

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

GUAM

The highlights during the review period were the 1996 elections and the continuing effort to achieve commonwealth political status for Guam. As always, the governor was the central figure in these events.

Governor Carl T C Gutierrez, a Democrat, misstepped less than a week before the September 1996 primary election when he revealed on the morning radio talk show that he was only going to vote for two of the incumbent Democratic legislative members. This was an attempt to defeat his opponents within the Democratic Party, further widening a rift that had originated in a fight over the Speaker's position in 1994. However, almost all in the Gutierrez faction, including the governor's son, were defeated in the primary.

The result of the legislative general election in November was another setback for the governor. The surviving Democratic candidates asked the governor to stay out of the general election, which he agreed to do. This left them without any significant party support, and the grassroots vote swung decisively in favor of the Republicans. It was a disaster for the Democratic Party. For the first time in fourteen years the Repub-

licans gained the majority in the twenty-one-member legislature. Four Democratic incumbents, including the Speaker, were voted out of office to join the two Democratic incumbents who did not survive the primary election. Two of the top five spots went to new candidates, Lawrence F Kasperbauer and Frank B Aguon, Jr.

The people also demonstrated their dissatisfaction with the status quo when they approved Proposal A, an initiative to reduce the number of senators in the legislature from twenty-one to fifteen to take effect in 1998. An initiative to allow extended-length terms for the senators from two years to four, with staggered terms and limits of three consecutive four-year terms, was soundly defeated. Proposal B, for regulated casino gambling, strongly opposed by the Catholic Church, was rejected by a vote of 27,801 to 9,509.

These setbacks resulted in large part from his having to implement austerity measures because of an inherited financial crisis. He had been elected on the platform of continuing his long-standing record of doing special things for regular people, such as getting electricity to their homes and paving roads. Once in office, and faced with a deficit of nearly \$200 million, the governor had to stop the outflow of cash from the government. The grassroots and government workers took the brunt of the new austerity policies. Government hiring and travel were frozen, while pay raises and overtime

were postponed. Fees and charges for services were radically increased. Residents were told they had to pay for new power poles, for example, and the fee for a simple hookup to the main water line at the end of a driveway went from \$75 to \$750. The Earned Income Credit tax program, which placed cash in the hands of the working poor, worth over \$12 million, and the cost of living allowances for Government of Guam retirees were reduced.

Further, the governor sought complete control of the party and confronted potential rivals. The top vote-getter in 1994, Senator Tom Ada, lost the anticipated speakership of the legislature by the surprise coalition of the minority faction of the Democrats with the minority Republicans. The chairman of the Democratic Party, a member of the Bordallo faction, lost the chairmanship to a Gutierrez-sponsored challenger, former senator Pilar Lujan.

Once the financial crisis was under control, the governor was able to return to his traditional base of support. He spent the rest of the period under review reaching out to the grass roots, his previous constituency, while trying to maintain his support among the business community (previously the Republican base), which he had praised while developing Vision 2001, the strategic plan for the island.

The indigenous rights movement benefited from this new, more conciliatory posture. In 1995 the governor had confronted the Chamoru Nation over the implementation of the provisions of the Chamorro Land Trust Act. After grudgingly signing the implementation

bill, he ignored the effort and gave no support to the understaffed Chamorro Land Trust. In the same month as the 1996 general election, landless Chamorros simply started to move onto the land and erect shacks. Finally recognizing that something had to happen to regain the people's trust in the government, Governor Gutierrez signed six hundred leases for Chamorro Land Trust lots, even though the infrastructure was lacking. He also increased the land trust's staff by transfers from other government agencies and signed into law a bill providing classified status for the land trust staff.

The governor also changed his position on the allocation of federal lands returned to the Government of Guam. In 1995 he had retained all of the returned housing at the naval air station for governmental use, with no benefits going to the original landowners. During the spring of 1997 Gutierrez attended many of the meetings of the original landowners' association, declaring his support for the return of excess federal land to them. In June 1997 he signed leases that returned valuable land on the Harmon Cliff Line to the original landowners, even though these leases did not meet the federal government's definition of "public use benefit" for returned land.

