relaxation of the June security decree. Under these conditions, it was not surprising that of the 3200 people who left Fiji on a permanent basis during the first seven months of 1988, 86 percent were of Indian origin.

To combat sluggish economic performance, where inflation rose to 11 percent and where unemployment was at an official rate of 10 percent, the regime was active in attempting to attract foreign investment. This included plans for a tax-free zone permitting foreign enterprises with heavy export orientation generous long-term concessions, the establishment of foreign textile concerns using cheap local labor, and the sale of tourist and hotel assets to holdings such as the Japan-based Electrical Industrial Enterprises.

Because of retrenchment and a decline in imports, two devaluations of the Fiji dollar in 1987, and reasonably buoyant world sugar prices, the country's foreign exchange holdings remained healthy at over F$200 million for most of 1988. Otherwise stringent regulations regarding Sabbath observance were relaxed to permit cane harvesting. For the longer term, and in respect of operations such as the tourist industry, the economic future of Fiji was seen as depending critically on whether continuing political uncertainty could be resolved and confidence restored.

Throughout Fiji during the year, social conditions on a daily basis remained outwardly calm, though such placidity was deceptive. Relations between the two major communities remained sullen and distant. While Dr Bavadra attempted to rebuild support for his Labour Party along multiracial lines in west Viti Levu, his September claims that the power of prayer had facilitated an accommodation with a faction of the Taukei movement headed by the extremist Ratu Meli Vesikula received a mixed response among Indian leaders.

Although the University of the South Pacific maintained a full program throughout the year, Pacific Islands leaders conferring at their regular Forum meeting in September (where Fiji was kept off the formal agenda), expressed private concern at the university's longer term prospects. Within a climate of growing conservatism and fear of debate or criticism, such concern seemed justifiable.

Finally, the year for Fiji was perhaps most fittingly epitomized by Rabuka's decision, on the eve of the republic's first anniversary, to promote himself forthwith to the rank of major general.

RODERIC ALLEY

NEW CALEDONIA

A dramatic shift in the political situation of New Caledonia occurred during 1988 with the change of government in France from the conservative President Chirac to the second socialist presidency of François Mitterrand. Solidly conservative policies were in place in the territory following the September 1987 referendum, in which almost all of the 59 percent of the population that voted favored New Caledonia remaining part of France. Despite the strong opposition of the major Melanesian political coalition, the Front de Libération Nationale Kanake et Socialiste (FLNKS), the minister for overseas departments and territories, Bernard
Pons, had then introduced a new statute for New Caledonia. This promised to disadvantage the Kanaks, who had already lost much ground under the conservative regime, by considerably reducing the significance of the regional councils established under the previous socialist government, by withdrawing power from the territorial congress, by removing the distinct civil status of Melanesians in the territory, and by radically transforming Melanesian land rights.

Land issues resurfaced in February 1988, with a violent dispute over the location of a new hospital in the east coast town of Poindimie triggering the mobilization of opposition to the Pons statute (IB, March 1988, 20). FLNKS leaders vowed to boycott the upcoming regional elections and strongly opposed the scheduling of the national presidential elections on the same day, which they saw as a French government attempt to weaken the impact of the boycott. On 22 April, two days before the elections, a commando group of Kanaks made a dawn raid on the gendarmerie at Fayaoue on Ouvea Island, killing four gendarmes and taking twenty-seven hostages. Some were released a few days later but others, along with police and officials who arrived subsequently, were held in a coral cave in the north of the island. Further violent incidents followed as the "muscular mobilization" sought by FLNKS leader Jean-Marie Tjibaou took different forms in different parts of the territory. The two rounds of the presidential elections went ahead, and Chirac, trailing Mitterrand in the first round, launched a military raid against the Kanak militants on the eve of the second round. The remaining twenty-three hostages were rescued in the raid, but nineteen Kanak militants, including their leader, Alphonse Dianou, were killed. Kanak anger and resentment increased as evidence accumulated to suggest that some militants had been killed after their capture (PIM, June 1988, 8; PR, 28 April 1988, 1).

The reelection of Mitterrand and the installation of Michel Rocard as prime minister brought an end to hard-line confrontationist policies in New Caledonia, although tensions there remained high. The process of establishing dialogue with both pro- and anti-independence supporters began in May when Rocard sent a six-man mission to the territory. All but the extreme right-wing parties, the Front National (FN) and the Front Calédonien (FC), met with the mission (IB, June 1988, 6). Rocard achieved further diplomatic success in June when FLNKS leader Tjibaou, and Jacques Lafleur, leader of the loyalist Rassemblement Pour la Calédonie dans la République (RPCR), who had not met officially since 1983, both participated in talks in Paris. A provisional accord was signed and discussed extensively by the major factions in New Caledonia (PIM, Aug 1988, 18; IB, Aug 1988, 9; PR, 7 July 1988, 1). Delegations from FLNKS and RPCR flew to Paris for a second meeting in mid-August. With only minor amendments to the original proposal, the Matignon Accord was signed by representatives of both parties on 20 August 1988 (PIM, Oct 1988, 12; Connell 1988; Fraser 1988).

