

tion favors a ten-year transition period, and a Senate bill would allow the commonwealth two years to develop and implement a plan to meet federally established goals. The current economic crisis is creating major complications at every level of society, and this, coupled with the federal concerns, has the local public and private-sector leadership scrambling to retain as much authority over minimum wage, labor, and immigration as they can.

SAMUEL F MCPHETRES

## PALAU

The highlights of the period under review include controversy in Palau's state governments, the deaths of three important leaders, and President Nakamura's achievements and problems. During the period 1981-1984, each of Palau's sixteen former municipalities wrote constitutions that established local state governments consisting of a legislature and an executive. Fourteen of these states, which range in population from 12,500 in Koror to less than 100 in Ngatpang, correspond to traditional village complexes that engaged in local warfare and exchange activities prior to the onset of de facto colonial rule in 1891. Despite their small size, the states remain centers of political competition and occasional controversy.

Koror State, Palau's urban center, has a constitution that centers governmental authority in the House of Traditional Leaders, leaving the sixteen-member elected legislature relatively powerless. The legislature lacks authority to override a veto handed

down by the traditional leadership or its head, the Ibedul (paramount chief of southeast Palau). This imbalance was challenged in a ten-year-long series of court suits that eventually resulted in amendments to the Koror constitution, the most significant of which called for an elected governor to replace the executive administrator, a position that had been filled through appointment by the traditional leaders. This change was recently put in place through a late 1997 election in which Johnny Gibbons, the younger brother of the Ibedul, defeated his challenger by just 67 votes (of 2,619 cast). Thus the traditional leaders have retained dominating power in the Koror State government.

The political dynamics of the states has been altered by the introduction of the office of elected governor, and early in 1997 the governors of Ngardmau and Airai states attempted to intervene in the selection of traditional chiefs in order to maintain factional control. Fortunately for the chiefs, the appellate division of the Palau Supreme Court looked carefully at the issue and ruled that neither the state governor nor the legislature can determine which chief (ie, titleholder) will sit in the legislature and land authority because the chiefship is determined by custom and tradition. In Airai, the second largest state, this court decision meant the reassertion of influence by Roman Tmetuchl, holder of Airai's paramount chief title, Ngiraked, and an elder statesman in Palau.

The Airai situation took another unexpected turn when the election for a new governor was nullified by the court on the basis that ineligible indi-

viduals had voted in the March 1998 gubernatorial race. In a special election, Tmewang Rengulbai defeated Francis Toribiong, nephew to Roman Tmetuchl and the first governor of Airai. This election result will likely continue factionalism in Airai. Elections in other states saw a new governor and five new state council members (of nine) elected in Ngchesar State, with the voting influenced by a lease payment of \$120,000 for a 300-acre section of state land from a Taiwanese golf-course builder. Electors in Angaur State recalled its governor in late May because of his inability to carry out his duties. On Kayangel, Palau's only atoll with some 150 people, voters returned their governor and a majority of the legislature to office in mid-1997. Ngchesar also elected nine people to join eight traditional chiefs to form a convention to review the state's seventeen-year-old constitution, one of two parliamentary-type arrangements among the sixteen state constitutions.

The controversial governor of Peleliu State, Jackson Ngiraingas, overstepped his bounds and was reined in by the Palau Supreme Court when it ruled in favor of the Peleliu State Legislature, which had filed suit against the governor. The court found that Governor Ngiraingas unlawfully expended public funds and failed to comply with state laws requiring that he notify the legislature about disbursements and transfer of funds.

Finally, Ngeremlengui State, known for its attachment to tradition and decision through consensus, has been divided by a dispute over land—a common social phenomenon in Palau.

The state constitution calls for traditional chiefs to render advice and consent on bills dealing with the use of land and territorial waters for state projects prior to action by the governor. This is the basis of a suit brought by the State Council of Chiefs against the state governor, the speaker of the state legislature, and several other chiefs. The ongoing dispute concerns a lease of land to a Japanese organic farming company without approval of the duly constituted Ngeremlengui State Land Authority or the State Council of Chiefs.

