

Reviews of Kiribati and Nauru are not included in this issue.

#### FEDERATED STATES OF MICRONESIA

By urging the nation to “measure up to the challenges of the New Year,” in his address to the nation on 29 December 2000, Vice President Redley Killion provided a theme for this review. The ongoing negotiations with the United States on future economic assistance have yet to reach an agreement. For the third time since its ratification in 1979, the nation’s constitution will be up for review, with renewed challenges.

The last case in the cholera epidemic that had plagued Pohnpei since May 2000, claiming 20 lives, infecting a total of 3,525 people, and costing the state over \$600,000, was reported in January 2001. By mid-February, the state government could declare the epidemic over and the state free of cholera.

Closure to a long-drawn-out court case between the states and the national government may be in sight. The nation’s court of appeal rejected appeals by the states for revenues generated by fisheries licensing of the exclusive economic zones. Earlier the national congress had changed the revenue-sharing formula between the states and the national government by increasing the states’ share to a 70–30 distribution.

As the fifteenth anniversary and

expiration date of the major funding provisions of the Compact of Free Association between the United States and the Federated States of Micronesia (FSM) draws closer (November 2001), the Joint Committee for Economic Negotiations is doing its best to sell a more responsible future economic management image for the nation.

FSM and US negotiators have agreed on four principles of negotiation, which are known as the Honolulu principles. They include commitment to defense, commitment to economic development for the Federated States of Micronesia, commitment to policy reforms, and more attention to accounting. Earlier in 2001, the US General Accounting Office (GAO) criticized the handling of compact funds and also the FSM government’s continued foot-dragging on reforms designed to reduce payroll and increase cash flow. Then chairman of the joint committee Epel Ilon reacted to the GAO report by pointing out that the FSM economy has been growing an average of 2.5 percent since 1987, and that the national and state governments have made significant commitments to private and government sector reforms; the public sector has been downsized by 21 percent, reducing the government payroll by 29 percent.

The FSM negotiators started the process by seeking future compact assistance in the form of financial grants of \$99 million per year for

twenty years, and the creation of a trust fund to end its financial dependence on the United States. The United States responded by offering \$61 million per year in grants for fifteen years and \$13 million per year for the same period for a trust fund. Both parties agree that the trust fund may also include contributions from other nations.

Current FSM chief negotiator Senator Pete Christian expressed concern over the implementation of compact funding and suggested that front-loading of future compact assistance might offer a better chance for economic growth. The United States is pushing for future compact assistance to be in the form of grants to ensure accountability for spending.

In related developments, the Economic Implementation Council, made up of the executive and legislative heads of the nation and its four states, met on 13–14 July. It demonstrated the country's willingness to enact strong and responsible economic legislation to ensure a more secure future. A resolution was enacted requesting the congress to direct as much as 60 percent (\$20 million) of future excess compact funds to the stability account of the trust fund. The expectation of excess funds depends on the possibility that the compact economic assistance negotiations will not be completed by the end of the fifteen-year life of the compact. The current compact provides for continued US economic assistance (an average of three five-year stepdowns).

The United States has also proposed to reduce assistance in other areas, including such existing United States Department of Agriculture programs

as Farmers Home (loans), development assistance in fisheries, and small business loans. Other programs, such as the National Weather Service, the postal service, and the Federal Aviation Administration, would be guaranteed only until 2016.

The year under review saw the deaths of two senior members of the FSM Congress. Incumbent Senator Nishima Yleizah, from the Mortlock region, died just a few months before his hoped-for reelection in March. Incumbent Wagner Moses Lawrence won his Madolenheimw seat, only to die less than two months later. At-large Senator Manuel Mori replaced Yleizah as chair of the Ways and Means Committee.

Other members of the congress won reelection, and a few changes in committee chairmanships followed. Jack Fritz remains the Speaker, with Claude Phillip (Kosrae) and Joseph Urusmal (Yap) maintaining their positions as Vice Speaker and Floor Leader, respectively. Senators Roosevelt Kansou (Chuuk) and Pete Christian (Pohnpei) exchanged chairmanship of two key committees, with Christian taking the helm of Resources and Development and Kansou heading the Transportation Committee.

During the March 2001 elections, voters chose representatives to the Third Constitutional Convention, which will meet for four weeks in November 2001, followed by a two-week break for public hearings on the proposed changes in each of the four states and a final two weeks of meetings. One of its challenges will be to maintain the status quo and unity of the national configuration. During the year, the region of Faichuuk in Chuuk

State made significant progress in its quest for statehood by finalizing its proposed constitution and having it ratified in a regional election. The region's first push for statehood was unsuccessful, despite being passed by congress in the early 1980s. A traditional leader in Pohnpei has voiced similar sentiments, making some strong points for Pohnpei to separate from the nation.

President Leo A Falcam made a significant trip to Israel that led to an agreement for open access for FSM citizens traveling to Israel. He completed appointments to his cabinet by replacing Epel Ilon as secretary of external affairs with Ieske K Iehsi from Pohnpei.

Finally, as if to maintain the theme of facing up to the challenges of the New Year, over eight hundred athletes converged on the westernmost state (Yap) for the Third FSM Games in July 2001.

JOAKIM PETER

## GUAM

The Guam legislature's biennial general elections took place amid tension between Governor Carl T C Gutierrez and the legislators. At issue were the attempt to remove the governor from office via recall, and control of the Guam Election Commission. Much of this tension was a carryover from the legal challenge of the gubernatorial results mounted by former Governor Joe Ada and his running mate, Felix Camacho, who lost to the Gutierrez-Bordallo ticket in the 1998 election. Their legal challenge went all the way

to the US Supreme Court, which rendered a decision in favor of Gutierrez, but the whole appeal process took fourteen months. Because of the delay, the Gutierrez-Bordallo team was denied the outpouring of good wishes, adulation, and community confirmation that traditionally accompanies an outdoor, public inauguration.

In the legislature's November election, 33 candidates vied for 15 seats, 2 stood for the national congress, and 5 entered the first race for the position of public auditor. Village mayoral and vice mayoral seats were contested as well.

For the twenty-sixth legislature, 13 of the 15 incumbents were seeking reelection, and candidates were looking to raise and spend some \$40,000 for the typical campaign, which included roadside billboards; newspaper, radio, and television ads; donations to other campaigns; and fundraising parties. Only 5 of the 33 candidates were women; all but 1 candidate identified with either the Democratic or the Republican party, and 4 reported a net worth in the millions of dollars. Interestingly, of the 3 who reported net worth at zero or in the negative, 2—Angel Santos and Mark Charfauros—were elected.

The race for the 15 legislative seats was in many ways a contest of influence and will. Governor Gutierrez was intent on breaking the Republican "super-majority," which held 12 of the 15 seats in the Twenty-fifth Guam Legislature. He announced his list of 14 favorites, but only 3 of them garnered enough votes to win. The losing group included Cliff Guzman, Angel Sablan, and Rick Unpingco, Gutierrez cabinet members, and former senator

Ted Nelson. Of the 7 nonincumbent Democrats who won, many are not Gutierrez supporters, notably Angel Santos and Mark Charfauros. Among the Republicans, several multi-term senators lost: Simon Sanchez, Tony Blaz, John Salas, Carlotta Leon Guerrero, and Alberto Lamorena. The top vote-getter was Tom Ada (23,047 votes) who earned that distinction for the third or fourth time. Only 3 women won seats: Joanne Brown (incumbent), Lou Leon Guerrero, and Judy Won Pat, the last 2 being former senators. Former governor and legislative Speaker Joe Ada won, coming 14th in the 15-seat race.