Governor Gutierrez also shifted his position on educational issues, withdrawing his lawsuits against the elected board of education at the end of May 1997 and adopting a cooperative approach. However, this shift came too late to prevent the Department of Defense from setting up segre-

gated schools. By September 1997 most of the dependents of military personnel on Guam, numbering over 3,200 children (one tenth of the island's public school system enrollment) will be attending Department of Defense schools. To add insult to injury, the department withheld \$12 million for the previous year's contract, bringing civil-military relations to their lowest point since the mid-1970s.

In addition, the governor initiated a fresh approach to the long-running political status issue. During the 1996 election season, his party organization raised a remarkable \$692,000 in soft money for the Clinton campaign, even though Guam voters are not eligible to vote in the presidential race. The contributions were clearly aimed at getting President Clinton to support Guam's struggle for a new political status. The status talks, which had made significant progress during the summer, had stalled over the key issues of mutual consent, indigenous rights, Chamorro self-determination, and the return of excess military lands, despite a tentative agreement on these issues having been reached earlier with the Commission on Self-Determination.

Unfortunately Governor Gutierrez's effort to attract the attention of the Clinton administration backfired when the media got hold of the story in March 1997 and linked it to an ongoing investigation of foreign political contributions. In order to avoid any perception of impropriety, the administration deferred further action on Guam's draft Commonwealth Act. The chair of the House of Representatives

committee having cognizance over Guam's status then announced that any House consideration of Guam's Commonwealth Act would have to wait until after Puerto Rico's political status was resolved. The status campaign received a further setback when local Senator Angel Santos, the former head of the Chamoru Nation, called on the US Attorney General to halt commonwealth negotiations pending the elimination of corruption in Guam's government. By the end of the review period the Commission on Self-Determination had decided to return to the language of the original draft Commonwealth Act, approved by a referendum in 1987. In June 1997 the governor joined forces with Archbishop Anthony Apuron and Judge B J Cruz of the Guam Superior Court to create "Solidarity for Decolonization," a nonprofit organization to educate and raise funds for the decolonization process.

The economy showed some signs of recovery from the negative impacts of military downsizing and the downturn in tourist numbers from Japan in 1995. The governor's astute leadership and management of the military's downsizing enabled the island to survive the transition. Enhanced by the governor's Vision 2001 strategic plan, tourism picked up the slack created by the closure of the naval air station, the ship repair facility, and the imminent closure of the fleet industrial supply center. While tourist arrivals in 1996 slightly exceeded those in 1995 (1.3 million), military personnel numbers fell from 11,442 to 6,948 during the past three years. Revenues to the Government of Guam from

income taxes paid by military families dropped from \$81.25 million in 1993 to only \$46.18 million in 1996.

Two Democratic members of the legislature have already announced that they are running against Governor Gutierrez in the 1998 gubernatorial election. The Republicans have only one declared candidate thus far, former Governor Joseph F Ada. With the Republicans solidified and the Democrats split terribly, can Governor Gutierrez sufficiently regain the support of the grass roots while retaining the support of big business to win a second term? The way he manages the political status issue, which has assumed center stage in Guam politics, may well determine the answer to that question.

RICHARD WYTENBACH-SANTOS

NORTHERN MARIANA ISLANDS

The year 1996–97 will certainly be one for the history books. Although tourism and the economy generally began to pick up, relations between the commonwealth and federal governments worsened, and crime, often directed against guest workers, increased. The results of the 1995 census were released, revealing another leap in total population from about 43,000 in 1990 to 59,500 in 1995 (by mid-1997 the total population was estimated to be 65,000). Nearly all of the increase was attributed to the influx of guest workers. The governor's decision to dissolve the Marianas Public Land Commission and place the administration of public lands

directly under his authority resulted in a major confrontation with the legislature.

