was completed by the inauguration in January 2002. The next phase was also highly criticized because the new governor made appointments to various offices that were already filled with civil service employees, or appeared to be simply political rewards. The governor ignored ceilings on salaries established by law and gave several key aides significantly higher salaries than those permitted by law. The new secretary of Health Services,

for example, is apparently receiving \$140,000 annually, the salary of a full-time physician. The salary of the secretary of Health Services is \$80,000. The attorney general has advised the governor (who appointed him) that he must address this issue soon before the public auditor cites the administration for violation of public law.

As far away as the commonwealth is from New York City, the impact of the September 11th attacks was felt immediately. All commercial airline flights were cancelled, leaving thousands of tourists stranded on Saipan. Most hotels and restaurants attempted to compensate for the travelers' inconvenience by giving them free meals and accommodations until their flights were arranged. For security reasons, commercial airlines were no longer allowed to carry mail on passenger flights. There was no mail for several weeks, before planes were chartered from Hawai'i to Guam, with mail then transported to Saipan on a barge twice a week. Today, packages frequently take a month or more to reach Saipan from the US mainland.

A new mandate that all airport security inspectors be US citizens and federal employees means that there will be a whole new class of local citizens who will be federal employees in the commonwealth and earning a federal wage. This system is supposed to be in place by the end of 2002. In late June 2002, a team of federal inspectors came to Saipan to oversee security operations, including at airports on Rota and Tinian. This should be especially interesting on Tinian, where direct flights are expected to come in from mainland China bringing

high-rolling gamblers to the casino. A Chinese airline has already reopened charter service to the casino, but via Saipan.

New federal guidelines restricted entry to the commonwealth. While the Northern Marianas continued to control immigration, it could not issue visas. As a result, except for customers for the casino and garment workers, mainland Chinese citizens no longer have unrestricted entry. Citizens of approximately forty countries who wish to visit the commonwealth, including the Philippines and China, the two countries supplying the majority of contract workers, must now apply in advance for a document called A Letter to Board, issued by the secretary of the Department of Labor and Immigration. This letter will be sent to the individual and must be presented to Immigration on arrival in Saipan.

In early May 2002, it was announced that the Bank of Saipan, founded by Larry Hillblom and deliberately non-FDIC insured, would be closed and a receiver appointed. This caused a run on the bank amid rumors (which he denied) that Willy Tan had already withdrawn his money and advised his workers to withdraw theirs. In the panic that followed, the doors were locked and Judge Manibusan appointed attorney Randall Fennell to assess the bank's condition. It appeared that criminal activities had resulted in a bogus sale of the bank. As result, four individuals, including its manager, were indicted and placed under arrest. One pled guilty to being involved in the more than \$6 million scam that involved fraudulent borrowing from the bank, as well as an individual claiming to be extremely

wealthy. That individual was possibly involved in a similar scam in Cayman Islands. Before the trial began on 1 July, major stockholders, among them members of the Calvo family and attorney David Lujan of Guam, attempted to block the receiver's investigation into the bank's assets and liabilities. Attempts have also been made to get both Fennell and Judge Manibusan pulled off the case, citing improper behavior and conflict of interest. As of this writing, both remain the prime authorities for the government. It is worth noting that, in addition to the individual savings of about 6,000 garment workers, the Bank of Saipan housed government deposits worth around \$16 million. Under the regulations presently operating, all private depositors must be taken care of before the government agencies will be allowed to withdraw their money—if there is any left.

Verizon, a multinational telephone company, attempted to sell its Saipan operations to private companies. A bid was submitted by a consortium owned by Tan Holdings (30 percent), a Philippine telecommunications corporation called Citadel Corporation (60 percent), and other investors (10 percent). The sale came under strong criticism by the commonwealth legislature as well as the Guam government, who feel that it could result in poor service to the islands as well as possible security problems. The federal government is looking into the transaction as well.

During the year, Tan Holdings continued to diversify, purchasing the Saipan and Guam Dai Ichi hotel resorts. The corporation now has garment factories, several hotels on Saipan and Guam, an ocean freight

system, several franchises including Federal Express and Baskin-Robbins ice cream, and an air-freight system using its own Boeing 727 aircraft to haul fresh tuna to Japan.

