



The following is a brief analysis of a “**Strategic Framework of Cooperation**,” signed between ETG (**Deng Hong**) and Yap State Government (as represented by Governor **Sebastian Anefal**) in Chengdu, PRC, on 2011-04-21 (just under two years ago!).

That date is of some importance, as **both ETG and Governor Anefal have repeatedly stated that “ETG learned about Yap in March of 2011”**... One (1) month earlier!

According to the ETG “Yap Paradise Islands” project sales presentation, *the first hotel complex, convention center, casino, and entertainment center were planned to be completed by 2013...* ([listen to audio here](#)) Yes, **that’s right: 2013!**

According to this “framework,” **one of ETG’s major aims with the “project” is to “raise living standards of local residents of Yap”**...

Today (**2013-03-12**), according to a report published by FSM President **Emanuel Mori**, ETG has agreed to “scale back” their original ideas—4,000-10,000 hotel rooms, 8-15 golf courses, casinos, convention centers, water park, a China Town, a “Native Neighborhood” (not clear what this means), Condominiums, Timeshares, Luxury Villas, and *much* more—to “only” construct **1,500 hotel rooms**—no casinos, no golf courses, no nothing... So far, so good?

### **In Addition to Many Eyebrows, the Following Questions May Be Raised:**

**Question 1:** How can that presentation have been made *after March of 2011*? The presentation, as well as all that ETG has published (so far) about their plans, has a *huge* amount of detail of what ETG plans for Yap State! Even on a “fast track,” ETG must originally have planned to start the construction, of this truly gargantuan Yap undertaking, around **2008** (most likely **a lot** earlier!), so what could be the story behind this “*learned about Yap in March of 2011*” fiction?

**Question 2:** How can the **daily presence** of (a) ~ 3,000 Chinese hotel employees, plus (b) ~ 1,400 hotel guests—for a grand total of no less than **4,400 foreigners on Yap Islands, every day of the year!**—possibly contribute to “*raising the living standards*” for the People of Yap State?

**Question 3:** Where will these ~ 3,000 (in the initial ETG proposal: ~ **10,000!**) hotel employees live? This has *nowhere been mentioned so far* (and I am a little surprised that no Yapese have yet raised this somewhat important question).

**Question 4:** What will these ~3,000 hotel employees (in their leisure time) and these ~1,400 hotel guests (when not sleeping, eating, or hanging out at the hotel pools/bars) **be doing to spend their time while in Yap?** There is no “night life” in Colonia, and I somehow doubt that the few local *koyeng* hangouts that exist in Yap will be frequented...

Only four, fairly simple questions. Anyone? Maybe ETG’s local representative, Mr. **Gang Yang** (or better still, the Governor of Yap State, **Sebastian Anefal**) could provide some **answers to the People of Yap State**, enabling them to make **informed decisions** about this “project”?

Tagaytay Highlands, 2013-03-12

Henry Norman

Independent Researcher

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## **Strategic Framework of Cooperation**

between the

**Government of the State of Yap** of the Federated States of Micronesia,

and the

**Exhibition and Travel Group, China**

**21 April 2011, Chengdu, China**

The **Government of the State of Yap**<sup>1</sup> (GSY) of the Federated States of Micronesia (FSM) and The Exhibition and Travel Group, China (ETG) have reached mutual understanding and decide to sign and implement the **Yap State Paradise Island International Tourism Development Project** (**The Project**). **The Project** is **very important for the development of GSY** and its islands and ETG. The benefits and profits generated from **The Project** will directly benefit the people of GSY for **many generations to come**. This Strategic Framework of Cooperation was reached based on friendly consultations and **mutual cooperation and understanding** with a long term commitment on both parties.

1. The GSY and ETG will join efforts to build the State of Yap to become a unique world renowned top grade tourism destination. The GSY and ETG will work closely to **develop The Project master plan**, which will include, but not limited to, planning, designing, construction, management, operations, etc., for tourism development-related projects. The master plan will take into consideration the development of tourism sites and activities **on all appropriate Yap islands where feasible and viable**. **The Project** master plan will need to be approved by the GSY.
2. ETG will provide development funds, technical support, management, construction, construction materials, machineries and equipment to build hotels & resorts, holiday villas, service apartments, golf courses, ocean parks, convention centers & exhibition venues and other tourism related facilities as well as real estate developments. ETG will accomplish **these projects** within the shortest possible period with the **support of the GSY**.
3. ETG will **upgrade sports and cultural facilities** and improve the standard of the existing hospitals for the residents of Yap State. ETG will also build and donate public parks, school(s) and hospital(s) in accordance with the development needs and business operations. **Yap will make every effort to secure the necessary lands for the newly donated facilities**. Once **The Project** is approved, **ETG will build and donate a new hospital** to meet the urgent medical needs of Yap.