The year under review saw some major movement in the area of economic development, including some interesting diversification. Investments in casinos, hotels, new construction, and capital improvement projects were all up. Several major hotels opened new wings or began new construction projects. There are now approximately 3,600 rooms available in the commonwealth and another 3,000 under construction or planned, not including the 500-room casino and hotel nearing completion on Tinian, or the 2,000-room resort under consideration there.

Tourist numbers were up overall, to about 660,000 entries per year. A substantial increase in arrivals from Korea more than compensated for the downturn in numbers from Japan, and there was a small but steady flow of visitors from eastern Russia. Several hotels recruited Russian-speaking staffers to meet anticipated future demand. An effort has also been made to lure visitors from mainland China.

The garment industry was again the focus of mixed reviews and has a shaky future. Last year, the commonwealth Department of Commerce lifted the moratorium on new factory licenses. Four new factories opened, bringing the total to about twenty-three (the actual number is not clear because some factories share licenses and other license holders have not decided to build yet), employing some eleven thousand workers. However, increased pressure by Washington to

raise the minimum wage, and real and alleged abuse of the workers, especially in the area of overtime payments and benefits, have led critics in the mainland United States to demand that the “made in USA” label be denied to products made in the Northern Marianas. These issues and the threatened takeover of immigration by the federal government would probably be enough to send the factories to Mexico or other locations.

Another positive sign on the economic horizon has been the growing number of major commercial and government investments in the commonwealth. Two major banks, Bank of Shanghai and Hong Kong (whose parent office is in London) and First Hawaiian Bank, have set up branches on Saipan in the past year. There has also been a surge in smaller investments. The Voice of America has begun constructing a \$30 million transmitter on the north end of Tinian, and there has been recent talk of building a tuna cannery on the Tinian waterfront. Rota now has a fully functional resort hotel and is aiming its ambitions toward a flourishing ecotourism industry. The Saipan airport is undergoing major expansion, largely funded by Duty-Free Shoppers Limited, who received an exclusive concession for their business.

The Micronesian Telecommunications Corporation has finally installed its fiber-optic cable from Saipan to a junction with the rest of the world on Guam. After many years of mostly political wrangling, the cable is now operational and will be fully utilized by October 1997. In other communications developments, the Northern

Marianas ceased to be a foreign country for purposes of long-distance dialing from the fifty states on 1 July 1997, allowing rates to the mainland to fall from approximately \$1.60 per minute to less than 50 cents per minute. The combination of fiber-optic transmission and lower rates will be a major incentive to businesses that want to open offices in an American jurisdiction with accessibility to Asian markets.

Relations with Washington, DC, could not have dropped lower during the year under review. The low point came on 30 May 1997, when President Bill Clinton sent his famous “Dear Froilan” letter stating that his administration intended to take over responsibility for immigration, naturalization, and the minimum wage. He indicated that he would work through Congress to implement federal laws in these areas, as provided for in the covenant that defines the relationship between the two governments. A few weeks later, the State Department chastised the governor for signing a memorandum of understanding with the government of the People’s Republic of China, an act clearly outside his jurisdiction. In July the administration’s annual report to Congress on labor, immigration, and law enforcement was released by the Office of Internal Affairs. It was a blistering indictment of the commonwealth’s progress in improving previously noted problems in those areas. It asked Congress to implement a takeover of immigration and minimum wages in the Northern Marianas, to be phased in over ten years.

The minimum wage, which was

supposed to have risen by 30 cents per hour each 1 July until it reached the federal level, was frozen just before the effective date through lobbying by the garment industry, which stated that it could not absorb the increase. As a result of the legislature's action, the minimum wage went from \$2.75 to \$3.05 for all workers except construction and garment workers. Workers in these two categories got a 15 cents per hour raise, with another increase scheduled for 1 July 1997.