Several curious dynamics were at work in the legislative race, some of them deriving from past skirmishes such as the court fight over the 1998 gubernatorial election. In August, Governor Gutierrez had appointed an election commission not in conformance with the new election law, which had been written to prevent the documented irregularities of the 1998 race. Gutierrez essentially chose whom he wanted, claiming that those appointed would be above partisan politics and that he was acting in accord with his powers under the Organic Act. The Republican party and the legislature filed suit, arguing that the law required the governor to choose three individuals from each of the lists provided by the two political parties. The case was decided in their favor, and Gutierrez appealed. This tug-of-war led Senator Tony Blaz to begin a recall movement in late September 2000, ratcheting up the pressure. The recall petition alleged that the governor had not submitted various reports to the legislature

as required by law, had instructed executive-branch employees not to assist the legislature in its budget work, had not followed the law in his appointments of election commission members, and had misspent government resources. In early October, the tension spilled over into the street near the legislature building, where a large group of No Recall individuals confronted the few Recall advocates. A lot of angry shouting and intimidation took place, but no physical violence. For the next six days, Gutierrez supporters collected over nine thousand signatures on a petition opposing a recall referendum. The Mayors' Council also opposed the recall effort. Gutierrez termed the legislature's recall resolution "phony baloney" and Lieutenant Governor Bordallo went out on a limb, stating that if the recall referendum were successful she would appoint Gutierrez as her lieutenant governor because "we're a team" (*PDN*, 3 Oct 2000, 1).

Meanwhile, with the November election looming, Speaker Tony Unpingco and several of his colleagues met with the governor regarding the election commission issue. After the exchange of several versions of a bill and a Gutierrez veto, they agreed to establish a temporary three-person election commission, and legislation was passed on 6 October. But the recall effort had not faded away. On 9 October, it was finally debated by the senators but failed by eight to seven; ten votes were necessary to put it on the November ballot. Five key Republican senators had not supported the recall (along with two of the three Democratic senators), and after the floor debate and vote on

recall they signed an agreement to get the governor's cooperation in nine areas. Termed a "peace and reconciliation proposal," the areas covered were full and free disclosure of information; input from the senators on government reorganization, an economic recovery plan, an educational reform plan, and assistance to the University of Guam; appointment of a board of trustees for the Guam Memorial Hospital; full consideration of the governor's veto messages; and a request by the governor to the United States for an additional \$1.5 million in compact-impact aid for the Guam Memorial Hospital. After several months of tension, the Guam political waters were calmed. But three of the five Republican senators who had signed the "peace and reconciliation" agreement lost their seats in the November election. Ironically, the leader of the recall movement, Senator Tony Blaz, also lost his seat. The "super majority, veto-proof" twenty-fifth legislature was broken; the twenty-sixth would be made up of eight Republicans and seven Democrats.

Because the emotional and political chemistry was not good between Governor Gutierrez and the Guam Legislature, the battles over control of the election commission and the recall initiative dominated the first half of the period under review. For the governor, the rest of the year appears to have presented more uncertainties and problems than progress. His much-touted trust initiative, whereby a US-based trust would deposit its assets into a Guam bank under a tax-free arrangement, was quashed by the US Treasury Department as an "abusive tax shelter."

Perhaps some of the governor's biggest headaches have concerned a few of his cabinet and subcabinet officers and staff. A J "Sonny" Shelton, deputy director of the Department of Administration and former territorial auditor, was indicted in early February on fourteen charges of wire fraud, money laundering, and bid rigging in connection with infrastructure repair work done to sports facilities after Typhoon Paka of 1997. At that time Shelton had been serving in the governor's cabinet as director of the Department of Parks and Recreation. The investigation that led to the indictment was carried out by the Federal Bureau of Investigation (FBI). Federal agents accepted plea agreements relating to the alleged bid-rigging activities from four individuals (*PDN*, 1 Feb 2001, 1-4).

The FBI also visited Guam's Power Authority offices to seize papers related to an ongoing investigation (*PDN*, 17 Feb 2001, 1, 4). This had also happened in 1999, when the Department of Public Works was raided by FBI agents, who removed computers and documents, including contracts and bids. This material possibly served as a basis for the recent charges against Shelton.

Guam's attorney general, John Tarantino, stated he would pursue charges against Shelton and hoped to get the FBI's evidence files. He later changed his mind, stating he could not "prosecute anybody who might be construed as my client" (*PDN*, 6 Feb 2001, 4). He did not get any files from the FBI. Tarantino's statement brought criticism from Speaker Tony Unpingco, who asserted in response to Tarantino, "All suspected criminals within the government must be prosecuted by

the AG's office" (*PDN*, 6 Feb 2001, 4). Tarantino left the attorney general position in early May. He was the sixth attorney general of the Gutierrez administration since it took office on 1 January 1995.

Other problems Gutierrez faced during the year were less personal, but still difficult. In late June he declared the Guam Memorial Hospital in a state of emergency and took control of its operation because the hospital's board of trustees was short of members and could not establish a quorum. Similarly, the power and water authorities suffered board resignations that left them without quorums. In these cases, the top executives in the two authorities took over both policy and operational matters. In March, the governor submitted names for confirmation as hospital board members to the twenty-sixth legislature, and the hospital now has a fully functioning governing board.

At the beginning of 2001, raw sewage was pouring out of utility covers in the middle of Tumon, Guam's tourist center. Sewage pump stations had broken down in Harmon and Tumon. In March the governor declared the water and sewer systems in bad shape. He urged the legislature to pass bills allowing for strategic partnering (private-public) to replace the two systems. Further, he issued Executive Order 2001-13, a full two-page statement in the *Pacific Daily News* stating that the beaches and drinking water in several island locations had become dangerously contaminated and that Guam's tourism industry could be in jeopardy if the situation were not reversed (*PDN*, 18 Mar 2001, 8-9). Fortunately, it was.

Toward the end of the period under

review, Governor Gutierrez declared the Guam Housing Corporation in default on its \$12 million government loan. Although it was called a "smudge" on the government's credit, the default will provide time for the corporation, with new and competent executive leadership, to get on its financial feet.

During the year Governor Gutierrez and the Twenty-sixth Guam Legislature debated the size of Guam's annual budgets for 2000-01 and 2001-02. The governor argued for a higher level, and the legislators, claiming prudence, pushed a lower estimate. By June, financial reality had set in and the Gutierrez administration suggested a 10 percent across-the-board pay cut for all government employees in order to balance the budget for fiscal year 2002. With a severe revenue shortage, administration officials stated, a pay cut of this size would reduce spending by \$21 million (*PDN*, 27 June 2001, 2). Other suggestions for reducing the budget were made by the governor, who claimed some \$90 million needed to be slashed from the 2002 budget. Urging everyone to pull together with respect to the budget problem, the governor stated he was working with the legislature's Ways and Means Committee and was hopeful about Guam's financial future, given a marked increase in military presence, location there of a global fiber-optic system and a corporate-jet leasing business, as well as construction on the island of a rocket-tracking station by Japan.

Concerns over the government's budget for 2001 led the legislature to push for executive-branch reorganization as a way to substantially reduce the cost of government. This effort was scratched when Governor Gutier-

rez issued an executive order stating that his office was the only one with legal authority to reorganize the government. The order also set up the Executive Reorganization Plan, which was unveiled in October 2000 and by some observers was called a plan for a plan. It consisted of a set of goals and five new executive boards under which the eighty government departments and agencies would be placed. A performance-based budget was being developed but was delayed because of difficulties with new financial management software. As this problem was being worked out, the governor announced that reorganization would take five years and could not be completed until the legislature had prioritized the many government mandates. The reorganization effort appears to be stalled and may become a new source of friction between the governor and the legislature.

Governor Gutierrez's relations with the federal government saw more progress than his work with the Guam Legislature. Negotiations with the Federal Emergency Management Agency (FEMA) finally yielded a positive result for Guam: The \$8 million of FEMA funds used to clean up Guam after typhoon Paka would not have to be returned.

The governor signed documents with Admiral Fellin to return 2,800 acres of excess navy land on Nimitz Hill, the naval magazine area, Radio Barrigada, and the former naval air station. This is the largest single land transfer to date. Additionally, the governor had discussions in Washington DC with Secretary Bruce Babbitt of the Department of the Interior regarding land at Ritidian Point. Because of a conflict between the original owners

and the federal Fish and Wildlife Service, Gutierrez, in an ongoing effort, is attempting to trade the Ritidian land for similar land elsewhere on Guam.