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<sup>1</sup> Since this “framework” does not specify how to interpret the term “*Government of the State of Yap*,” it would have to mean that **all three** Yap State government branches—not only the Executive Branch—were in agreement about the decision to sign this document. **Was this actually the case?**

4. The GSY along with ETG will negotiate with relevant land owners<sup>2</sup> to secure the appropriate sites to facilitate the needs of The Project. Each land lease will be executed in line with Yap State laws for 50 years with the provision of the law to extend with the intentions of securing 100 year leases for each Project site. Every land lease can then be extended every 50 years with the provision of the law to extend.
5. The Project is aimed to improve the GSY revenue<sup>3</sup> income and raise living standards of local residents of Yap. The Yap residents will enjoy and be given priority for employment opportunities offered by ETG and The Project. The residents of the other FSM States will also enjoy the same priority. The revenue generated by the GSY will be increased tremendously: the measures will partly include the collections of the admission fees from the overseas tourists, the purchasing of the locally produced goods and all other related activities.
6. In order to ensure the success of The Project, ETG will immediately upgrade the existing airport and seaport facilities, once The Project is approved. Furthermore, ETG will also need to be critically involved in the management of the airport and seaport operations. With the concurrence of GSY, and to ensure the quality of the operations, ETG will select internationally certified operators for the operations<sup>4</sup> to protect the interests of The Project and the GSY.
7. The GSY will endeavour to encourage and allocate the FSM Governments efforts to settle the agreements with the Government of People's Republic of China on Civil Aviation, Mobile Telecommunication and other relevant national level agreements to facilitate direct flights, ocean transportations<sup>5</sup> between FSM and People's Republic of China, and Chinese mobile roaming services in the FSM.
8. The GSY is committed to work with the FSM National Government to amend and pass appropriate and relevant national legislations for taxation incentives for foreign direct investment, import tariff, duty free zone, immigrations, etc. GSY appreciates the importance of the approval of gaming licenses to The Project and will make every effort to pass the necessary legislations to allow gaming.<sup>6</sup> GSY will also facilitate ETG's implementation of The Project to start generating profit and realizing benefits for all parties as early as possible.

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<sup>2</sup> Is this really any of Yap State Government's business, *to negotiate with land owners "along with ETG"*?

<sup>3</sup> Does anyone really believe that ETG's aim with this "project" is to increase Yap State Government revenue?

<sup>4</sup> So, ETG (PRC) will decide and select operators of the new Airport and Seaport facilities... Interesting!

<sup>5</sup> Presumably, meaning *unrestricted "flyover" rights*, and *unencumbered oceanic passage rights*?

<sup>6</sup> Apparently, the Government of the State of Yap ("GSY") had promised ETG "special treatment" (tax incentives, and the passing of gambling laws) as early as **April 2011**... one whole year **before** the governor (forcefully!) says that "*there is no project*"! Had the YSL really approved such Yap State Code amendments, and already at that time?

9. The GSY and ETG will fully consider the importance of protecting the interests of local commerce as well as safeguarding the culture and traditions of the indigenous Yapese people; thus both parties will work closely to ensure that the implementation of The Project will have no negative impact,<sup>7</sup> as The Project will benefit the interests of local commerce and local people in every aspect.

10. ETG is committed to implement The Project in accordance with all HSE (Health, Safety, Environments) standards including, among others, Yap Governments construction codes, environment protection law and regulations, and ocean ecology regulations<sup>8</sup> and The Project employee's safety and health requirements. In the absence of any relevant Yap or FSM laws and regulations, The Project will follow US standards.

The Project's long term cooperation between GSY and ETG is built on the foundation of mutual benefit and trust. ETG's investments in The Project is <sic!> huge and the significant influence of The Project has breadth and depth.<sup>9</sup> Upon its approval, GSY is committed to ensure the long term safety and benefits of ETG's investments in The Project.<sup>10</sup>

The GSY and ETC agree to sign this Strategic Framework of Cooperation on the basis of friendly negotiations and may therefore revise the contents of this framework or supplement matters not mentioned in this framework through further discussions.

This document is done in duplicate in both English and Chinese languages. The GSY and ETG will each have two copies in both languages.

<signature>

Mr. Deng Hong  
Chairman<sup>11</sup>  
Exhibition and Travel Group

<signature>

Mr. Sebastian L. Anefal  
Governor  
State of Yap  
Federated States of Micronesia

<sup>7</sup> The project "will have no negative impact"... Great! Can this document be considered a guarantee of this?

<sup>8</sup> The project will be implemented following Yap State EPA laws... Great! Again, is this a guarantee?

<sup>9</sup> "ETG's investments in The Project is <sic!> huge"... Considering the time frame (only a few weeks!) how could ETG possibly know anything about estimated project cost and/or implementation influence and/or consequences? And I do believe that the ETG stake in this venture is far smaller than the stake held by PRC (China Ex-Im Bank).

<sup>10</sup> In the present document (signed April 21, 2011), the term "the Project" has been used twenty-three (23) times. In light of this, it is difficult to understand what governor Anefal may have meant — a journalist from *Marianas Variety* asked him about the massive Chinese resort project on his islands — when he forcefully replied "There is no project. Right now it's only talk. I wish the media would stop listening to rumors and get the facts!" (March 16 2012 Source: <http://mvguam.com/local/news/22708-yaps-anefal-there-is-no-project.html>)

<sup>11</sup> In the MOU, Mr. Hong signed as "Authorised Representative," and in the "Investment Agreement" he signed as "Legal Representative" of another company ("Chengdu Century City New International Convention and Exhibition Center Company Ltd" which cannot be found!). This is the only document where he signed as Chairman of the Exhibition & Travel Group, Inc (which, in their Chinese web site calls itself "MICE Tourism Group")!