

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

FEDERATED STATES OF MICRONESIA

In this report, I discuss the progress of the painful public-sector reforms instituted after the third step-down in Compact I funding in order to stimulate private sector growth in the FSM national economy. I touch on the role of politics in scaling back these reforms. In addition, I address the ever-present tension between the two political branches of the national government. Rather than discuss the progress of issues in much detail, this report summarizes the important economic and political issues taking place during the reporting period.

For the past several years, the main concern for leaders in the Federated States of Micronesia has been the country's slow (perhaps too slow) progress in economic development. To kick-start the economic development program, the Third FSM Economic Summit approved a strategy developed by the Economic Management Policy and Advisory Team (EMPAT) that would encourage growth in the private sector of the economy. The summit, which was held in 2004 as the concluding act of the EMPAT group, followed in the wake of the politically contentious and painful public-sector reforms carried out at all levels of the gov-

ernment at the advisory team's urging.

The main impetus for the private-sector growth strategy was the public-sector reforms instituted after the third and last step-down in funding under the first Compact for Free Association. As conceptualized, the reforms included reduction in government employment and salaries. These reforms were supposed to be continuous. Initially under the reforms program, all the states met their objectives of reducing employment and salaries in their respective government sectors. Then some of the states began to roll back the accomplishments of their reform programs, especially after seeing that some elected officials who implemented the programs had been thrown out of office. After Compact II implementation, all the states and the national government seem to slide into complacency. One national government official complained to me privately that the national government was circumventing its own policy of keeping the public sector small. It has resorted to hiring new employees on special contracts. It is easier to justify this type of hiring because the contract is supposedly for a specific length of time. In addition, these hires do not show up on the list of permanent employees. However, as another official pointed out to me, "the effect on the overall government is the same: it increases the budget. In fact special contract hiring is more expensive."

If the degree of complacency about public-sector reforms is the yardstick to gauge the growth of the private sector, then the result is readily predictable: it is growing at an excruciatingly slow pace. In 2005, growth in the gross domestic product hovered around 1.5 percent. This growth may be attributable to new hiring in the public sector after Compact II implementation. The agriculture sector, which has always been a top priority on everyone's list, shows very little development activity. Student interest in agriculture as a major at the national campus of the College of Micronesia–FSM might be seen as a good indicator of the lack of activity in the sector. Every graduation the college graduates 1–2 students in agriculture compared to 7 in Micronesian studies and 20 in liberal arts. This suggests that agricultural development will remain as a top priority on paper only.

Like agriculture, fishery tops everyone's list as the sector with the greatest potential for investment. However, faced with constraints such as high costs, uncertain freight systems, and small profit margins, development activity in fisheries is almost nonexistent. The fishery companies that sprang up almost overnight under the first compact and had been the focal points of hope for economic development no longer command any attention. Some have gone bankrupt and others have scaled back their operation to one or two fishing boats. The Micronesian Longline Fishery Corporation is now in receivership and the FSM Congress is calling for investigation and prosecution of its board of directors.

The FSM government will continue to sell fishing rights to “distant-water” fishing nations (DWFN) to exploit the deep-sea marine resources of its exclusive economic zone. Licensing of foreign fishing boats is a lucrative program and the major source of foreign exchange for the Federated States of Micronesia. In a good year, it brings in between US\$19 million and \$22 million to the national coffers. However, experts have recommended the adoption of a comprehensive fisheries management law that includes resource allocation and management, with sound research, monitoring control, and surveillance, as well as a suitable enforcement apparatus (World Bank 1995, 49). The country has adopted a fisheries law, but nothing has happened yet; the national government seems content with selling fishing rights to distant-water fishing nations.

Commercial agriculture and fishing make up only 8 percent of the total FSM market economy (EMPAT 1996). The Third FSM Economic Summit also identified tourism as a sector with high growth potential. But in the years since the economic summit recommended tourism as a high priority for development, nothing has happened. According to government statistics, about 14,000 people visited the country in 2005, the same as the previous year. Though the numbers of tourists remain unchanged, some hotels stand virtually empty. The high cost of air travel and the relatively undeveloped tourist attractions have left the Federated States of Micronesia out in the cold vis-à-vis tourism. The country is finding out that it is easy to target the tourism sector for high

growth, but it is much harder to attract visitors.

Governments at all levels are adjusting to the power and influence of the “budget tsar” provided for in the new compact. Under Compact II, the FSM constituent states are required to formulate their annual budgets in accordance with the Joint Economic Management Committee (JEMCO) guidelines, and then transmit them to the national government for submission to JEMCO for review and approval. State and national officials grumble about neocolonialism and identify JEMCO as a latter-day trust territory high commissioner. The Pohnpei state governor took out his frustration about the Compact II budget process on the national government and JEMCO by suggesting that state leaders consider another political status to avoid the interference of these two foreign entities, the FSM national government and JEMCO.

The JEMCO chairman made a couple of stops in the Federated States of Micronesia to preach publicly his brand of social and economic development. The message in his public pronouncements was reminiscent of the 1960s accelerated education program. The cynical local view of JEMCO’s involvement is that it resembles a cargo-cult syndrome. According to this view, the construction of more classrooms will bring immediate economic self-sufficiency. Whether JEMCO’s involvement will bring immediate economic self-sufficiency or not, the FSM public is at least encouraged.