In March, Gutierrez sat down with Admiral Vernon Clark, chief of naval operations. Guam was back on the navy's radar screen, and Clark was impressed by what he saw and the welcome he received while visiting. The governor described the military as half of Guam's economic centerpiece and good for Guam. The welcome mat was put out by a new "Team Guam," a group of government, business, and community leaders who clearly see the dollars-and-cents effect a larger military presence will have on Guam.

Because of the Bush administration's \$5 million reduction in compact impact aid for Guam, the governor wrote to the House Subcommittee on Interior in June, requesting \$10 million in impact aid. He stated that the "unfunded federal mandate exacerbates our tough economic situation." Earlier in the year, and in accord with the Guam Omnibus Opportunities legislation, the governor filed a report with the Department of the Interior, stating that since 1986 the social impact of over ten thousand freely associated citizens coming to and residing on Guam has cost the territory about \$180 million. In contrast, the federal government has reimbursed Guam a total of \$30 million.

Governor Gutierrez's second term is nearing an end. In January, his wife, Geraldine ("Geri"), announced her intention to run for his job in 2002 (*PDN*, 10 Jan 2001, 3). Since September 2000, dozens of colorful, neon Geri signs have been erected on private land all over the island. Geri's

announced intention was not unexpected. However, with the current disenchantment with the Gutierrez administration and very formidable opposition from the likes of Congressional Delegate Robert Underwood and Senator Ben Pangelinan, the 2002 Democratic party race will be a severe test for a pleasant, inexperienced candidate such as Geri Gutierrez.

One of the best things Governor Gutierrez has done to shore up his governorship and his wife's political chances in 2002 has been his regular radio addresses. These began in January and have covered a host of topics: the increase in military presence, the island family, strategic private-public partnering as a way to rebuild infrastructure, the JFK Silouettes as national champion singers, cooperation to overcome perceived crisis, and pulling together to face tough economic times. Delivered with sincerity, optimism, and confidence, these talks belied the existence of budgetary or political problems.

Another important step the governor took was to appear before the United Nations Special Committee on Decolonization in Cuba in May 2001. Gutierrez stated very clearly, "Guamanians are Americans and we generally view our citizenship and the U.S. military interests in Guam as integral parts of our lives. Our goal is more meaningful participation in our relationship with the United States, to have more say in the laws, rules, and regulations that govern us. . . . I stand before you as the Governor of 'America in Asia'."

The governor's pro-American stand has led one pundit to speculate that Gutierrez has positioned himself and Geri at the Pro-American end of the

status-change spectrum, which has Free Association at the middle and Chamorro First at the other end. His stance and defense of it so bothered Antonio Sablan, chairman of the Independence Task Force, that he publicly resigned in protest. Whether political status change will be an issue in the 2002 gubernatorial campaign is yet to be seen.

In July 2000, Lieutenant Governor Madeleine Bordallo appeared before the Special Committee on Decolonization. Her message was a "soft" one, urging the committee to facilitate dialogue between Hagatna and Washington on full self-government. At the end of the period under review, both Bordallo and Senator Judy Won Pat announced their intentions to run in 2002 for Guam's lone delegate seat in the US House of Representatives. Robert Underwood will apparently vacate that seat to run for governor in 2002.

As reported last year, Senator Frank Murkowski, chairman of the influential Energy and Natural Resources Committee of the US Senate gave to former President Clinton, Governor Gutierrez, Congressman Underwood, and Speaker Unpingco a twenty-point draft proposal for status change consisting of a series of amendments to Guam's 1950 Organic Act. Essentially, the plan would set up a series of mechanisms for consultation to provide Guam more say in actions of the federal government affecting Guam. There was no movement on the Murkowski proposal during the year under review.

In November 2000, Robert Underwood won his fifth consecutive term in the US House of Representatives by defeating the Republican party candi-

date, Manuel Cruz, with 29,098 votes to 8,167. The winning total represents 78 percent of the vote. In a match-up of the same two candidates in 1998, Underwood also came out on top, taking 70 percent or 34,179 votes. He has won more votes than anyone in any race since elections began on Guam; this bodes well for the congressman concerning the 2002 gubernatorial race, for which he is, at the time of writing, an unannounced candidate.

In mid-2000, Delegate Underwood had the distinction of being tapped for membership on the Democratic National Party Platform Committee, and in that capacity wrote the party's platform plank regarding the insular territories. Because of his good work and considerable speaking skill, he was invited to address the national convention audience in August and did so with vigor and thoughtfulness.

Another major accomplishment for Underwood was the response made by the Department of Labor to his request for a wage study of former federal civil service employees working for Raytheon, which had based its wage scale on outdated schedules in winning a bid to take over from the civil service. Many of these individuals complained of wages lower than under their previous civil service status. Not only had large numbers of Raytheon employees been underpaid, but the Wage Determination Law required that they be paid at higher rates—as much as \$5 per hour higher for some classes of employees. Underwood became an instant hero for many of these workers, who received larger pay checks as well as increases in the employer's share of health benefit payments.

Although territorial delegates do not vote on the House floor, Underwood has become very adept at building personal friendships and in enlisting support for Guam measures. The Guam Omnibus Opportunities Act had some rough sailing in the Senate during the period under review, but was finally passed in a slimmed-down version and signed into law in mid-November. The land provision of the law—the Guam Land Return Act—is a companion measure to the Guam Excess Lands Act (Public Law 103-339), which Underwood got passed during his first term in 1993. The new measure provides Guam the right of first refusal in getting back land declared excess by the US military and outlines a negotiating process the government and the US Fish and Wildlife Service will follow regarding the ownership and management of the Ritidian land that has been in contention for many years. The new law also continues certain federally funded programs for the Federated States of Micronesia and the Marshall Islands during the compact renegotiation process; requires the Interior Department to conduct a census of Micronesians at the request of a state or territorial governor; requires eligible US citizens on Guam to receive preference for federal housing assistance over immigrants from the Federated States or the Marshall Islands; and finally, allows federal judges in Guam and the Northern Marianas to request help in the form of magistrate judges to assist with their heavy caseloads. The provision of this law, which puts Guam at the front of the line for receiving federal land declared excess, has been described by Underwood as another step—"the beginning of a new set of

negotiations” between Guam and the federal government, which controls nearly one-third of Guam’s land. He plans to continue work in the 2000–2002 term on facilitating the return of more military excess land by developing legislation that provides for a comprehensive land return process.

A topic that called on Underwood’s considerable skill and tenacity at pushing issues in the federal bureaucracy concerned toxic waste left on Guam by the US military and imported in electrical transformers decades ago by the civilian power authority. Underwood got the attention of the federal Environmental Protection Agency regarding the PCBs (polychlorinated biphenyls), both military and civilian, that had to be shipped off-island for proper disposal. But in meetings held by the agency on a rule change to allow the move, the influential Sierra Club testified against it. Underwood had some serious discussions with club leaders, getting them to understand Guam’s predicament as a territory outside the US customs zone and with little clout in the federal bureaucracy. The rule change was approved without a legal challenge by the club, and the shipments of PCBs to off-island locations began in May 2001.

The PCBs were not the only toxic waste issue Guam faced during the period under review. Small vials containing deadly mustard gas from military chemical weapons training kits had been found on Guam in 1999, unexploded ordinance continues to be found, and it was even rumored during the year that mustard gas bombs were buried on the island (*PDN*, 4 Oct 2000, 5). As a consequence, Underwood began work on legislation to

require the military, under certain circumstances, to produce documents and maps concerning all toxic waste storage sites on Guam. He also persuaded the General Accounting Office to agree to audit the military’s procedures for maintaining records about environmental cleanup and for managing its data to determine if and where cleanup is necessary.

An important matter that required the joint effort of Congressman Underwood and Governor Gutierrez concerned the abuse of the Guam Only Visa Waiver Program. While both leaders stated they understood and sympathized with the plight of Myanmar’s political refugees, they worked with federal officials to remove Myanmar (formerly Burma) from the list of nations that had Guam visa-waiver arrangements, and this was accomplished by the end of 2000. For the hundreds of Myanmarese refugees who had remained on Guam by overstaying their fifteen-day tourist limit, the University of Guam, church organizations, civic groups, and government agencies provided educational and health care services at low or no cost to them. However, many of the refugees were held in Guam’s Department of Corrections. By the end of the period under review, many of them had been granted political asylum by the United States and relocated to the US mainland.