The World Trade Organization's new trade regulations, which go into effect on 1 January 2003, have been the subject of much comment in the commonwealth. It is widely believed that most of the garment factories operating on Saipan will lose the economic advantage offered by "duty-free" rights to the American market under the terms of the covenant. The garment industry is already threatened by pressure to increase the minimum wage, possible federal control of immigration, as well as a downturn in the global economy. The drop in orders can be partly attributed to the anti-Saipan garment industry campaigns waged on the US mainland in recent years. The latest shots were fired by Oprah Winfrey's Oxygen Network. A one-hour video aired in October 2002 cited civil and human rights abuses against particular factory workers, and implicated the whole industry. In fact the program concentrated on a single unrepresentative factory, which has since gone out of business. In addition, Senator Edward Kennedy posted a bill in Congress to raise the national wage to \$6.15 an hour, adding a specific provision that would raise the CNMI minimum wage to that level over three years. While it is unlikely that this bill will pass in 2002, efforts to bring the commonwealth in line with federal wage and immigration standards continue unabated.

One of the more unfortunate side effects of the recent economic downturn have been increased levels of vio-

lent crime, including armed robbery and murder. There were many robbery attempts at the twenty-four-hour poker palaces scattered throughout the island. The government of Bangladesh is reported to have filed a request with the State Department in Washington to investigate the death of one of their nationals, an employee of one of these establishments. Saipan also experienced its first armed bank robbery, when a small savings and loan establishment was robbed of several thousand dollars. A warning shot was fired, but there were no injuries.

On the positive side, a new high school opened in the Kagman Homestead area and another one is nearing completion in the southern part of Saipan. This will relieve much of the pressure leading to social problems at the only public high school on Saipan. In addition, a contract has been issued to build a new prison. The construction of the 300-plus-bed facility will get under way shortly. It will be in compliance with federal standards and be completely funded by the federal government.

The saga of Larry Hillblom, the founder of the DHL air-freight empire presumed killed in an aircraft accident off Saipan in 1995, continues unabated. Two more children, this time from New York City, were brought to Saipan in 2001 to claim a share of Hillblom's large estate. Although their cases were quickly dismissed because the statute of limitations had expired, this brought the number of putative heirs to eleven. Only four of the claimants, who hail from the Philippines, Vietnam, and Palau, have been certified as legal heirs. Each received approximately

forty million dollars from the estate. Several others received money in return for not taking the DNA test and dropping their paternity claims.

SAMUEL F MCPHETRES

PALAU

During the period under review, President Tommy E Remengesau, Jr, into his second full year as the Republic of Palau's chief executive, established himself as a proactive leader. His agenda was full with international and domestic matters.

Given the special political relationship of free association which Palau and the United States established in 1994, the island nation responded to the September 11th terrorist attacks on the United States by issuing messages of condolence, conducting memorial services, sending monetary contributions, and flying the national flag at half mast. President Remengesau informed the US government that Palau's airport and harbors would be available for mobilization efforts in the war against terrorism.

In August, Remengesau made a mark for himself and Palau at the Pacific Islands Forum conference held on Nauru. He signed two trade agreements with the other sixteen heads of Pacific Island states but, more importantly, led the group of chief executives in urging all nations to support ratification of the Kyoto Protocol, which addresses global climate change by establishing measures to reduce the emission of greenhouse gases.

Prior to the Forum meeting on Nauru, Remengesau made his second state visit to Japan, where he met with

Prime Minister Junichiro Koizumi. In March 2002, the president also made a state visit to the Republic of China (ROC) where he and his party met with President Chen Shui-bian and toured several important operations, including an aquaculture center. Later in the year, the president publicly came out in support of Taiwan's membership in the World Health Organization, and Palauan health officials have been impressed by the quality of health care in the Republic of China and its medical assistance to Palau. Mr Remengesau attended the republic's ninetieth anniversary celebration hosted by Ambassador Chen in Koror. Also, Palau opened its embassy in Taiwan with Mr Johnson Toribiong serving as Palau's first ambassador to the Republic of China. The acceptance of Toribiong's credentials was a most impressive event, which had an element of high security.