To justify his support for the freeze, the governor contracted an internationally known consultant firm, the Hay Group, to do a thorough study on minimum wage and make appropriate recommendations. The report, issued in May 1997, concluded that there should be a three-year moratorium on all minimum-wage increases. It stated that the garment industry, which brings in a reported \$15–19 million in annual tax revenues to the government, would no longer be competitive, and provided justifications for paying guest workers lower salaries than those of US citizens. The Hay report also urged the Northern Marianas to diversify its economy and downsize the government.

Once again, real and alleged labor abuse issues featured prominently during the year. Most influential was a feature article in the May edition of *Reader's Digest* entitled "Shame on American Soil." This article cited several well-documented incidents of mistreatment of guest workers and strongly implied that the local government was unable or unwilling to prosecute prominent local officials alleged to be the perpetrators. In addition, the

Philippine Consulate on Saipan assigned a full-time labor attaché to investigate allegations of abuse of its citizens. They reported a substantial increase in complaints over the last year.

One of the side effects of the dependence on labor from outside (especially from the Philippines) is that the home government has some say on the working conditions of its citizens. The Northern Marianas was long exempt from Philippines Overseas Employment Agency regulations, but because of worker abuse, the Philippines government decided to apply the full range of conditions, including mandatory room and board regardless of wage levels. As a result, relations between the two governments deteriorated. The Philippines government issued a ban on the export of "vulnerable" classes of workers—housemaids, nightclub workers, waitresses—to the Northern Marianas, which lasted for about a year. A new ban, this one applying to all workers, is being considered.

These new developments in a previously unregulated labor market have made it more difficult to legally recruit Filipino workers, leading some employers to find ways to circumvent the regulations. It has also provided an incentive to identify alternative sources of migrant labor, and increasing numbers of workers are being brought in from Nepal, India, Thailand, Iran, and Bangladesh.

In October 1996, a Philippine national and licensed taxi driver succeeded in getting entry permits for over 150 Bangladeshi workers. They were recruited after paying between

\$5,000 and \$10,000 in fees. Many sold businesses or took out loans to pay the fees. From December to March, up to 200 Bangladeshis, mainly recruited as construction workers though most of them had never seen a carpenter's tool, arrived in Saipan. They were promptly taken to substandard, isolated barracks and abandoned. By the time their plight became known they were in serious condition. Eventually, the community mounted a relief effort to find them jobs and food. The bonding agencies were required to furnish each person with \$1,500 and a one-way ticket back to Bangladesh, although many found work before the 1 June deadline.

In 1988 the island of Tinian passed a local initiative approving up to five casinos. Only one casino opened, but it lasted less than a year. In 1996 Hong Kong Entertainment (Overseas) Inc announced plans for a 500-room casino hotel to attract world-class gamblers from all over Asia. The first phase of the project is expected to begin operations in September 1997. The company has advertised for twelve hundred employees to work in the hotel, and the facility is expected to create an additional twenty-two hundred jobs on Tinian. A second project, which would create a 2,000-room resort and theme park, is in the final stages of planning. The Hong Kong company has already put two luxury catamarans in service from Saipan, although there are indications that they may not be suitable for the choppy waters of the Tinian Channel. The possibility of expanding Tinian airport to handle direct flights from

Korea and Japan is also being explored.

In mid-June 1997, the Ninth Circuit Court of Appeals ruled against the Hafa Adai Hotel in a case filed by the National Labor Relations Board. The court overturned a decision made by the Federal District Court over a year ago that essentially upheld local-hire preference laws in the commonwealth. The appeal resulted in a decision that affirmed the applicability of the National Labor Relations Act and, more important, blurred the distinction between local (US citizen) hires and guest workers in the same positions. As a result, the hotel has been ordered to rehire about twenty mostly Filipino workers whose contracts were not renewed on expiration and who were replaced by locally hired personnel. The court has essentially ruled that all workers must be treated equally, even though local law requires that locally hired employees must have priority when jobs become vacant.

