resolved in late April with the help of the secretariat of the South Pacific Forum.

International communications were a significant problem for Kiribati after the curtailment of Air Nauru services in early 1988, because of a pilots' strike. For most of the year under review, Kiribati was served twice-weekly by the airline of the Marshall Islands. The national airline, Air Tungaru, was scheduled to commence services to Tarawa, the Phoenix Group, and Christmas Island in August 1989 using a leased 737 aircraft.

There was increasing concern in 1988-1989 about the implications for Kiribati of the greenhouse effect. Officials attended an international conference on the subject in London in March 1989 and drew attention to the plight of low-lying atolls should sea levels rise even marginally. Any land loss would be a major problem for Kiribati, given existing pressures on resources. With a growth rate of 2.4 percent a year, the population is expected to double approximately every three decades. In 1988-1989, the government took steps to ease population pressure in Tarawa by encouraging the repopulation of the Phoenix and Line islands. But officials remained very concerned about the future impact of population growth on the domestic economy.

Although the next general elections are not scheduled until early 1991, speculation was already rife regarding a successor for Ieremia Tabai, who is prevented by the constitution from serving another term. Observers were unwilling to identify a favorite candidate for president, but noted that the increasing involvement of the Catholic Church in politics at the grass-roots level might prove to be a significant factor in the elections.

MARY ANNE THOMPSON

MARSHALL ISLANDS

Two and a half years into its Compact of Free Association relationship with the United States, the Republic of the Marshall Islands has embarked on high-profile economic ventures. The relatively recent proliferation of multimillion-dollar economic initiatives is in dramatic contrast to forty years of virtual economic standstill under the American Trust Territory administration. The government wants to achieve the goal of economic self-reliance by the year 2001, when compact funding ends.

The primary focus of the push to foster income-generating developments has been the attraction of foreign investors to the islands. Speaking to an American business convention, Marshalls representative in Washington DC, Ambassador Wilfred Kendall, described the Marshalls as a "model for investment and development in the Western Pacific." To successfully attract foreign investment the government was not imposing "conditions which unnecessarily increase risks and costs or unreasonably reduce profits" (MIJ, 14 April 1989, 8).

The Compact of Free Association is the foundation for the government's development program. It will provide approximately US$750 million for government operations and development
projects over fifteen years (in addition to special nuclear testing compensation valued at US$270 million). In 1987, the first year of the pact, the Marshalls received US$53.6 million in compact and related federal grants (MIPO 1988, 79). Through the compact, the Marshalls also has access to a host of US government loan and financing agencies, further escalating the value of the fifteen-year agreement. The compact was originally conceived as the vehicle to achieve Marshall Islands self-sufficiency. The first two years suggest, however, that it may have the opposite impact. There is little incentive for streamlining when Washington pays nearly all the bills. When compact funds have proved insufficient, the Marshall Islands has asked the US Congress for additional aid. In April 1989, for example, the Marshalls requested an extra US$68 million to finance health care for radiation victims; health, education, and social services that were in danger of termination because federal grants were phasing out; and construction projects.

The government wants the private sector to take over a number of government services, and has visibly promoted the private sector as the solution to development needs. Some local business executives have contended that government policies favor foreign over local businesses. Compared to other areas of Micronesia, however, the business sector has been booming. The Majuro Chamber of Commerce had more than sixty members in 1989, though most businesses were in the service area. By mid-1989 there was no industry in this resource-poor country, save copra processing.

The government has channeled its recent development efforts into large-scale, multimillion-dollar ventures. In 1988–1989, it launched a joint-venture purse-seine fishing operation and announced plans to buy several more fishing vessels; set in motion its first jet service to Honolulu using a plane leased by the Airline of the Marshall Islands; contracted for seabed mining exploration within the two-hundred-mile exclusive economic zone; recorded more than one million tons of foreign shipping on its fledgling ship registry; approved the sale of Marshall Islands citizenship at US$200,000 per person; authorized studies that could lead to millions of tons of American household garbage being used to fill lagoons in the Marshall Islands; and proposed a massive scheme for growing and exporting papayas to the United States and Japan.

Critics argued that the government’s crash development program could bankrupt the country. Former Cabinet Minister (now Senator) Tony deBrum contended that the government’s purse-seiner project, jet deal, and papaya export plan are not viable: “If a private company could do it they would have done it long ago. These projects are not economical. The numbers aren’t there” (Interview, 24 March 1989). He noted that none of the government’s earlier projects—a Danish-built milk factory, a power plant, three airplanes, and a dormant fish freezer and storage plant built by Japan—has operated profitably.

Critics also questioned whether projects selected primarily for their income-generating potential, such as passport sales and waste disposal,
would have a beneficial impact on health and social problems. They pointed out that while the government moved on its high-profile projects, community problems festered. The November 1988 national census showed a phenomenal 4.25 percent a year population growth rate, one of the highest such rates in the world, with the urban centers of Majuro and Ebeye swelling to account for 65 percent of the total population of 43,380 (MICC 1988, 3). Although government officials frequently alluded to the “population problem” after the census results were released, their only solution seemed to be to generate more income. Meanwhile, suicides among young men continued to occur at an alarming rate, and malnutrition was rampant among infants and children.

The end of the trusteeship for the Marshalls was clouded by the absence of the United Nations Security Council endorsement required by the “strategic” trust designation, and diplomatic recognition was slow to follow. However, the year 1988–1989 brought diplomatic recognition from Japan, the Philippines, and other regional nations, and the People’s Republic of China offered formal links. These developments indicated that the Republic of the Marshall Islands was finally being recognized as an independent nation. In a practical sense, the Marshalls is independent. The government runs its own foreign and internal affairs, while the United States controls defense. Although the United States maintains a veto over foreign activity conflicting with American strategic interests, it has not sought to exercise it.

The Marshalls has dramatically expanded its relations with Asia and the South Pacific region since breaking away from the trusteeship. Its interest in Asia is largely economic and is part of an effort to lessen its dependence on aid from the United States. However, despite increased assistance from Japan, the United Nations Development Program, the Forum Fisheries Agency, and the South Pacific Commission, it will be many years before the Marshalls becomes significantly less dependent on American aid. Fully 86 percent of its fiscal year 1987 budget of US$69 million was in the form of direct grants or taxes on wages paid primarily through American aid (MIPO 1988, 79).

GIFF JOHNSON

NAURU

In May 1989, the Republic of Nauru filed a claim against Australia in the International Court of Justice, seeking damages for the rehabilitation of large areas of land devastated by phosphate mining before Nauru’s independence in 1968. Australia has denied liability and says the matter was settled during the negotiations for independence. Whether or not the issue is ever heard by the World Court, the Nauruans will not be easily deterred. The rehabilitation question has been an irritant to them for twenty years, and a long debate can be expected.

Phosphate has been shipped from the 21-square-kilometer island since 1907, when Nauru was controlled by Germany. Australia took possession in 1914, and after World War I was granted a League of Nations mandate to administer the island in partnership with Great Britain and New Zealand.