Since the compact of free association agreement (Public Law 99-239) was signed between the United States and the Federated States of Micronesia and the Republic of the Marshall Islands in 1986, over ten thousand citizens from those jurisdictions—mainly the FSM—have migrated to Guam under a “nonimmigrant habit-

ual residence” provision of the agreement. PL 99-239 also states that the US Congress is committed to redressing any adverse consequences to the US territories of implementation of the compact, and that “the Congress will act sympathetically and expeditiously to redress those adverse consequences.” Such consequences have been termed “compact impact” but the Congress has not shown much commitment to redressing such impact.

For Underwood, the issue of compact impact redressment has been an uphill fight, particularly when the Bush administration recently cut compact impact funding. The social services impact of over ten thousand freely associated states citizens living on Guam is estimated by the US Office of Insular Affairs to be about \$16-17.7 million annually. In 1995, Underwood persuaded the Congress to provide \$4.58 million in impact aid annually until the compacts expire. At his urging, and with the help of then President Clinton, that was increased to \$7.58 million, and increased a second time to \$9.58 million for fiscal year 2001. However, after this considerable progress, the Bush administration cut the impact aid by \$5 million, back to the 1995 level. In response, Underwood asked the House Subcommittee on Appropriations to increase compact aid by \$1 million; he got \$800,000. The compact impact issue has been a tough one for Guam because the federal government has been relatively unsympathetic to the territory’s dilemma in spite of obligatory language in PL 99-239.

Underwood reintroduced three important pieces of legislation that

had not passed the 106th US Congress. The first is the Guam Judicial Empowerment Act, an amendment to Guam’s 1950 Organic Act, to create a Guam Supreme Court as a separate and distinct branch of government. In March the House passed Underwood’s Guam War Claims Review Commission Act, to investigate, document, and estimate the costs of paying claims for losses that people of Guam alive today sustained during the Pacific War. The measure would establish a temporary five-member commission, a budget, a schedule of compensation payments, and a nine-month work period. Underwood does not expect opposition from the administration on this legislation.

The third piece of legislation is the foreign investment equity act, which would allow Guam to tax foreign investor income earned on Guam at the same rate as is allowed by US treaties with foreign nations. These rates are lower than the 30 percent mandated in Guam’s Organic Act. Seen as giving a significant boost to Guam’s private sector, this measure passed the House in May 2001, and Underwood has lined up support for it in the Senate. It seems the Treasury Department, which vetoed Guam’s trust initiative, is also in favor.

At the end of the period under review, Underwood reintroduced his Insular Areas Oversight Avoidance Act as a way of getting the federal government to pay greater attention to the island jurisdictions. Unfortunately Guam was not overlooked with regard to President Bush’s tax-reduction plan, which became law in June. Ever since January, Underwood had been pushing for some form of special consider-

ation for Guam because the tax cut would immediately reduce its annual government revenues by some \$30–50 million. Unlike the federal government, the Guam government has budget deficits rather than surpluses, and a cut in revenue will negatively affect its ability to deliver services. Underwood made his concerns known to the White House, the Treasury Department, and congressional leaders. Although Guam is directly affected by the tax-reduction legislation because its tax system “mirrors” that of the federal system, it had no input into the discussions or decisions that led to the tax-reduction law. Besides a call for special consideration or a direct offset, Underwood has proposed that the federal government endorse his “proposals for addressing unfulfilled federal obligations to Guam that include tax equity of foreign investors in Guam; federal payment for the child tax credit; federal payment for the earned income tax credit; supplemental security income for US citizens in Guam; lifting the Medicaid cap for Guam and adjusting the federal matching rate; and increased compact impact aid for Guam” (Underwood in *PSN*, 10 June 2001, 18, 19).

Accomplished before the end of 2000 was Underwood’s delightful legislation establishing the Chamorro Standard Time zone. America’s westernmost time zone has had no name since it was established decades ago. The new time zone designation honors for the first time one people’s history and culture. It passed the House by voice vote and gained unanimous passage in the Senate. Underwood is working to get Washington DC, Guam, and the other insular territo-

ries included in the commemorative coin act as another way to bring attention to these jurisdictions.

Guam has always been in the military orbit, given its size and strategic location. Both Governor Gutierrez and Congressman Underwood have been keen to announce a buildup in military activity on Guam in the form of homeporting nuclear-powered fast-attack submarines. The USS *City of Corpus Christi* and the USS *San Francisco* will arrive at Guam in 2002, and as many as seven submarines and possibly an aircraft carrier will be located there over the next decade. This will be an economic shot in the arm for Guam, not only for retailers but for the construction industry, which will see \$50 million in projects over the next two years. Additionally, the Rand Corporation, a Washington DC think tank, has recommended that Guam be built up as a major military hub so that the United States can project its power throughout Asia. Among other things, the Rand study suggests an increase in air force equipment to 50 bombers and 150 jet fighters. Concerning these changes, Underwood observed, “We recognize that we live in an important neighborhood where global stability and economic growth will hinge on the delicate regional interplay of security, trade and peaceful resolution of conflicts. If the next hundred years is indeed the Pacific Century, the people of Guam stand ready to contribute to the strategic stability of the Pacific as we participate in the economic, political and cultural advancement of our region” (Underwood in *PSN*, 17 Sept 2000, 15).

During the year, Guam lost three of its most distinguished senior citi-

zens, members of its greatest generation, as Congressman Underwood has described the prewar Chamorros. Monsignor Oscar Lujan Calvo was a holy and simple man loved by all on Guam. He miraculously survived the three-year Japanese occupation and fierce fighting in mid-1944. As beacons of hope and faith, Father Calvo and Father Jesus Duenas ministered to the Chamorro people during the painful war years. Monsignor Calvo was the inspiration and driving force behind the South Pacific Memorial Park and monument that honor and revere the souls of all those who suffered and died during the war.

Cynthia Johnston Torres passed away at age eighty-nine. She served in the Third Guam Legislature and was a teacher and school administrator on Guam for thirty-six years. In retirement, she served on numerous boards, including the Guam Memorial Hospital Board of Trustees, and the University of Guam's Board of Regents.

Adrian Sanchez, who died at age eighty-one, was one of the first Chamorros to serve in the US Navy. After a twenty-six-year navy career, he served three terms in the Guam Legislature, as a government administrator, and private businessman.

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### MARSHALL ISLANDS

The Republic of the Marshall Islands coasted into the new millennium on a wave of change that brought with it a new government, high expectations, and hope for the future. President Kessai H Note, the first commoner to be elected president, and his cabinet promised accountability, transparency, and reform. The time-consuming task of transforming campaign promises into action frustrated supporters of the new regime and fueled its opponents. By July 2000, it was clear that change would come only with great effort. In the following year, the president and his cabinet faced political, economic, and social challenges that tested their leadership and power.

The new administration inherited a financial mess that forced its attention to the immediate problem of stabilizing the economy. The Asian Development Bank (ADB) reported that medical referral payments, tax cuts, and soaring fuel prices contributed to the government's budgetary crisis (*MIJ*, 26 Jan 2001, 9). A glut of tuna on the market and record low copra prices did not help matters. Making payroll and providing basic services became top priority. In a policy shift, the gov-

ernment reestablished a close working relationship with the bank, negotiating a loan of nearly \$12 million to address the short-term money crisis and help in implementing longer-range reforms. Government finances were on shaky ground until the loan was approved in June 2001 (*MIJ*, 24 Nov 2000; 22 June 2001, 3). The government will gain firm financial footing only in October 2001 when annual debt payments, currently about \$20 million, end and US assistance increases under the two-year compact extension period.

