

strong pressure to transfer control of the Stabex fund to the Copra Society.

The government has been fairly successful in developing small business enterprises that make good use of cheap labor and local resources. The *kamaimai* project, which involves bottling and marketing boiled toddy, is an attempt to diversify coconut production away from copra. Handicraft sales received a major boost in late 1989 with the half-day visit to Tarawa of a ship carrying more than a thousand American tourists. The Bairiki-based cooperative society, the Nanotasi, has successfully run a small garment operation and shows potential for growth. A Small Business Center has been started on Betio under the auspices of the Ministry of Trade, Industry and Labor to provide sites and services for the establishment of small-scale industries.

Foreign investment has been slow to set up sole or joint-venture business operations, with notable exceptions in the banking and telecommunication sectors. The government has seen no reason to alter its existing shareholding arrangement with the Australian Westpac Banking Corporation in the ownership and management of the Bank of Kiribati. Overseas Telecommunications Corporation International of Australia seemed to have sealed its grip as a major partner in the joint-venture arrangement with the government in the Kiribati Telecommunications Company. The Kiribati Supply Company has been incorporated to take over the Supply Division of the Ministry of Finance, but the new company is still 100 percent government owned.

The People's Republic of China set up an office in Tarawa in mid-1990,

adding to the Australian, British, and New Zealand diplomatic presence in Kiribati. Australia continued to provide a major source of developmental assistance, and seven million dollars worth of Australian aid is earmarked for causeway construction in the outer islands. The Tabai government hoped to link all the islets of Tarawa Atoll by causeways before the end of its current term. The resettlement of Fanning and Washington islands in the Line Islands has been made possible by the provision of New Zealand aid. There has been some criticism of these resettlement schemes because of the lack of proper planning for essential services and infrastructure. A loan was negotiated from the People's Republic of China to build a new House of Parliament, although critics argued that local funds should have been committed instead.

There is growing public consciousness of political issues in Kiribati, with the majority of people listening to the evening broadcasts of the House of Assembly proceedings. The people look forward to the 1991 general elections with particular interest, because of the crucial issue of political leadership after the departure of President Jeremia Tabai.

RONITI TEIWAKI

NAURU

The defeat of the Hammer DeRoburt government and a continued decline in the republic's prosperity were the main developments in Nauru during the year.

DeRoburt, elected Nauru's first

president following independence in 1968 and recognized by Nauruans as the virtual founder of the small nation, lost office on 16 August after a vote of no confidence. The nineteen-member parliament elected as president Kenas Aroi, chairman of the Nauru Phosphate Corporation and a former finance minister. Aroi held the presidency only until general elections in December, when parliament elected Bernard Dowiyogo. Dowiyogo was still in office at the end of the period under review.

It was Dowiyogo's second term as president. He had been voted into office in December 1976 after he and some other younger members of parliament reluctantly moved against DeRoburt following vain efforts to get the president to freshen his cabinet with some younger blood. DeRoburt's ouster at that time caused very deep divisions in the small community. Not until April 1978 could DeRoburt supporters force the resignation of the Dowiyogo government, which generally was perceived to have done a workmanlike job. DeRoburt has since faced a number of challenges and has on occasion been out of office. His political opponents regard him with both genuine respect for his achievements and personal integrity, and exasperation, at times anger, at what they see as his authoritarian style and inability to compromise.

In the traditional state-of-the-nation presidential address on 31 January, the twenty-second anniversary of the republic's independence, Dowiyogo painted a somewhat gloomy picture of Nauru. He said there had been "a certain fundamental change of circum-

stances" and there was "real doubt that our people are prospering." The cost of living had increased "drastically," and population pressure was affecting education, medical services, and "social behavior." The quality of Nauru's medical service "left much to be desired," with a continued shortage of medical supplies and substantial government expenditure in sending people overseas for treatment. Nauruans, he said, were not doing enough to support programs that would safeguard their own health. "Our society will find no solution to this problem unless it takes a serious look at its lifestyle," the president warned. "We have given in to instant gratification and consumerism while mostly remaining indifferent to the damage which these cause to our life." Dowiyogo said phosphate royalties for many families had dried up as the phosphate resources were being worked out, and there was insufficient or no employment on the island for them. Absenteeism and inefficiency in the Public Service had to be stopped. Serious school truancy continued.

The president said the financial squeeze on the population was sufficiently serious for the government to examine the possibility of paying landholders an income from earnings generated by the Landowners Royalties Trust Fund, which would normally remain untouched until 1995. The government has built this fund up from phosphate earnings over the years as one means of providing Nauruans with an income when the phosphate is worked out. There have been covetous eyes on it before—DeRoburt has always been strongly opposed to it being touched—and a decision for an

early disbursement would be controversial. No payouts had been made by the end of the review period.

Finance minister Kinza Clodumar budgeted for a deficit of about A\$5.6 million for Nauru in 1990-91, anticipating a drop in phosphate royalties to the government because of declining phosphate sales. The budget provided for expenditure of A\$71.2 million.

On 20 April 1990 the Nauru government filed in the International Court of Justice at The Hague a memorandum giving its reasons why Australia had to take responsibility for the cost of rehabilitating the phosphate lands mined before Nauru's independence. Australia is required to lodge a defense by 21 January 1991. Nauru had given notice to Australia in 1989 that it would take this action unless the two countries came to an agreement on the matter. Nauru filed an initial application to the court on 19 May 1989, and invited Australia to negotiate. But Australia denied it had any responsibility for

rehabilitation and said it would defend the action.

The argument involves damage to about one-third of the island done prior to July 1967, when Nauru took over the phosphate monopoly from the British Phosphate Commissioners. The republic is seeking A\$72 million for rehabilitation. Nauru has set aside its own funds to restore the land damaged later, which is the considerably greater portion.

Whatever the legal strengths of the defense, should the matter be argued in court Australia and its phosphate partners, Britain and New Zealand, would not come out of it looking good. The long history of the exploitation of Nauru's phosphate, which began in 1907, includes some fascinating early chapters on international greed and environmental abuse that would find a critical audience today.

STUART INDER