The Matignon Accord introduced a one-year period of direct rule from Paris, exercised through a new resident
high commissioner, that commenced on 14 July 1988. In an effort to put some political power back into Kanak hands, the territory was again divided into regions, two of which (the north and the Loyalty Islands) the FLNKS will control after the elections scheduled for mid-1989. The RPCR will dominate the third, the politically and economically important southern region, which includes the Noumea urban area, the Thio nickel-mining complex, and Yate hydroelectric dam, and the Isle of Pines tourist center. The reaction to this part of the proposal was cautious, with concern expressed, especially by Kanaks, that this new regional arrangement will lead eventually to partition. The accord also included provisions designed to redress existing economic imbalances, with three-quarters of new government investment destined to go directly to the two rural regions, and to specified development projects in the north of the main island. Also proposed were various training programs for Melanesians, the most significant of which would increase their representation in the higher echelons of the public service. These proposals were generally welcomed, although there were Kanaks who saw them as part of a move to increase the number of Melanesians willing to support the continuation of the French presence.

The Matignon Accord provides for a new referendum on independence to be held in 1998. By denying migrants arriving during the next decade a vote in the referendum, the accord effectively freezes the 1988 composition of the electorate. Nevertheless, there seems little prospect of a majority vote for independence even then, not least because approximately 20 percent of Melanesians consistently vote in favor of continued ties with France. Concern was expressed within the FLNKS that independence was effectively being postponed for a minimum of ten years. One of the parties in the FLNKS coalition, Front Uni de Libération Kanake (FULK), eventually split ranks over the issue to oppose the accord. Despite opposition from this group as well as from the right-wing FC and FN parties, who are opposed to any notion of independence, the accord was eventually signed by the major political groupings and endorsed by 80 percent of voters in a national referendum conducted on 6 November (PR, 9 Nov 1988, 1).

However, the referendum results raised some questions about the plan's long-term prospects. Only 37 percent of French voters participated in the referendum, somewhat less than the 40 percent turnout that Prime Minister Rocard had argued would give it validity. In New Caledonia, the turnout was better (63%) and the yes vote lower (57%) than for the nation as a whole. Most of the no votes were cast in the European-dominated electorates in the south and west of the Grande Terre, while in the largely Kanak areas the yes vote averaged around 80 percent. The campaign by Yann Célène Uregei and his colleagues in FULK to persuade Kanaks to oppose the accord did not inflict much damage on FLNKS solidarity. But the RPCR campaign for a yes vote did receive a setback as significant numbers of its traditional supporters followed the lead of the FC and FN and other small parties and voted no. Whatever the longer-term prospects,
the acceptance of the Matignon Accord ushered in a period of political stability in a territory still numb from the violence in Ouvea.

The signing of the accord also brought a degree of relief in the Pacific region and beyond as this trouble spot appeared to be more firmly directed toward peaceful political evolution. The South Pacific Forum expressed its approval in September, relations between France and Australia improved, and the United Nations Decolonization Committee responded sympathetically to the new French initiative. Even Vanuatu, France's most persistent regional critic, expressed support. What this means, of course, is that the FLNKS is likely to receive less external support in the future as it continues to work for independence.

The economy was also boosted by the signing of the Matignon Accord. Indeed, 1988 was one of the best years for the economy this decade, with high nickel prices prompting talk of a new nickel boom. The prospects of increased foreign investment were good, not least in the tourist industry, which received more attention from Japanese tourists and investors, raising the possibility that a resort complex will eventually be developed at Tiare. However, economic growth remained concentrated around Noumea. Even with the Matignon Accord, it will be extremely difficult to change the regional structure of development.

Independence for New Caledonia appears as unlikely now as in the past. The increased subsidies provided under the terms of the accord will make it difficult for the FLNKS to revitalize the agricultural sector and sustain visions of an independent and socialist Kanaky. Furthermore, there is little evidence that France is now willing to abandon this distant relic of empire. Rocard has stressed that his ultimate aim is to ensure that New Caledonia remains part of France, a solution that is anathema to the FLNKS. The change in government in Paris, despite all the drama and acclaim, has effectively produced only subtle, if elegant, change. Nevertheless, the achievement of even a fragile peace represents a major success story in this difficult period for New Caledonia.

JOHN CONNELL

Papua New Guinea

The opening of the vote of no-confidence season six months after a prime minister assumes office usually marks the beginning of a difficult period in Papua New Guinea politics. This was certainly the case in 1988 when the expiration of Prime Minister Paias Wingti's constitutional grace period precipitated a frenzy of political activity that culminated in his ouster in July. Things calmed down considerably in the second half of the year as Wingti's replacement, Rabbie Namaliu, a forty-one-year-old Tolai from East New Britain, settled into the difficult business of keeping a coalition government together. These events raised more starkly than before questions about the stability of the system of parliamentary democracy established in Papua New Guinea at independence in 1975.

Prime Minister Wingti entered 1988 with coalition management problems that centered on former defense commander Ted Diro and his supporters in