A US General Accounting Office audit highlighted the lack of accountability for compact funds, and strengthened the government's resolve to reform. Government agencies scrambled to get their books in order. The Social Security Administration pulled the most dramatic turnaround, bringing books up-to-date for the first time in three years. The overdue audit identified fifty-two problems and hundreds of thousands of dollars in questionable expenses in the late 1990s before the Note government took office (*MIJ*, 30 March 2001, 4). President Note appointed a Task Force on Accountability to investigate these and other abuses. Although the task force submitted the first two in a series of reports to the cabinet in March 2001, the public release of the reports was delayed to allow for more investigation.

After just one year in office, President Note faced a new challenge, this time on the political front. Backed by former President Imata Kabua and led by former Minister Justin DeBrum, the opposition party staged a vote of no confidence. High winds and waves hit the capitol even as the no confi-

dence proposal hit the floor. People were forced from their homes as Majuro endured its worst flooding since the early 1990s (*MIJ*, 1 Jan 2001, 4).

In the parliament two days later, the no-confidence motion failed by a vote of 19–14. The opposition party appeared poorly organized and offered no concrete improvements on the status quo. In comparison, a politically savvy cabinet used procedural rules to ensure that the vote be conducted by roll call instead of by secret ballot. Senators tempted to switch sides now had more reason to stay with the governing United Democratic party. Senator Ataji Balos from Kwajalein surprised everyone by voting to support the president's party against fellow Kwajalein senator, Imata Kabua. The break in ranks underscored the administration's victory. Nevertheless, as President Note said after his victory, the proceedings were a "wake-up call" for his administration (*MIJ*, 1 Jan 2001, 6).

The cabinet still faced the criticisms that contributed to the vote of no confidence. While the vote failed, opposition senators did succeed in pointing out the administration's slow progress on a host of issues, including health, education, transportation, compact renegotiation, and accountability. However, the president's affiliation with the Reverend Sun Myung Moon proved to be the administration's hottest political potato. The Reverend Moon is criticized for leading a cult-like religious organization, the Unification Church, and using its well-funded related organizations to promote church membership. In October, Moon flew to the Marshalls at the personal invitation of the president,

leading to an agreement between the two men to cohost a regional conference on world peace. The personal relationship drew heavy criticism from church groups, concerned community members, and even one of the president's own cabinet ministers, who called Moon a "fascist and a liar" (*PIR*, 3 April 2001). President Note weathered the storm of criticism, but his approval ratings suffered.

The cholera outbreak in December on Ebeye in Kwajalein Atoll added to the overall sense of crisis. By mid-January, when the epidemic subsided, cholera had claimed six lives, spread to one outer island, and affected an estimated 306 Marshallese (*MIJ*, 19 Jan 2001, 6; 26 Jan 2001, 4). A swift response by local health officials kept the disease from spreading further. However, the outbreak weighed heavily on an already beleaguered health system.

Hospitals on both Majuro and Ebeye began running out of numerous drugs and supplies in January. Supply vendors would not ship new orders to the Marshalls without payment of \$750,000 in bills. The nation's costly medical referral program stands at the root of the problem. Since taking office, the government has injected millions into the health fund to pay off referral debt and keep the referral program running. However, no money was left for drugs and supplies (*MIJ*, 12 Jan 2001, 2). By pooling resources, the hospitals and the Marshall Islands Social Security Administration, which administers the national health fund, resolved the crisis in the short term. A long-term solution appeared when the government made a commitment to devote substantial subsidies beginning

1 October 2001 to the medical referral program and for much-needed supplies at the hospital (*MIJ*, 29 June 2001, 3). In the meantime, off-island referrals have been restricted to emergency cases only.

In education, progress has been slow but steady. The minister and the newly appointed secretary of education are attacking old problems with an energetic grassroots approach. The two have attended parent-teacher association meetings from Head Start to high school, a move that boosted parent attendance and signaled a genuine interest in improving the public schools. Funds are being poured into renovating schools for the first time in years. A \$9 million ADB loan for vocational education has revitalized interest in a national skills-training program (*MIJ*, 6 Oct 2000, 6). The grassroots approach is paying off. In June, the US Department of Education awarded the Marshall Islands \$2.7 million over the next three years for after-school programs, in large part because its grant proposal demonstrated collaboration between the government, community-based organizations, and the private sector (*MIJ*, 29 June 2001, 4).

Transportation services to the outer islands improved after an initially turbulent year. In October, Air Marshall Islands was grounded for a week when pilots and staff went on strike over poor management and plane safety issues (*MIJ*, 13 Oct 2000, 1). The strike was only the second of its kind in the Marshall Islands. However, unlike the strike of hospital staff under the previous administration, the airline strike received a prompt government response: The attorney general's office

launched an investigation that resulted in the dismissal of the general manager. New management has helped restore confidence in the airline. Shipping services also improved with the help of millions of dollars from Taiwan to purchase new inter-atoll vessels. Reliable transportation helped revive copra production on the outer islands, and contributed to a record year for tourism in the Marshall Islands.

Pressures from abroad combined with internal challenges to further test the new government. In response, the Note administration is working cooperatively with foreign partners, particularly the United States, to address issues of mutual concern. At the same time, the government has not shied away from asserting the nation's sovereignty on issues that affect the well-being of the Marshallese people.

The Marshall Islands took its case against US tobacco companies to trial despite strong opposition from members of the US Congress. Senator Jesse Helms, chairman of the powerful Senate Foreign Relations Committee, weighed in with a letter to the US State Department, questioning the independence of the Marshall Islands judiciary (*MIJ*, 22 Dec 2000, 1). The irony is that the high court decided the case in favor of the tobacco companies. The case is currently on appeal. If anything, the judiciary is now stronger, with the recent appointment of an additional high court judge and a legislatively approved increase in judicial salaries.

When the US Government rejected the Kyoto Protocol as a means of addressing the effects of climate change, the Marshall Islands quickly

lodged a protest. The Marshalls also protested its placement on a "tax-haven" blacklist by the Organization for Economic Cooperation and Development, commenting that the organization places unfair demands on developing countries to shape their tax laws to suit the needs of developed nations.

The Marshall Islands' approach to compact renegotiations with the United States is decidedly different. The government cooperated with each of the US General Accounting Office's investigations into the use and impact of federal funds, as well as the office's analysis of options for future assistance. The nation also engaged in its own review and planning process. Over three hundred Marshallese—from government employees and business executives to nonprofit representatives, church leaders, and many others—gathered to take part in this process at the National Economic and Social Summit in March 2001. Recommendations from the summit will contribute to the Marshall Islands' strategic development plan (*MIJ*, 30 March 2001, 6).

The newly appointed US Ambassador to the Marshall Islands, Michael Senko, praised the Marshallese for taking a "frank look at themselves" during the economic summit (*MIJ*, 6 April 2001, 18). A former resident of the Marshalls, Ambassador Senko is well liked for his enthusiasm and interest in helping. Fortunately, he assumes his post just as the United States and the Marshall Islands move into high gear on compact renegotiations.

The second round of compact talks commenced in Majuro on 12–13 July

2001, after a long delay to allow for elections in both countries, and necessary preparations on the Marshalls side. US Chief Negotiator Allen P Stayman remarked that the preparations paid off. “[The new government] is much more committed to planning . . . and is committed to better management in general” (*PIR*, 16 July 2001). The comment vindicates many of the changes and reforms that the government has struggled to implement over the last year.

While compact discussions focus on the economic provisions of the agreement, both sides are interested in raising other issues, including immigration provisions and the special needs of the Ebeye community living on Kwajalein Atoll. Bush administration support for a national missile defense system provides a special opportunity for the Marshall Islands to focus attention on Kwajalein. Improvements in living conditions on Ebeye over the past year—including a new hospital, reliable electricity and water, and repair of the sewage system—evidence the government’s commitment to the Marshallese at Kwajalein. In a major political shift, Kwajalein landowners, including former President Imata Kabua, appear to be slowly warming to the new government as President Note and his cabinet demonstrate that Kwajalein interests will be represented at the negotiating table (*MIJ*, 20 Apr 2001, 3).