Chinese organized crime became increasingly evident during the year, particularly in the areas of protection rackets and prostitution. Chinese-owned businesses, from grocery stores to karaoki establishments, have proliferated and become targets for threats and extortion. Following complaints, police have successfully prosecuted some of the perpetrators, and several were jailed or deported. There also appear to be very well organized rings of Chinese pimps and prostitutes who prowl the tourist areas, especially in Garapan. Because the anti-prostitution law in force does not include solicitation, only the exchange of money for sexual favors, it is difficult

for local authorities to make arrests. However, many suspected prostitutes are arrested and deported for violation of their work permits, not prostitution. More than 150 deportations, mostly of Chinese, were carried out in the first six months of 1997, well above the rate for any prior year.

Violent crime has become endemic among youth. A retired Japanese woman was bludgeoned to death in her apartment late in 1996 by two young men who were eventually tried as adults and convicted. In another case, a small group of juveniles had a spree of robbing Korean grocery stores. In one case they shot the storekeeper. Most were arrested. Drug use, especially of crystal methamphetamine or ice, has become epidemic. For many years the population considered this a problem of the contract worker or tourist. Then in January 1997 a former customs officer apparently high on ice attacked a whole family, leaving the mother dead, one daughter sexually assaulted and wounded, and a son wounded with a knife when he attempted to help his mother. According to the public health rehabilitation center, nearly four hundred people, mostly local, have come in voluntarily for drug treatment since that incident.

By executive order, Governor Tenorio dissolved the Marianas Public Land Commission and folded its functions into the Department of Lands and Natural Resources, directly under his control. He then began negotiating with foreign investors leases for areas of public land under 5 hectares without public hearings or review. This provoked a strong outcry, with taxpayers' lawsuits accusing him of leas-

ing the land at below-market prices. A lease to Willy Tan for a giant shopping mall with movie theaters was blocked by such a lawsuit. Then the legislature passed legislation—over the governor's veto—reconstituting the land commission with a board of directors. At the time of writing all transactions involving public land were frozen because the board had not been officially constituted.

Elections are scheduled for 1 November 1997, but the gubernatorial campaign got under way in 1996 when incumbent Froilan Tenorio announced that he would not run for reelection and endorsed Lieutenant Governor Jesse Borja. Then in December 1996 he changed his mind and indicated his intention to run, leaving Borja wondering what to do. The Central Executive Committee of the Democratic Party met in March and declared Tenorio the official candidate. Borja then bolted the party and declared his independent candidacy with former secretary of Land and Natural Resources Benigno Sablan as his running mate. After months of keeping people wondering, Tenorio chose Saipan Mayor Jesus Deleon Guerrero as his running mate. In the meantime, in November, the Republicans held an open primary between two former governors: Larry I Guerrero and Pedro P Tenorio. Tenorio won handily over Guerrero. Then Guerrero put his support behind Froilan Tenorio after the mayor was selected as running mate. At the end of the review period there was a three-way race between Republicans Pedro P Tenorio and Senate President Jess Sablan, Democrats Froilan Tenorio and Saipan

Mayor Jess Guerrero, and Independents Jesse Borja and Benigno Sablan.

SAMUEL F MCPHETRES

PALAU

The year under review began with two tragedies. The first occurred near Ngardmau State and involved a head-on collision of two boats traveling at high speed, resulting in the death of five Palauans and the injury of ten other people, some of whom were from the US Public Health Service. Mr Beketaut Towai, a former member of the Palau Legislature representing Ngardmau, was among those who died. The second tragedy was the collapse of the huge concrete bridge connecting Koror to Babeldaob Island. Two people traveling in a vehicle on the bridge at the time it fell died; four others were injured.

