

Reviews of Federated States of Micronesia and Nauru are not included in this issue.

BELAU

Continued expansion of external relations and additional membership in world bodies, preparations for the 1996 national elections, foreign investment tangles, and compact of free association developments were the major events in Belau during 1995-96.

Since independence in October 1994, the republic has convened the first leadership summit of the heads of government of the three freely associated states and has established diplomatic relations with thirteen countries. During the period under review, President Nakamura accepted the credentials of ambassadors to Belau from Japan, Australia, Israel, Sweden, and India. Belau became the one-hundred-eighty-fifth member of the United Nations in late 1994, and the sixteenth and newest member of the South Pacific Forum. President Nakamura addressed the Forum membership and joined all members in releasing a resolution condemning French nuclear testing in its island territory and demanding an end to such activity.

Just after Belau's second Independence Day celebration, President Nakamura participated in the fiftieth anniversary celebration of the United Nations at its headquarters in New York. Belau also gained full membership of the Economic and Social Commission of Asia and the Pacific as the group's fiftieth member. The president

made a state visit to Japan, where he met with Emperor Akihito, Prime Minister Hashimoto, and Foreign Minister Ikeda, with whom he concluded agreements on a \$25 million grant-in-aid project to complete the electrification of Babeldaob Island. At the Imperial Palace, Emperor Akihito took the unusual step of coming outdoors to personally receive Belau's president. He has done so only once previously, when President Fujimori of Peru visited. These sons of Japan who have become heads of state are of special importance to Japan's emperor.

In May, Nakamura was one of only nine heads of state who attended the inauguration of President Lee Ten-hui of the Republic of China. Taiwan will likely court Belau's support in future political and economic initiatives.

Setting the stage for the 1996 national elections, the Palau Nationalist Party (PNP) received its charter in early July 1995 as Belau's first political party since the demise of the Progressive and Liberal parties some ten years ago. Two key founders of the new party were 1992 presidential candidate Johnson Toribiong and Polycarp Basilius, former Congress of Micronesia member and successful businessman. The party held a successful convention in late February 1996 and elected Toribiong and Kyoni Isechal as its presidential and vice presidential candidates. This is the first time since general elections began in Belau in 1980 that a presidential-vice presidential ticket has been publicly announced.

Prior to the PNP convention, President Nakamura had announced his candidacy for reelection and established his campaign headquarters in the center of Koror at the same location used for his successful 1992 bid. Ibedul Yutaka Gibbons also announced his candidacy for the presidency, making it a three-candidate race and requiring a primary to whittle the field down to two. Vice President Tommy Remengesau Jr publicly announced his candidacy in early February. The incumbents will undoubtedly have an edge, given their records and achievements after nearly four years in office. On the other hand, the consolidation of political forces in the Palau Nationalist Party will provide some political clout for the Toribiong-Isechal ticket that it would not otherwise have.

Large private investments have come mainly from Japan, which has also provided millions of dollars in grant-in-aid programs to Belau's public sector since 1981. Recently, investors from Taiwan have become very active, particularly through the Republic of China-Palau Cultural, Economic and Trade Interchange Association (RPCETIA). This organization, with offices in San Chung City, Taiwan, may have links to the Kuomintang, the influential and wealthy ruling party of Taiwan. The reputable *Far Eastern Economic Review* reported that Taiwan's goal is to regain its seat in the United Nations through diplomatic recognition from small member nations such as Belau. The Taiwanese have been courting Belau since self-government began in 1981, but with independence in 1994 Taiwanese

approaches have become aggressive. The ambitions of the RPCETIA are enormous given Belau's small land mass and population. The association's brochures in both English and Chinese show huge areas of land in central Babeldaob (Belau's large island of some 145 square miles) for new, large-scale commercial, administrative, residential, cultural and educational, and golf course development. The China Development Company, which is building a large hotel in Koror, and the Far Eastern Air Transport Company, which is shuttling tourists to and from Belau, are both directly connected to the Kuomintang (*Pacific Daily News*, 16 Nov 1995, 4).

In August 1995, the RPCETIA signed a lease with Charles Obichang, governor of Airai, providing a large amount of land north of Belau's airport for fifty years with an option to renew the lease for another fifty years. Known as the Rainbow Project, the arrangement has precipitated heated controversy in Belau because of conflicting claims on the land, and sales activity in Taiwan offering homes, residency, and citizenship in Belau. Criticism from the national congress prompted an investigation by Belau's special prosecutor, who determined that President Nakamura's cabinet minister George Ngirarsaol was innocent of any wrongdoing regarding the Rainbow Project. According to Belau's *Tia Belau* newspaper, the construction equipment linked to the Rainbow Project has been released from impoundment, and RPCETIA leader Gino Chen claimed that 600 not-yet-built houses in Belau have been sold to Taiwanese. Chen also claims that the entire project will

cost some \$70 million, with completion scheduled for late 1997. Although Chen is attempting to relocate the project from Airai to Ngiwal State, an influential Airai chief has filed suit in the Belau Supreme Court claiming the land lease is illegal.

This particular case is reminiscent of the IPSECO power plant scandal of ten years ago, and highlights the difficulty of doing foreign investment business in Belau, when clear title to land is not available and individuals seek to subvert laws, regulations, and traditional authority.

The Compact capital improvement funds have generated considerable activity in the public sector, with some 45 infrastructure projects costing over \$50 million in various stages of completion. The biggest such project, now in the design stage, is the Babeldaob road, which the United States agreed to build as part of the Compact agreement. The road is estimated to have a final price tag of some \$149 million and will circle the large island. The US Army Corps of Engineers will manage the project. The Palau Resource Institute, an indigenous organization, has been contracted for its expertise in carrying out social impact studies.

The Compact trust fund has generated an amazingly healthy 21.3 percent return on investments, growing from \$66 million to \$88 million in fourteen months. This aspect of the Compact will serve Belau well for the long term.

In the private sector, tourism numbers continue their steady increase, and projections indicate annual arrivals will reach 150,000 in a decade. Japan Airlines made an inaugural flight to Belau late in 1995 and has signed an

agreement with the government concerning the establishment of a national airline.

Although the concept of ecotourism is current in Belau, the thirst for "finder's fees" associated with large-scale hotel development is attractive to local businessmen. Thus the Palasia, Hilton, and Outrigger schemes, which sooner or later will tax Koror's water, power, and sewer systems. These developments, and other smaller ones, have contributed to substantial increases in local revenues, which are projected to reach \$19 million by the end of the current fiscal year.

All this activity bodes well for President Nakamura and his supporters in the *Olbiil Era Kelulau* (national congress) as they face reelection in November. Given the president's slim 134-vote margin of victory over Toribiong in 1992, and the campaign enthusiasm being generated by the Palau Nationalist Party, Belau's fourth general election will be the most interesting and important contest in its fifteen years of self-government.

DONALD R SHUSTER

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

The specter of labor unrest raised its head on Saipan during the year under review. Hawai'i Hotel Union Local Number Five has been actively attempting to organize hotel workers, who are mostly from the Philippines. In the face of heavy opposition from the business community and the legislature, the National Labor Relations Board has organized several union