It is possible that the US nuclear legacy in the Marshall Islands will also play a part in the next two years of negotiations. In September, the Marshalls presented a changed-circumstances petition to the US Congress arguing that the sixty-seven nuclear

tests conducted at Bikini and Enewetak produced more injury and damage than was previously understood, and that compensation under the compact was manifestly inadequate. The Nuclear Claims Tribunal has issued virtually all of its compact-mandated compensation funding, and yet Marshallese claimants are still owed nearly \$30 million in personal injury awards and over \$1 billion in land damages (*MIJ*, 8 June 2001, 4). For the moment, changed circumstances and compact negotiations are being treated as separate issues.

In conclusion, the first year under a new regime was a difficult one for the Republic of the Marshall Islands. The nation faced financial crisis, natural disaster, a health emergency, political dissension, and pressures from abroad. However, the people of the Marshall Islands and their government not only survived each challenge, but also managed a few notable successes in the process. Compact renegotiations are finally on track, finances are stabilized, Kwajalein landowners are coming back into the fold, and the changed-circumstances petition is launched. The national dialogue is shaped by concepts such as transparency, accountability, and reform—a significant development in a tradition-bound society wary of change and unused to questioning its leadership. The changes that the new government promised at the beginning of the new millennium are starting to take hold.

KRISTINA E STEGE

*Kommol tata to my friends and colleagues at home in the islands and in the United States for their suggestions and comments.*

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## Disclaimer

Kristina E Stege is the First Secretary at the Embassy of the Republic of the Marshall Islands in Washington DC. Although this article was written with the knowledge of the government, the statements and opinions expressed are entirely those of the author and should not be construed as representing or expressing the views of the Government of the Republic of the Marshall Islands.

## NORTHERN MARIANA ISLANDS

Among social issues for attention in the coming year are attempts to smuggle Chinese into Guam, prostitution in western Garapan, and rising crime rates.

In mid-2001, two of at least three small boats trying to reach Guam with illegal Chinese migrants met with disaster. One, containing four Chinese, had mechanical problems trying to leave Rota. Another, carrying six Chinese, capsized in the waters off Tinian; three people were lost and three rescued by fishers. Several of those rescued were employees of Tan Holdings. The owner of the boat was arrested for illegally overstaying in the commonwealth for four years. In the third incident, involving a thirty-foot boat in Saipan lagoon, sixteen passengers were arrested by the authorities.

The problem of prostitution has arisen largely because of garment workers moonlighting at night. The governor formed a special task force to clean up western Garapan, but so far it has not been particularly successful.

The rising crime rate involves domestic violence, assault, burglary, and robbery, especially of poker palaces; many people have been injured, and at least one died. An apparent increase in rape cases has not been thoroughly documented. Recent cases involved two women from Thailand, a Japanese tourist who was raped twice, and a Korean tourist, who was apparently gang raped. The last either jumped or was pushed from her fourth-floor hotel room and was taken to hospital in serious condition. Her husband claimed he was not in the room when the incident occurred.

The issue of child molestation made front-page news. A mainland American elementary schoolteacher was arrested in Honolulu by the FBI for sexual molestation of up to nineteen of his third-grade students at a Saipan elementary school. He is awaiting trial. In a separate and unrelated case, a great public outcry was heard when a convicted local child molester was assigned to community service mowing the lawn at another Saipan elementary school. He had previously assaulted another child while on parole.

As reported last year, four teams of gubernatorial candidates and three sets of candidates for Washington representative will compete in the November elections. In addition, the people will vote on several constitutional amendments, the legislature, mayors'

offices, municipal councils, and miscellaneous other matters. Two constitutional issues will come up: First, a proposal to reduce the size of the House of Representatives to twelve, raise their salaries to \$60,000 a year, and increase their terms to four years instead of two. Second is a proposal to create municipal councils with law-making authority, wherein the mayor would be the senior approving official instead of the governor. Effectively, legislative delegations from island municipalities would no longer be able to pass local laws. A possible third proposal would raise the automatic allotments to the public school system from 15 to 25 percent of the annual budget. However, this initiative faces considerable opposition and may never make it out of the legislature.

As of 8 August 2001, there were 109 candidates running for office in November. None of the four official parties—the Covenant party, the Republican party, the Democratic party, or the Reform party—had fielded a complete list for all vacancies. In addition, it appeared that none of the initiatives being discussed in the legislature would move forward to the November ballots.

The *Marianas Variety* reported that a group of parents and teachers, possibly led by Senator Paul Magnolia, are planning to protest Rita Inos's failure to resign as commissioner of education while running for lieutenant governor (8 Aug 2001). There is considerable feeling that she should resign public office because she cannot carry out her responsibilities toward education. The same criticism has been leveled at Tony Pellegrino, chairman of the Board of Education.

Bickering over the estate of Larry Hillblom continued throughout the year. In August, the *Marianas Variety* reported that Commonwealth Judge Castro had ordered the Carlsmith law firm to return \$1 million in fees received as legal counsel to the Bank of Saipan, which was acting as executor of the Hillblom estate. Castro said that Carlsmith's representation of the executor was "conflicted."

The *Saipan Tribune* reported that the legislature may have payless paydays in the near future. Because legislators have not been paying their assessment to the retirement fund, their department of finance has been withholding legislative funds. As a result there may not be enough money to pay staff salaries.

Economic issues ahead include the formation of free trade zones, lawsuits against the garment industry, the World Trade Organization's deadlines, and efforts to revitalize the commonwealth economy. In addition, class-action lawsuits against garment retailers and manufacturers may have a substantial effect on the economy of the Northern Marianas.

Perhaps more important, efforts in the US Congress to federalize immigration and the setting of a minimum-wage remained on the front burner. Senator Edward Kennedy presented a bill to raise the minimum wage in the commonwealth to federal levels over about six years. Senator Murkowski had a bill in committee that would remove control of immigration from the commonwealth. Congressman George Miller introduced an omnibus takeover bill that was awaiting action in the House of Representatives. Meanwhile, pro-garment industry fac-

tions decided to continue to employ Jack Abramoff, lobbyist for the commonwealth, to try to block such legislation in Washington DC.

SAMUEL F MCPHETRES

## PALAU

Political events during the period under review were dominated by the change of executive leadership in the Republic of Palau. The eight-year tenure of President Kuniwo Nakamura came to an end. Nakamura's two-term vice president, Tommy E Remengesau Jr, a youthful forty-four, took on the mantle of leadership, making it clear that a new dynamism would be brought to the office of the president.

Palau's sixth national campaign and election 2000 were the most expensive, gaudy, and interesting in the young nation's history. Palau's local *Tia Belau News (TBN)* claimed the event was "excessive" and that some \$5 million had been spent in campaigning. Not only were the presidency and vice presidency contested, but the full slate of twenty-five seats (formerly thirty) in the Palau National Congress were open to challenge. Such legislative seats are highly valued by Palauans because of the prestige and business opportunities that seem to accompany the positions.

Presidential campaigning for a September primary contest occupied much of the midyear. With Nakamura retiring, the presidential race was wide open, and five qualified candidates emerged: Vice President Tommy E Remengesau Jr, Senator Peter Sugiyama, Minister of Education Billy

Kuartei, Senator Santos Olikong, and newcomer Ben Roberto, the former governor of Angaur State.

In July 2000, Nakamura finally announced that his "anointed one" was none other than Vice President Remengesau. This gave a significant boost to Remengesau's efforts, in addition to his vigorous campaigning, which involved a great deal of travel and grassroots contact. With 70 percent of the Palau electorate turning out for the primary, Remengesau came out on top, taking nearly 4,000 votes (43 percent) of the 9,221 cast. The second-place finisher, Senator Sugiyama, garnered 2,050 votes, or 22 percent of the total. Sugiyama had supported Nakamura throughout his tenure in office and was disappointed that the outgoing president had not thrown his political weight behind such a longtime, loyal supporter.