Palau's main eight-hundred-foot-long Koror-Babeldaob bridge, completed in 1977 at the cost of \$5.2 million, collapsed in late September and knocked out Koror town's water and electric power supply. Within weeks, water and power were restored, if sometimes rationed, and boat transportation substituted for the fallen bridge. The Nakamura government's solution has been to replace small-boat transport with less expensive ferry service. This in turn has been replaced by a three-piece temporary bridge costing \$3.8 million, and plans call for a new permanent bridge to be completed in about five years. Within months of the collapse, President Kuniwo Nakamura approached the governments of Japan, the United States, and the

Republic of China (Taiwan) for grant assistance to construct a permanent bridge. Government officials maintain that a bridge linking Koror with the large island of Babeldaob is fundamental to Palau's continued economic growth and development, especially with completion of the Babeldaob circle road by 2003. In April 1997, the government filed suit against construction, design, and insurance companies for compensatory and punitive damages, maintaining that defective repairs and design changes performed by the various firms led to the structure's failure.

National elections took place in Palau with a September primary and a November general election that included two ballot initiatives. Incumbent President Nakamura defeated both Johnson Toribiong and Ibedul (high chief) Yutaka Gibbons by taking 56 percent of the vote in the primary race. Given the tremendous hardships the collapse of the Koror-Babeldaob bridge generated just two days after the primary, and the strong majority support for the incumbent, Toribiong, in a surprise move, withdrew his candidacy in early October. This was a family decision announced by Roman Tmetuchl (a three-time presidential candidate himself in the 1980s) to the leadership of the Palau Nationalist Party, which had vigorously supported Toribiong's second run for the presidency. Toribiong's running mate, Kione Isechal, an engineer, stayed in the race and finished second to incumbent Tommy Remengesau, Jr, who took nearly 70 percent of the vote. Nakamura was reelected to the presidency by defeating Ibedul Gibbons,

who garnered just 33 percent of the vote. As in past general elections, voter turnout was high, some 81 percent in 1996.

In the races for thirty seats in the Olbiil Era Kelulau (national congress), most incumbents won reelection. For just the second time since self-government began in 1981, a woman won a seat in congress. No newcomer to election battles, Sandra Pierantozzi finished second in a twenty-four-person field to win a seat in the fourteen-member senate. Pierantozzi ran very strongly in the 1992 vice presidential race, finishing some 314 votes behind Remengesau Jr.

The Palau Nationalist Party, which supported the Toribiong-Isechal ticket, was responsible for getting over five thousand signatures on a petition calling for a constitutional convention at any time. However, both measures—a convention to amend Palau's basic document and the timing—were defeated by modest margins.

Palau's election and petition votes of 1996 were affected by the bridge collapse. Voters were cautious, supporting the status quo in spite of persuasive and enthusiastic discussion of issues by the Toribiong-Isechal team and the Palau Nationalist Party prior to Toribiong's withdrawal. The Nakamura-Remengesau political team, committed, energetic, and apparently well funded, showed it could not be defeated.

In its external affairs, Palau accepted from Australia a fast patrol boat for surveillance of the republic's resource-rich two-hundred-mile exclusive economic zone. Named in honor of former President Haruo I Remeliik,

the boat is the major part of a five-million-dollar Australian aid package that included the training of eighteen young Palauan men to operate it. President Nakamura made a state visit to Australia to formally receive the patrol boat. Later in the year he welcomed former Prime Minister Bob Hawke of Australia, who paid a courtesy visit to Palau, and Vice President Remengesau accepted eight school, art, museum, and sports grants from the Australian Small Grant Scheme.

At the invitation of the People's Republic of China, President Nakamura, accompanied by Reklai (high chief) Ngirmang and key leaders from the Olbill Era Kelulau, paid a state visit to that country in May. The visitors were treated with great respect and fanfare. An escort of ten thousand policemen and soldiers (over half the population of Palau) was assigned to the visiting dignitaries, and Nakamura reportedly occupied the same hotel room that President Nixon used during his historic visit to China in 1972. The entourage met with China's top leaders, President Jiang Zemin and Premier Li Peng. The group of Palauan government leaders had an aircraft assigned to them for visiting economic development projects and historic sites in provinces near Beijing. Although Nakamura declined to sign an economic relationship agreement with the People's Republic, on behalf of the Palau government he did accept from Chinese officials a grant of \$600,000 for infrastructure development. Palau's local newspaper, *Tia Belau*, commented that Nakamura is in the enviable position of getting foreign investments from Taiwan and inexpensive

labor from the People's Republic without committing himself to either China.