In March, President Remengesau made his first official visit to Mexico where he and 149 other heads of state attended a UN-sponsored conference on development. He urged his fellow conferees to attack the problems of poverty and tension head on.

In visits to the United States during the period under review, President Remengesau attended the fifty-sixth session of the UN General Assembly. In his speech to the world body, Remengesau urged acceptance of Taiwan as a member; he also recommended that Japan be seated as a permanent member of the Security Council, that member nations ratify the Kyoto Protocol, and that they recognize more clearly the needs of the Pacific Island micro-nations. In March, President Remengesau was in Wash-

ington DC to enter Palau as a member of the Overseas Private Investment Corporation, which has the potential of stimulating American private investment in Palau. While in Washington, the president signed an agreement with the Department of Justice concerning mutual cooperation on immigration issues; he also met with federal officials regarding Palau's membership in the National Exchange Carriers Association and Universal Service Program, which would result in lower long-distance telephone rates for Palau.

In April, the president sent the National Congress proposed resolutions to ratify Palau's accession to the 1996 Comprehensive Nuclear-Test-Ban Treaty. In his message to the congress, Remengesau stated that Palau's party to the treaty would reaffirm its constitutional commitment to a Pacific nuclear-free zone, and that Palau desires "that . . . no nation, whether industrial and mighty or poor and developing, will resort to the awful concept of such weapons of mass destruction." Should Palau become a signatory to the test-ban treaty, the organization that implements the treaty would establish and fund the operation of a monitoring station to be located in Ngaremlengui State on Babeldaob Island. The station would be able to detect low-level nuclear explosions and seismic activity thousands of miles away.

Remengesau also sent the National Congress the South Pacific Regional Environmental Program's convention for the protection of island natural resources and environments. Covering a wide range of issues from mining and coastal erosion to waste dumping

at sea, Remengesau argued that participating in the convention would expand Palau's involvement in regional environmental protection issues and thus serve to expand the protection of Palau's environment. Earlier in the year, Vice President Pierantozzi signed the Cartagena Protocol at the United Nations. This agreement, approved by Palau's senate, seeks to assure safe transfer and handling of living modified organisms.

In related actions, Remengesau endorsed Palau as a party to the Vienna Convention for the Protection of the Ozone Layer and a related protocol. Through an intermediary, the president endorsed the Stockholm Convention, the purpose of which is to protect human health from persistent organic pollutants. With the two other freely associated states, the Federated States of Micronesia and the Republic of the Marshall Islands, Palau signed an agreement, based on the model of the Niue Treaty, that allows the three nations to enforce fisheries, customs, and immigration laws in a uniform and efficient manner in their respective territorial waters. Palau also carried out a round of successful talks with Australian government officials regarding defense cooperation.

Finally, the new French ambassador to Palau, Renee Veyret, presented her credentials and paid courtesy calls on several of the republic's ministries.

Given Palau's unique and fragile ecosystem and the Remengesau government's sensitivity to environmental issues, UNESCO's recent initiative, "Small Islands' Voice 2004," while appearing to be just another bureaucratic program, could be extremely

important to Palau if carried out as envisioned. The "Voice" will seek Islanders' views on environment-development issues, include those views in a program of action for sustainable development of island states, and encourage people to become actively involved in environment-development issues. This initiative is designed to begin at the grassroots level and could complement state and national planning in fundamentally significant ways.

Concerning domestic affairs, President Remengesau proposed legislation to the congress for three constitutional amendments. The first would change the National Congress from a bicameral body of twenty-five seats to a unicameral one of twenty-five seats; the second proposal would require that presidential and vice-presidential candidates run as a team; and the third proposal would allow for dual citizenship. The House of Delegates held hearings on the bill. Should the National Congress approve these proposed amendments, final passage would be left to Palau's electorate at the 2004 national elections.

Two other domestic issues received attention, but only one got closure. The latter was an executive-congress agreement to take \$5 million from the Compact Trust Fund interest to cover overexpenditures in the public sector. This is the first time since 1994 that Palau's political leadership has tapped into the trust fund interest. The trust fund now totals some \$144 million—\$70 million in principal and \$74 million in interest (Remengesau 2002). Some citizens are concerned that dipping into the trust fund is bad governance because it is robbing from the

future. Be that as it may, the president has continued to push the congress to consider passage of revisions of Palau's current tax and foreign-investment laws. Remengesau has also urged the congress to consider legislation that would allow Palau to issue bonds to generate income for operations and capital improvements.