After his defeat in the primary, Sugiyama redoubled his efforts and gained the support of the other three losers, who signed a contract pledging mutual support. Sugiyama recognized that if he could get a major share of their supporters and a reasonable portion of the electorate who had not turned out for the primary election but would for the general, a November victory was possible. Sugiyama was the underdog and had several disadvantages compared to Remengesau, but he campaigned hard as the November general loomed. After all the ballots were counted, Sugiyama had done surprising well, with nearly 5,000 votes. His hard work and alliance with the other primary election losers nearly got him a win. As it turned out, Remengesau was able to stay ahead, defeating Sugiyama by

674 votes of the 10,718 cast. In the primary, Sugiyama had trailed Remengesau by 21 percentage points, but in the one-on-one contest the gap was cut to only 6 percentage points. Some 81 percent of Palau's voters had turned out and elected Remengesau by a relatively small margin. Palau had its sixth president.

The vice-presidential race was a contest of style and reputation. Delegate Alan Seid projected an image of the smooth operator, the deal-maker, the jet set. In contrast Senator Sandra Pierantozzi came across as committed, honest, hardworking, and caring. She entered the race late but, like Seid, campaigned vigorously. She also had as much in the way of financial resources as Seid did. In the end, Pierantozzi defeated Seid by over 800 votes to give Palau its first woman vice president.

More than sixty candidates had entered the race for the twenty-five congressional seats. Fourteen incumbents regained their seats, but there were some surprises with "green" challengers such as Mlib Tmetuchl, Yukiwo Dengokl, Steven Kanai, and environmentalist Noah Idechong gaining enough votes to be elected. Two women had entered the congressional race. Lolita Gibbons finished twenty-third in the twenty-five-person Senate race. In contrast to that poor performance, Leilani Ngirturong-Reklai lost by only a small margin to incumbent Steve Umetaro, with 225 votes to 259, in the race for the Aimeliik State delegate seat.

Palau's new government took office on 1 January 2001 and was inaugurated several weeks later, with nearly thirty foreign delegations present.

The executive branch got right to work on an ambitious agenda; however, the bicameral *Olbiil Era Kelulau* (National Congress) had more than the expected organizational difficulties. The House of Delegates took nearly four months to organize itself because of a seemingly endless skirmish over the House speakership.

In the Senate, the seating of Senator-elect Elias Camsek Chin evolved over the months into a bitter fight that escalated to include the traditional chiefs, the Palau Supreme Court, and the state governors. In question were Chin's qualifications—was he a Palauan citizen, and did he meet the residency requirement as required by the Palau Constitution? The Palau Supreme Court ruled that Chin was qualified to take his seat, but the majority of the Senate—Joshua Koshiba, Seit Andres, Johnny Reklai, Steven Kanai, and Harry Fritz—demanded he sign a consent form allowing for a probe of his past citizenship. Chin agreed in December, and soon after that the US Embassy in Palau provided information indicating that he was not and had never been a US citizen. Some time later the majority faction in the Senate again requested Chin's signature on a consent form. Chin refused, arguing that such a requirement was not established in the Palau constitution as a qualification for legislative office. The Senate declared his seat vacant and called for a new election. In response, Chin filed suit in the Palau Supreme Court, arguing, essentially, that five senators had illegally excluded him from taking his seat in the sixth Congress in violation of the Palau constitution. Chin, a minister of justice in

the Nakamura cabinet, asserted that he was constitutionally a senator because senators are “chosen by the vote of the citizens of Palau eligible to vote in general elections, and by no other method” (*TBN*, 23–29 June 2001, 2). This tense issue was unresolved by midyear.

Palau appears to have two kinds of private, foreign-supported development projects going on: first, small-scale, practical, appropriate technology projects, such as the successful Palau Organic Farm venture in Ngaremlengui State, or the agriculture operation in Aimeliik State supported by a Japan-based nongovernmental organization; second, Palau seems to have a talent for attracting huge, multimillion dollar corporations that occasionally have an aura of exclusivity and even mystery. The Allied Boston Bank is chartered in Palau, received its Foreign Investment Board certificate in 1999, and is now headquartered in central Koror’s Palasia Hotel. The bank has an interesting pedigree and a huge amount of money. The Palau operation is a subsidiary of Allied Boston International, which brokers acquisitions, mergers, and joint ventures.

In turn, Allied Boston International is a subsidiary of the Allied Group of Geneva, Switzerland. This group consists of wealthy individuals who pool their millions to finance projects all over the world, and apparently has made some \$500 million in loan funds available to Palau’s Allied Boston Bank (*TBN*, 26 Aug–1 Sept 2000, 9). Recently the Allied Boston Bank has been granting unsecured loans in Palau of up to \$2,500 with proof of an applicant’s employment and has

claimed it will provide \$5 million as a low interest loan to the Palau Development Bank for small business development loans. The bank claims it is interested in community service and will make \$80 million available to stalled mega-resort projects that were planned for Koror years ago. Yet, there remains some skepticism about the Allied Boston Bank in Palau.

Another more public project is the new national capital construction effort going on in Melekeok State in central Babeldaob. The second phase is valued at \$25 million and will result in Washington, DC-style buildings for Palau’s executive, legislative, and judicial branches of government. Although receiving some criticism for its un-Palauan design and unimportance, the project is reportedly financed by a \$20 million soft loan from a Taiwan bank and \$5 million from the Palau National Congress. Black Micro Corporation is the project’s current contractor and has turned over some completed structures from phases one and two. Former President Nakamura had suggested the government of Japan might be approached for funding for the third phase, consisting of roads, and water and sewer treatment facilities. Critics of the grandiose project claim the final cost will escalate to \$40 million and is irrelevant to nation-building.

A foreign investment project that got off the ground—at least legally—during the period under review was an internet gaming and gambling venture. In August, President Nakamura signed RPPL 5-45, which provided him authority to negotiate and enter into agreements granting exclusive rights for the operation of virtual

gambling games originating in Palau. Soon after, a joint Japan-Palau group, Micronesia Internet Development Technologies Corporation (MIDTECH), applied for the exclusive right to operate software and a computer server that would make virtual *pachinko* available to players in Japan and other Asian countries, but not in Palau. From this operation, Palau would receive \$2.5 million, plus 4 percent of the gross revenue, which would total about \$7 million yearly. In contrast, MIDTECH stated in its foreign investment application that it expects to earn a net profit of \$19.5 million per year for the first two years and a whopping \$42 million its third year of operation (*PH*, 1–7 Dec 2000, 5). So far, MIDTECH is not in operation.

Alan Seid, loser in Palau's recent vice-presidential race, is a partner in the MIDTECH venture. He is also the energy behind the Aimeliik golf course project, which underwent rigorous environmental scrutiny by the Palau Conservation Society. This watchdog organization found potential problems with the project's environmental impact statement in the areas of chemical and weed control, and the use of fresh water and land, and great uncertainty regarding when (if ever) the golf course would "produce a true profit." Seid and his partners brought in some US environmental experts who provided responses to all the criticisms. The Aimeliik State Legislature then gave its stamp of approval to the \$33 million, 192-acre investment scheme, as did the Palau government's Environmental Quality Protection Board.

Yet another group of construction projects is being funded with grants from the governments of Japan or the

United States. Funded completely by Japan, the graceful new Koror-Babeldaob bridge is nearly complete. Representatives of Japan and Palau recently signed an agreement granting Palau \$14 million for a new airport terminal building and improvements to the aircraft parking apron. The old terminal, currently being demolished, was built in the early 1980s by Roman Tmetuchl with partners from Japan.

The huge, 53-mile Babeldaob circle road project has been beset by wet weather and the unforeseen problem of "gummy" soil that is difficult to dry. The \$149 million project, funded by the United States–Palau compact, is being built by Daewoo Engineering and Construction Company, which is reportedly independent of the Daewoo Group now experiencing major legal and union problems in South Korea. The gigantic project is being overseen by the US Army Corps of Engineers, which carries out regular inspections. The completion date for the road has been extended to 2004.

Important as these projects are, both the compact and the former Trust Territory of the Pacific Islands funded dozens of smaller infrastructure projects all over Palau. These were reviewed by a Department of Interior audit team in 2000. The final report described numerous irregularities including lack of cost estimates, lack of project inspections, misuse of funds, and poor procurement procedures. Perhaps the most serious shortcoming it documented was the government's failure to begin and complete construction of the Malakal sewage treatment plant extension project, a project authorized in 1993 and allocated \$5.15 million. Because the cur-

rent facility is operating beyond its capacity, it discharges pollutants into the waters near the plant (*TBN*, 26 Aug–1 Sept 2000, 4). The Interior report recommended numerous corrective measures.