In August 1996, Palau established diplomatic relations with the United Kingdom. Reminiscing about Palau's first extensive contact with British Captain Henry Wilson in 1783, Britain's first ambassador to Palau, V M Scarborough, presented his credentials to President Nakamura in a moment of proud and historic "reunion." Palau also established diplomatic relations with Sweden, and President Nakamura accepted the credentials of the Swedish ambassador as well as those of the new ambassadors from the United States and Japan, Thomas C Hubbard and Jiro Kobayashi.

Palau's special connection to Japan was evident in an eleven-million-dollar grant from the government of Japan to the republic for electrical equipment, in discussions between high-ranking officials of both governments regarding special grant assistance to rebuild the Koror-Babeldaob bridge, and in the exchange of notes implementing the Japan Overseas Cooperation Volunteers program. Like the US Peace Corps, this program will bring Japanese volunteers to Palau to assist in youth and economic development projects. Additionally, President Nakamura visited Mie Prefecture, Japan, the area where his father grew up, to meet with officials there for obtaining assistance in marine and environmental technologies pursuant to an agreement of friendship, cooperation, and cultural exchange signed during an earlier visit of Mie officials to Palau. The eleven-million-dollar electrical equip-

ment grant resulted from President Nakamura's courtesy visit to Emperor Akihito in early 1996 and the special status Mr Nakamura, as a son of Japan, has for the emperor.

Palau hosted the third meeting of the Council of Micronesian Chief Executives, which brought together top officials from Palau, Guam, the Federated States of Micronesia, Kiribati, Nauru, and the Marshall Islands. Discussions centered on a tuna fisheries cooperative, information and education sharing, and cooperation in the eradication of illegal drug and firearm smuggling activities.

Palau also hosted the third annual Joint Committee Meeting, which involved talks between President Nakamura and top US military officials regarding security, defense, and related matters that are key provisions of the Compact of Free Association agreement. During the sessions, the head of the US delegation, Lieutenant General Francisco, stated that the United States had no plans to establish bases or exercise its rights under the compact to conduct military exercises in Palau. Some months earlier, a second cohort of twelve young Palau high school graduates were inducted into the US military forces in a ceremony outside President Nakamura's office. Such direct entry into the military was made possible by the compact agreement between the two governments.

The key event for the year under review was the inauguration of Palau's fifth constitutional government on 25 January 1997, the first such event since the republic's independence in October 1994. Foreign dignitaries for some fourteen countries were present. Presi-

dent Nakamura and Vice President Tommy Remengesau, Jr, were inaugurated into their second four-year term. Thirty members of the bicameral Olbiil Era Kelulau were also inaugurated. The sixteen-member House had selected its leadership in some atypical trading, and Delegate Ignacio Anastacio emerged as speaker. On the other side, the Senate was deadlocked and without a leadership roster for nearly forty days; this was sorted out after some hard bargaining. The inaugural ceremonies were carefully planned, with the full participation and protocol recognition of local important persons from the elite clans of Koror and Melekeok. In his speech President Nakamura called for unity, commended his fellow citizens for their achievements, and challenged them to realize greater goals: "With determina-

tion, dedication and fortitude, there is nothing outside of our reach and Palau will be true to its potential."

Later in the year, in his state-of-the-republic address, Nakamura announced five goals for 1997: enactment of a National Master Plan, "Palau 2020"; identification of ways to streamline government and reduce bureaucracy; identification of new and improved sources of revenue to assure continued economic development; a commitment to combating the increasing problem of substance abuse in Palau; and continued promotion of the spirit of cooperation and constructiveness in the national government. Proud, vibrant, and independent, Palau is preparing to enter the twenty-first century.

DONALD R SHUSTER