The nagging issue that did not gain closure by period's end centered on Palau's banking industry. Although the National Congress had passed some important banking legislation, it was not sufficient. Remengesau requested the congress to pass legislation providing immunity to Palau Financial Institutions Commission. Such immunity would give the commission the clout to properly regulate, and if necessary sanction, Palau's local banking industry. Apparently the president was worried by the International Monetary Fund's inspection of Palau's banking activity, which resulted in a failing grade. Given the lack of immunity for the watchdog commission, Palau's banking industry was judged as "materially noncompliant" with international banking norms as of May 2002. The president sounded the alarm by stating to the congress, "It is tragic that the efforts and gains made in the past two years are being wasted by the failure of the National congress to take this action seriously. The people who will ultimately suffer from a banking crisis are the residents and citizens of Palau" (*PH*, 24-30 May 2002, 6).

On the other hand, Remengesau's attorney general revoked the corporate charters of nine banks operating in Palau, as a way of showing the international financial community

that Palau's banking laws would be enforced. The two most recent revocations were the charters of the Asian International Bank of Commerce and the First International Pacific Bank—both highly questionable operations (*TBN*, 10-16 Nov 2001, 8).

During the year, President Remengesau swam against the current regarding the issues of gambling and oil exploration under the sea near Kayangel Atoll at the northern most portion of the Palau archipelago. Remengesau rejected the National Congress' bill that would have allowed casino gambling in Angaur State. He also opposed seabed oil exploration for environmental reasons and stated that the issue should go to a nation-wide referendum. Reminiscent of the giant super-port concept that galvanized Palau into pro- and anti- factions in the late 1970s, the oil exploration project likely will get similar scrutiny by both local and international environmental organizations, although the group of supportive local political leaders appears large and dedicated, and foreign investors are mentioning very large (multimillion-dollar) figures.

Vice President Sandra Pierantozzi, Palau's first woman vice president, also serves as the minister of health, one of the republic's eight ministries. She has thrived in her position and has become a popular minister through her work in Palau and overseas. For the first time in Palau's history, Pierantozzi signed a treaty on the behalf of the government at UN headquarters in New York (see reference above). She also addressed the UN General Assembly twice during special sessions on HIV/AIDS, and later in

2002, on the health and welfare of children. At the HIV/AIDS session, the vice president urged that “women not be tasked alone with the responsibility of this humankind affliction.” Later in the year, Pierantozzi met with a group of Harvard University medical school professors to discuss Palau’s high rate of schizophrenia and suicide. She made clear Palau’s need for training to help individuals deal more effectively with the stress of culture change.

In contrast to the active profiles presented by President Remengesau and Vice President Pierantozzi, Palau’s National Congress appeared distracted, even inactive. While the congress did good (albeit incomplete) work on the budget bill and banking legislation, it did little more of note. As a result, public criticism mounted, especially regarding the reduction of the \$25 cost-of-living allowance that retirees had previously been granted, large sums spent by legislators for overseas travel, and the senate’s seemingly endless battle concerning Elias Chin.

The senate remained embroiled in the Elias Chin issue described in last year’s review (Shuster 2001, 206–207). Chin was elected to the senate in the November 2000 election but was prevented from taking his seat in January 2001 by a majority of the senate, on the basis that Chin did not meet the citizenship and residency requirements established in the Palau Constitution as determined by the senate. Chin was successful in his request for a temporary restraining order that prevented the Palau Election Commission from holding an election to fill his seat. In response, the senate reactivated its credentials committee to conduct fur-