In a full-page statement, President Nakamura presented his farewell message to the people of Palau (*TBN*, 16–22 Dec 2000, 4). After a very successful eight-year presidency, he was finally bowing out, stating that he had “the utmost faith and confidence in the newly elected leaders” and that he would aid and support their efforts.

In just six short months, Palau’s new president—Tommy E Remengesau Jr—has established himself as an executive leader with energy, vision, and commitment. He has a strong background of government service. His father, Thomas Remengesau Sr, was Palau’s district administrator under the former trust territory administration for nearly a decade, and later served as vice president and interim president for four months in 1988, following the tragic death of former president Lazarus Salii.

Strikingly, the new president did not use his position as either a senator (1986–1992) or vice president (1993–2000) to become wealthy or begin a business—rather atypical for a Palauan politician. The Code of Ethics financial disclosure requirement revealed that Remengesau had about \$70,000 in assets (*TBN*, 28 Oct–3 Nov 2000, 5), an unimpressive sum compared to those of most other candidates in the 2000 election, four of whom reported assets ranging from \$1.7 to \$12.5 million. What appears to be both unique and refreshing about the Remengesau presidency is

that it will have its eye more on the public good than on private gain.

Remengesau began his presidency with zest, issuing ten executive orders and presidential directives. These covered establishment of important task forces and offices, the most significant of which was the Office of National Bank Commission and a related task force to draft comprehensive banking legislation. This order also imposed a six-month moratorium on the approval of any new banks in Palau. Other moratoriums were established with respect to executive branch hiring and travel. These actions indicated that the Remengesau style would be a proactive one.

Remengesau’s emphasis on government service can also be seen in his choice of cabinet ministers. Vice President Pierantozzi was entrusted with the Ministry of Health and has done very good work in just six months. The other ministers were chosen because of their competence and record of dedication to government service. They include former special prosecutor Michael Rosenthal as minister of justice, Elbuchel Sadang as minister of administration, Alexander Merep as minister of community and cultural affairs, Fritz Koshiba as minister of resources and development, Temmy Shmull as minister of state, Oitoichi Besebes as minister of commerce and trade, and Mario Katosang as minister of education. Remengesau adroitly healed a family political wound by appointing former election opponent the Reverend Billy Kuartei to the important position of chief of staff to the president.

President Remengesau was fairly busy in foreign affairs during his first

six months in office. He accepted the credentials of Neil Robertson, New Zealand's ambassador to Palau, and met with President Leo A Falcam of the Federated States of Micronesia and President Kessai H Note of the Republic of the Marshall Islands. The heads of state agreed to work on issues of common concern, such as extradition treaties and standardization of custom and immigration regulations. They also agreed to express their concerns to the United States regarding its withdrawal of support for the Kyoto Protocol on global warming.

Remengesau made his first overseas state visit to Japan since taking office, and was accompanied by former President Nakamura. Both men received honorary degrees from Japan's Saga University and signed an agreement with that institution regarding facilities in Palau for research on ocean thermal energy conversion. While in office, Nakamura had acquired over \$100 million in grant funds from Japan, and Remengesau hopes to continue that success. The president had a "shopping list" of projects in need of support: the new air terminal (which received funding support), the new Melekeok national capitol, fisheries and aquaculture projects, modernization of Palau's telecommunications technology, and rural infrastructure projects.

A critical foreign affairs issue Remengesau had to deal with involved Palau-US compact relations, an issue of potential political explosiveness. The situation concerned the visit to Palau of three Republic of China warships carrying some 850 officers and sailors. Although it was designated

a "goodwill mission" and "fleet of friendship," several members of Congress stated that such a visit of foreign warships might be a violation of the security and defense provisions of the Compact of Free Association with the United States. The fleet of friendship came and went in early February without incident. Remengesau made a clear distinction between legitimate security and defense concerns on the one side, and the exercise of foreign affairs powers on the other. He determined that the visit of the Taiwanese cadets, their superiors, and ships was an issue of Palau's autonomy in foreign affairs (*TBN*, 24 Feb-2 Mar 2001, 6).

In what may be one of the longest and most comprehensive state of the republic addresses on record, President Remengesau outlined his four-year agenda and challenged the National Congress to work with him in order "to have a reasonable opportunity to gain economic and social independence by the year 2009" (*TBN*, 21-27 Apr 2001, 18). He stated that Palau was "entering a non-payday weekend" and "at a crossroads." In short, Palau was at a point where wise decisions were mandated. He described seven developmental strategies needed for moving beyond the crossroads: restructuring and right-sizing the government bureaucracy; balancing the nation's budget; strengthening the private sector, which would include making Palau's investment system simple and transparent; diversifying the economy; balancing growth and preventing unlimited and unplanned growth; achieving sustainable development; and protecting the environment. In concluding, the new presi-

dent made a direct call to his fellow civil servants: "I therefore ask each and every member of the Senate and House of Delegates to make a commitment with me, to the People of Palau, to put our differences aside and to work together, even on those issues on which we disagree. We are all aware of the real dangers that confront us all if we do not make the changes to our government structures that must be made now" (*TBN*, 21-27 Apr 2001, 18). It is clear that the Remengesau presidency will be one of commitment.

Palau's Office of Planning and Statistics reported Palau's population in 2000 as 19,129. Nearly 70 percent (13,300) of these people reside in Koror. Of this total, some 7,483 are foreigners, most of whom (4,582) have come from the Republic of the Philippines. The next largest group is from the People's Republic of China (1,124), with 253 from Japan, 225 from Taiwan, 223 from Bangladesh, 215 from the United States, 132 from Europe and Russia, and 303 from Southeast Asia. The proportion of non-Palauan to Palauan residents has increased dramatically since 1990, when 20 percent of the population was foreign born, increasing to 34 percent by 1995, and a surprising 64 percent in 2001. In concrete terms, this means that in 2001 for every 10 Palauans, there are about 6 non-Palauans. Also surprising is that the total number of Palauans residing in Palau has declined to 11,646. This is a dramatic change, given that in 1986 the population of Palauans was 12,323; in 1990 the total had grown to 12,575; and by 1995 it had again increased to 12,824. The 2000 figure represents a

loss of 1,178 over the five-year period (*TBN*, 19-25 May 2001, 4; Palau 1999, 7, table 2.6).

A number of important events during the period under review highlighted Palauan identity, creativity, and solidarity. For the very first time, five athletes from Palau participated in the world Olympic games, held in Sydney in September 2000. Taking part was enormously important for the 185th member of the United Nations, and generated a sense of national pride. Palau excelled not just in sports; its artists, dancers, and musicians were very popular at the Eighth Pacific Arts Festival held in New Caledonia in November 2000. Because of the positive impact made by the Palau delegation, its invitation to host the 2004 arts festival in Palau was accepted.

Palau celebrated its Constitution Day on 9 July this year in Aimeliik State. Prior to 1999, celebration of this important event was held in Koror. This change is fundamentally important in terms of Palauan tradition and identity. As legend has it, the people of Palau are descended from Milad, Palau's foremother. She had four children, who in ancient times founded the village polities of Ngar-mlengui (the oldest), Melekeok (the second oldest), Aimeliik (the female of the group), and Koror. In 1999 and 2000, Constitution Day celebrations were held in Ngar-mlengui and then in Melekeok; ceremonies in Aimeliik completed the cycle with respect to tradition.

It was also fitting that on Palau's Independence Day, 1 October, Prince Leeboo finally came home. Although it was a symbolic homecoming, the unveiling of the ivory-white statue of

Prince Leeboo on the Palau Community College campus in Koror was historic and another moment of national pride. Leeboo was the son of the ranking Koror high chief, Abba Thulle (today known as Ibedul). The young man courageously left Palau in 1783 with English Captain Henry Wilson but never returned. Leeboo is buried in London, and according to a House of Delegates resolution, is the embodiment of the Palauan spirit.

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