Palau lost three important leaders during the year under review: former president Ngiratkel Etpison, Father Juan Bizkara Lorono, SJ, and Dr Anthony Polloi. Etpison, the president from 1988 to 1992, brought stability and calm to the republic after the shocking suicide of President Salii. Etpison was one of Palau's most successful private businessmen and the surprise winner of the presidency in 1988, when he defeated Roman Tmetuchl by only about twenty votes.

Dr Polloi was one of the best medical men in practice in Palau, and also held the paramount chief title Ngirakebou for Ngchesar. He was a member of the distinguished Palau Constitutional Convention of 1979, which produced the national constitution. Father Juan, a Basque, arrived in Palau in 1946. He dedicated his life to service as a parish priest on Angaur where he knew every person, where he was awarded state citizenship, and where he was buried.

Early in the year under review, a temporary floating bridge was put in place to connect Koror with

Babeldaob, replacing the nineteen-year-old bridge that collapsed in 1996. The new structure was built in mainland China by Daiho, a Japanese corporation, for about \$4 million. Talks continued with government officials in Japan concerning financing for a new \$36 million permanent bridge linking Koror to Babeldaob, Palau's large island of 153 square miles. Other large projects often dominate discussion in Palau: a new Airai airport terminal building estimated to cost \$20 million; a new national capitol scheduled to be constructed in Melekeok State for some \$45 million; and the huge Babeldaob road project estimated to cost from \$100 million to \$250 million. Reports indicate that the road will stretch 53 miles, and involve some two thousand workers. Further, some sixty-two companies worldwide have expressed interest in bidding on various portions of the project.

President Nakamura is in his second and last term as Palau's chief executive. For this term, he brought some new faces into his eight-member cabinet, including Alexander Merep as minister of Community and Cultural Affairs, Okada Techitong as minister of Commerce and Trade, Sabino Anastacio as minister of State, and Elias Chin as minister of Justice. Nakamura also appointed the first Palau ambassador to the United States, Hersey Kyota, formerly a senator in the national congress. Each of these individuals was approved by the Senate of the *Olbiil Era Kelulau* (Palau National Congress).

President Nakamura made a number of important overseas visits during the year. He led a Palau dele-

gation to the South Pacific Forum meeting in the Cook Islands and was able to persuade the forum to meet in Palau for its 1999 conference. He was in Japan to attend the first summit of Pacific Island heads of state with Prime Minister Hashimoto; talks centered on Japan's grant and loan assistance to the Pacific Islands countries. In 1998, Nakamura visited Japan as part of Japan Airlines inaugural direct flight charter service between Palau and Japan. Despite a downturn in the Japanese economy, such charter service may boost the number of tourists to the islands from Japan. Nakamura and his staff then visited the Republic of Kiribati for the third annual meeting of the Council of Micronesian Chief Executives, which the president chaired. The most important item of business was an agreement to share information and resources during times of natural disaster.

In foreign relations, Nakamura accepted for the first time the credentials of Ambassador Samule de Neauvais of France, who is based in the Philippines, and Ambassador Jose A L Lozada of the Republic of the Philippines. Ambassadors John Mills of New Zealand and Vernon Scarborough from Great Britain, previously accredited, also visited Palau. Scarborough spent time with members of the Palau Conservation Society discussing the Save-the-Dugong project, a cooperative effort. Australian Ambassador Perry Head, based in Pohnpei, Federated States of Micronesia, visited to deliver \$70,000 for various types of technical sports training to organizations such as the Division of National Youth Affairs and the House of Dele-

gates. Earlier in the year, Head provided the republic a \$20,000 grant for the "Fit for Life" sports program.

President Nakamura, who finally closed the deal on the free association compact agreement with the United States in 1994, could claim a number of achievements at home. The island economy, with a major stimulus from compact funds, is healthy and growing according to a November 1997 Bank of Hawaii report to Palau's leaders. The report advocated controlled growth through infrastructure construction, expansion of tourism, and protection of the environment. This good news was reinforced by the government's annual financial report for fiscal year 1997, which showed a net surplus of \$4.1 million. Nevertheless, to begin 1998, President Nakamura instituted a freeze on expenditures for hiring, purchases, and travel because of an anticipated fall in local revenue. This revenue is generated in large part from tourism, which Nakamura predicted would decline because of the economic recession in Japan and other Asian countries.