ther investigations into Chin’s eligibility. The senate came to the same conclusion as earlier: Chin did not meet the residency requirement of five years established by the Palau Constitution. Curiously, this second conclusion made no reference to the issue of citizenship. In January 2002, Supreme Court Justice Michelsen ruled, surprisingly, that the senate by way of its resolution of 1 May 2001, voted to seat Chin. Michelsen ruled that the additional qualification (or condition) of signing a consent form was unconstitutional, ie, that it was not a qualification for office required by the Constitution of Palau. Further, Michelsen ruled that Senate Resolution 6-55, which attempted to repeal the 1 May resolution, did not pass by a two-thirds vote and thus failed to remove Chin (*TBN*, 26 Jan–1 Feb 2002, 1, 5). Given this ruling, it appeared as though the senate had made several technical errors to Chin’s favor. The two sides dug in their heels more deeply and Judge Michelsen came in for some criticism from Senator Koshiha. A significant segment of community sentiment favored Chin. Therefore, a movement to recall Senators Andres and Koshiha, leaders of the Chin opposition, picked up steam with a petition filed and signature verification efforts mounted by the election commission. By the end of the period under review, Andres and Koshiha were marshaling their supporters as the recall date neared. According to Palau’s constitution, removal of a congressperson by the people requires a majority vote. With a low turnout of 51 percent of Palau’s electorate, the recall effort failed. Senators Andres and Koshiha both had

about 60 percent voter support to remain in office.

The international issue of greatest importance for Palau during the period under review was the request by Australia for Palau to temporarily house some 750 mainly Afghan refugees—boat people. Nauru and Papua New Guinea had taken in refugees at Australia's request—and financial support—for processing and temporary housing. However, Palau and Australia agreed by year's end not to set up a refugee base on Palau's Angaur Island because of "significant concerns regarding the potential social, economic, legal and environmental impact from such a center" (PH, 21–27 Dec 2001, 1). Having direct talks with Australia on the refugee issue was a good exercise in nation building and Palau's assertion of its sovereignty.

Goodwill visits to the Republic of Palau by foreign military ships were a comforting sight, particularly given the September 11th terrorist attacks. From the United States were the USS *Frederick* and the huge USS *German-town*. Two Australian patrol boats from Darwin visited Palau as part of a training exercise for Palauan sailors manning the republic's own patrol boat, a gift from Australia. Also, the *Yamayuki* and *Kikuzuki* from Japan were open for public visitation and were the first Japanese warships to visit Palau since the end of the Pacific War. Without the controversy of last year, two ROC navy frigates paid a friendship call on Palau in April 2002. A marching band, drill team, and martial arts team provided entertainment, and there was an official exchange of speeches and plaques aboard ship.

Also, in cooperation with the republic's national patrol boat, aircraft from New Zealand patrolled Palau's exclusive economic zone. From Okinawa, two F-18 fighter-bombers, a cargo plane, and four attack helicopters landed in Palau in late March. Of interest to the US military was the condition of the Peleliu airstrip.

Perhaps the single most important event of the year was the opening of the graceful K-B Bridge, appropriately named the Japan-Palau Friendship Bridge. This \$25-million structure connects Koror Island to Babeldaob Island and was a gift to Palau from Japan through its International Cooperation Agency. In another important project completed with private funding from a Japanese citizen and friend of Palau, Mr Hideo "Joe" Morita, the splendid Dolphins Pacific Park / Research Facility was opened to the Public in November. Designed as a tourist attraction, Dolphins Pacific is an ecological and aesthetic achievement of huge proportions. As an educational and research facility, the park offers a series of encounters with the dolphins, from touching to swimming to snorkeling to taking a scuba dive with them. In a beautiful natural setting among Palau's famous rock islands, the park is a ten-minute speedboat ride from Koror. Dolphins Pacific opened with eleven bottled-nosed dolphins and a team of marine scientists, including a veterinarian. One dolphin died since opening day. The unique facility should help boost Palau's tourism numbers, especially from Japan.

Two other important infrastructure projects for Palau are the fifty-three-mile circle road on Babeldaob and the

new capitol project in Melekeok. Both are incomplete. With an extended period of dry weather, Daewoo, the road contractor, made considerable progress and brought in a large number of pieces of heavy equipment for twenty-four-hour construction work. The US Army Corps of Engineers indicated that if Palau's weather remains relatively dry, a 2004 completion date for the road is possible. Daewoo won the contract for removing Palau's temporary bridge and any other scrap metal that needs removal. Regarding the capitol project, President Remengesau is soliciting funding support of \$10 million from the Republic of China to complete the final phase of the work. Private-sector projects of significance to tourism were in a holding pattern as of 30 June. These include the exclusive Ngerur Island resort, the Malakal marine village, a shrimp farm, the Aimeliik golf course, and the Oikull golf course in Airai. Since these five projects total over \$110 million in investment funds, the Asian economic situation will have to improve for them to get off the ground in the near future.