The two main features of the FSM national government are separation of power and checks and balances. In the separation of power scenario, each

of the three branches has assigned roles. The two political branches, executive and legislative, have the roles of executing laws and making laws, respectively. The relationship between the two branches has been characterized by a constant jockeying for power. The president vetoed congressional acts, and in turn the congress overrode the vetoes and rejected presidential nominees for department heads and for the FSM Supreme Court. In June, the Speaker of the FSM Congress filed a lawsuit against the president (*Christian v Ursemal*). This controversy involves interpretation of the national constitution. For a bill to become law, a little-known provision in the national constitution requires the congress to pass it on first and second reading on two separate days. The disagreement centered on the meaning of “two separate days.” Does this phrase mean two separate calendar days or two separate legislative days? In its special session in the state of Kosrae, the FSM Congress passed several bills on first reading before 10:00 AM and adjourned. At 10:00 AM on the same day, it reconvened and passed the bills on second and final reading. When the congress transmitted the bills to the president for his signature, the president vetoed them, arguing that congress violated the national constitution when it passed bills on first and second readings on the same day. This veto precipitated the Speaker’s lawsuit, which argues that congress passed the bills on first and second readings on two separate “legislative” days. According to the Speaker, a legislative day is different from a calendar day because it begins at 10:00 AM and ends at 10:00 the following morning. In his lawsuit,

Speaker asked the Supreme Court to set aside the president's veto because the congress had acted within constitutional bounds.

In its opinion, the appellate division of the FSM Supreme Court did not even attempt to define the phrase "two separate days." It sidestepped that problem and addressed the remedy the Speaker requested. According to the court, the constitution grants absolute veto power to the president. Moreover, this veto power is not subject to the review power of the court.

Although this kind of dispute is endemic to the FSM system of government, many people see it as symptomatic of a congress-dominated government. The powers exercised by the national congress are the same as those exercised by the US Congress. However, the method of electing the president and the politics surrounding it tip the balance in favor of the legislative branch.

The antagonistic relationship between the two political branches will continue for at least the rest of the term of the current administration. Several controversies are still looming large on the political horizon, such as the unauthorized US\$120,000 loan the ambassador to the United States took out to pay for cost overruns at the embassy in Washington DC. During its regular session in May, the congress adopted a resolution requesting the president to recall the ambassador to the United States. But instead of recalling the ambassador, the president authorized the payment of the loan from funds appropriated for other activities. The congress filed a temporary restraining order to stop him, but it was too late; the administration had already paid

the full amount to the lending institution. The bad blood between the president and congress will probably have some effect on the FSM presidential election in May 2007.

This year Richard H Benson, who sat as a specially designated justice on the Trial Division of the FSM Supreme Court in Chuuk, convicted one former member of the national congress. Justice Benson found the former senator guilty of one count of criminal conspiracy to violate certain sections of the national code. He sentenced him to thirty months in jail with certain release conditions for work and religious service. Previously, another former national senator had pled guilty to one count of criminal conspiracy to violate the national code and he was sent to jail for two years. Earlier this year, the chief justice of the FSM Supreme Court found the former Speaker of the national congress guilty of one count of criminal conspiracy and sentenced him to a suspended two-year jail term.

When the senators were still in congress, they had voted in favor of a resolution that had disapproved the appointment of Richard H Benson as a specially designated justice to preside over their trials. The president challenged the constitutionality of the law that had allowed the congress to approve or disapprove specially designated justices. The Supreme Court upheld the president's challenge and ruled that the law was unconstitutional. Consequently, Benson was reappointed to preside over the former senators' trials. In addition, the senators had participated in an effort in congress to grant blanket amnesty to members under investigation at

that time or in the future. The amnesty bill would have passed quietly, but once people found out about it they came in large numbers to the congressional chamber to observe the session. Perhaps the outpouring of public interest in the amnesty bill forced the congress to abandon it. However, its ripple effect had caused the defeat of a move to renominate the attorney general to serve the new administration.

With the departure of the attorney general, the investigation of public officials seems to be relegated to the back burner. For the past three years, no indictments were issued and there was no news of fresh investigations from the national Department of Justice. The political waves the FSM Congress created had effectively drowned the investigation of the public officials. It was supposed to cover all four states, but it ended prematurely in Chuuk.

JOHN R HAGLELGAM

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GUAM

This year's hottest topic—championed by Guam's governor as the island's largest economic boom—was Guam's impending absorption of 8,000 relocated Marines, their 9,000 family members, and 15,000 construction workers, to build up island facilities. While Guam's strategic role as the "tip of the spear" for the US military intensifies, perhaps even more meaningful to the community has been the steady growth of the Guam-Chamorro voice, presence, and activity. This serves as armament of its own.

In 2005, news traveled that Trini Torres and others had created the Chamoru Cultural Development and Research Institute, a nonprofit humanitarian organization encouraging self-sufficiency through culturally viable means. "I Fine'ne'na' na Konferensian Chamorro" (The First Chamorro Conference) was held in March 2006. According to Rosanna Barcinas, program officer for the Guam Preservation Trust (one of the conference sponsors), Chamorros gathered from throughout the Mariana Islands to "discuss, share, and inspire every aspect of Chamorro people and their culture. From this konferensian [conference], a commitment was made to perpetuate Chamorro language and cultural unification despite political divides"; the impetus was the recognition that "we are one people" (Barcinas, pers comm, 13 July 2006). At the konferensian, the Chamorro Land Trust Commission formally approved land for the nonprofit group Inadahen Lina'la Kotturan Chamoru to develop a Chamorro cultural center.