The compact's trust fund of \$70 million had piled up interest of \$44 million as of 30 November 1997. Other compact nontrust funds slated for operations, infrastructure, and energy have been invested in short-term instruments, and the interest is expended in Palau's annual budget. So far, this has been a good financial strategy, at least for the short term.

Another achievement is Palau's preparation for the 1998 Micronesian Games which will draw over two thousand athletes, coaches, and spectators to Koror. New sports facilities have

been constructed, and a mood of pride is in the air.

After the huge Koror-Babeldaob bridge collapsed into the ocean in 1996, the republic filed suit against various construction, engineering, and insurance firms that had been involved in the so-called repair of the structure a month prior to its collapse. The defending parties have offered Palau a settlement of \$17.8 million in exchange for Palau withdrawing its suit. President Nakamura has indicated that he needs to consult with the national leadership on the offer and get a full briefing on it as well.

In spite of these achievements in the international and domestic arenas, President Nakamura faced a number of nagging problems. What he termed in his 1998 "State of the Republic" address a "persistent drug menace" has not ebbed, despite tougher legislation and monthly arrests of individuals selling or using crystal methamphetamine or "ice," and raids of marijuana farms on Peleliu. Indicative of the pervasiveness of "ice," a Palau National Congress employee, termed a major drug dealer by Palau's *Tia Belau* newspaper, and a younger brother of the republic's vice president, were arrested for possession of the drug. Palau's drug network has connections to the Philippines and Guam.

Yet another issue of major importance for the Nakamura administration is a 1998 Supreme Court decision returning land on which the national hospital and the president's office sit to two clans, on the grounds that it was taken by the Japanese military by force and without just compensation. The Palau Constitution calls for such

return when the acquisition by foreign powers was by force. In a similar decision in 1996, the government lost land in central Koror and had to purchase it for \$1.2 million from the new owner, the Meriang clan. It is likely that this recent loss of what was thought to be “government land” will cost the government at least \$1 million, assuming the two clans now holding the land will agree to sell it.

The Palau National Development Bank was reported to be in trouble early during the period under review when its respected president, David Nakagawa, resigned over a dispute concerning a \$200 million loan scheme brought forward by Taiwanese interests. In April 1998, Ignacio Anastacio, Speaker of the House of Delegates, wrote to President Nakamura indicating that the development bank had some serious problems based on an audit report for 1996–97. The Speaker urged Nakamura to conduct a full-scale investigation of the problems at the bank.

Two other money problems have hit the Nakamura administration square between the eyes. An April report by the Palau Public Auditor revealed that some \$12.8 million in back taxes and penalties was not collected during the four fiscal years 1994–1997. This has placed the vice president’s ministry and its Bureau of Revenue and Taxation on the hot seat. Vice President Remengesau removed the bureau head about

the time the National Congress established an investigative committee to reexamine allegations of incompetence and wrongdoing.

The second issue, although involving money, is a constitutional one of enormous importance because it centers on the basic question of separation of powers—can one branch of government sue another branch for breaking the law? In 1995, the executive branch spent some \$644,000 more than its allocation in the fiscal year 1994–95 budget. In 1996, the Senate filed suit against President Nakamura, Vice President Remengesau, and the heads of the offices of budget and treasury for spending beyond the amounts established by law. The trial division of the Palau Supreme Court ruled that the Senate failed to show injury, did not have standing to sue, and was attempting to enforce the law, thus violating the separation of powers relationship defined in the Palau Constitution. The Senate appealed, and the Appellate Court ruled in favor of the Senate, concluding, “Allowing this lawsuit to go forward will preserve rather than destroy the separation of powers embodied in the Constitution. This is not merely a political dispute. Rather, it is a judicial controversy regarding the executive branch’s constitutional authority to spend unappropriated funds.”

DONALD R SHUSTER