In private-sector investment and development, a number of projects were started or gained some momentum. Alan Seid's Micronesia Internet Development Technologies Corporation (MIDTECH) signed an agreement with Palau's communication corporation to begin Internet gambling and several royalty payments, totaling over \$850,000 were made to the national government. It is claimed that annual payments to Palau of \$5 to \$7 million will be generated when the cyberspace gambling venture is fully operational. With the backing of Hawai'i's Aloha

Airlines, Seid and his partners began selling shares in Palau Rock Island Air, which needed some \$5 million to begin operations in or about October 2002. To date, \$1 million has been raised in Palau, Yap State committed a half million dollars, and Joe Morita pledged \$1 million. If it gets off the financial ground, the new airline would fly to Yap, Guam, and Manila.

Palau's first luxury hotel, Hotel Nikko, built when Continental Airlines was establishing itself, announced it was laying off its forty employees and pulling down the attractive, but old, two-story structures. A new 150-room building is planned. Given the site is on a steep hillside prone to landslides, the new structure's architects and engineers had better keep this in mind during their planning work.

The vice president of Daewoo Engineering and Construction Company, South Korea, visited Palau in May to review the recent good progress his company was making on the fifty-three-mile Babeldaob road project. And a delegation of government leaders including Minister of State Temmy Shmull were in Seoul to formalize economic ties with South Korea through the Korea-Palau Economic Cooperation Federation. This is an interesting development and Palauans may find more affinity with South Koreans than with businessmen from Taiwan.

Regarding cultural matters, Palau's women's leaders met in their ninth annual conference to discuss a wide range of issues. The women wanted the licenses of businesses engaged in prostitution revoked, wanted people to minimize expenses on food during

funerals, and urged every household to maintain a vegetable garden.

During the period under review, Palau lost a number of very important titleholders (titles are italicized): *Balang* Toyomi Singeo passed away at eighty-six. Of mixed Japanese-Palauan heritage, she served as a goodwill ambassador for many years. The ranking female leader of northern Palau, *Ebilreklai* Yaorong, died at age eighty-five. She was the leader of the ten-member women's council of Melekeok, one of Palau's key traditional village-states. Also, the ranking chief of Angaur passed away. *Ucherbelau* Masao Gulibert Endo was an active leader during both the Japanese and American periods in Palau. Further, *Adelbai-re-Kesewaol* Eledui Omeliakl and *Ngirameketii* Tutii Delmau passed away. Both of these traditional chiefs played important roles in their village-states and were highly respected for their wisdom and integrity. Timothy Olkeriil, a Congress of Micronesia member from Palau, died suddenly. He was a Koror businessman, and active in the Liberal Party in the late 1960s and 1970s. Tragically, Palau lost Felix Kyota, who was just thirty-six years old. He was a gifted athlete who brought Palau considerable fame and success in interisland sports competition.

Renewal, pride, and optimism characterized the enlargement of Palau's religious community with the ordination ceremonies for a new nun and priest in Palau. Sister Esther Nestor took her final vows on 8 June

after fifteen years of preparation and study. Her final vow as a member of the Mercedarian Missionaries of Berriz followed a two-year assignment in Spain. A month after Sister Nestor's ordination, Fr Wayne Tkel, age thirty-eight, became Palau's second Jesuit priest in thirty-five years. He went through a rigorous eighteen-year training period, which began in 1985 and included two years in Palau under Fr Yaoch's tutelage. Over 1,000 Catholics gathered at Koror's Sacred Heart Church to witness the four-hour ceremony. Thirteen priests and brothers were in attendance at the ordination mass, presided over by Bishop Amando Sama and assisted by Fr Felix Yaoch, the Jesuit Superior in Micronesia. With Fr Tkel's ordination, Palau has four local priests in service in Palau, an event of great pride for Fr Yaoch.

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