

sons per square kilometer. To further offset this urban migration, the government has introduced an outer island development program, designed to enhance the living conditions and economic opportunities outside South Tarawa. In particular, despite Kiribati's export-sector dependence on copra and fish, some attempts have been made at diversification, with seaweed, bêche-de-mer, aquarium fish, and live restaurant fish, among some of the more promising exports. They are particularly attractive because they offer employment opportunities in the outer islands.

The government is also hoping for further diversification through its August 1995 announcement that it will sell Kiribati passports to overseas investors wishing to establish businesses on Kanton Island in the Phoenix Group. Prospective investors would need to pay US\$10,000 for a two-year investor's passport. The scheme was expected to attract investors from Hong Kong, Taiwan, and China, and an officer was appointed to market the concept as well as screen initial applicants in Hong Kong.

These and other efforts will be reflected in the government's new economic program, the National Development Strategy, 1996 to 1999, which is expected to be released later in 1996.

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## REPUBLIC OF THE MARSHALL ISLANDS

The year 1995-96 was eventful, with national elections, government efforts to come to terms with shrinking Compact funds, and an expanded missile-testing program at Kwajalein. Nuclear issues continued to be a major concern of the nation, as were public and private development efforts. The Marshalls also continued to expand international diplomatic and economic ties.

The 1996 budget was one of the biggest issues facing the *Nitijela* (parliament) when the final session for 1995 was convened on 14 August. Finance Minister Rueben Zackhras presented a \$91.2 million proposal calling for a twelve percent (\$5.7 million) cut in operating expenses, and a \$1.7 million increase in income through measures such as raising import duties, adding a ten percent tax to rental housing income, and charging filing fees for political candidates. The savings would be realized through cuts in hours for government employees, a hiring freeze and early retirements, reduced session and cost-of-living allowances for senators and ambassadors, and reductions in subsidies for food, transport, and utilities. The budget allocated \$24.8 million (27 percent) for debt service, and anticipated \$12.8 million in US grants (beyond the specified Compact funds), as well as \$3.3 million in Asian Development Bank (ADB) loans (*MJ* 26[35]).

The government's proposals were closely monitored by aid donors. The Asian Development Bank, which has given the Marshalls a total of about

\$40 million in loans and technical aid through 1995, sent a four-member Policy Advisory Team to guide the government's decisions and organized a December meeting in Manila between delegations from the Marshall Islands and the Federated States of Micronesia, and representatives of the major donors. Donors stressed the need to cut the size of the public sector, expressed concern that wage levels were too high, questioned subsidies for operations such as the national airlines, and were critical of the private sector investment climate. The government plan was received favorably by the donors, who encouraged planning on the assumption that the Compact might not be renewed in 2001, or would at least involve a massive reduction in US funding, currently valued at about \$100 million per year (*MIJ* 26[35, 50]; 27[12]). President Kabua, however, in an interview reported in *Islands Business*, expressed his belief in a continuing US interest in the Kwajalein missile range, saying "There is no such thing as this Compact finally ending" (*MIJ* 27 [3]: 6).

Despite government and donor rhetoric about looking to the private sector for economic growth, representatives of the private sector expressed doubt about how this might be accomplished. A special task force was assembled to try to intervene in the policy process. Meeting in December with President Kabua and other officials, they advocated uniform enforcement of existing taxes, and using more rigorous customs duties collections instead of tax increases to increase government revenues. Kabua discussed government efforts to cut expendi-

tures. He identified shipping, public works, and the new government-funded hotel under construction as targets for privatization. The Chamber of Commerce raised the taxation issue with the ADB Board of Directors at a March meeting in Majuro, pointing to an apparent contradiction between efforts to increase tourism and ADB-supported tax increases, and complained that the business community was not consulted on major decisions affecting the private sector. An editorial in the *Marshall Islands Journal* (27[12]) pointed out that all members of the bank's board were government officials, and expressed skepticism that their actions would benefit the private sector. ADB team leader Daniel Besson responded that taxes in the Marshalls were generally low and needed to be put to better use. He asserted that the government was "not really private sector minded" and that the ADB is encouraging it to be "more friendly to the private sector" (*MIJ* 27 [12]: 3).

National elections for the *Nitijela* and local government offices were held in November. In contrast to the conflict, accusations, and occasional violence that marred the last elections, the 1995 campaign was peaceful, returning 25 of 33 incumbents to the *Nitijela*, including President Kabua and 8 out of 10 members of his cabinet. Former Ambassador to the United States Wilfred Kendall resigned his post and ran successfully for election from Majuro. Three losing incumbents challenged the results, first in petitions to the Chief Electoral Officer, then in appeals to the High Court when their petitions were denied on the basis that a recount would not materially change

the results. The *Nitijela* opened its session with the contested seats vacant and rejected resolutions to seat the apparent winners, with one exception due to a clear margin of victory. The High Court rejected the plaintiffs' petitions in March, and the winners were seated.

The new session of the *Nitijela* opened on 2 January, reelecting Speaker Kessai Note, Vice Speaker Litokwa Tomeing, and President Amata Kabua. They soon faced the need to revamp the fiscal year 1996 appropriations act, because of a failure of domestic revenues to achieve anticipated levels by a margin of \$5 million. The revised budget of \$90.9 million, passed before the March recess, closed the Ministry of Social Services, transferring its staff to other ministries. Other ministries had their budgets cut 3 percent, workers earning over \$10,400 annually had their salaries cut 5 percent, and all current job vacancies were canceled. Consulates in Hawai'i and California were scheduled for closure. Subsidies were cut to the copra processing plant (30 percent), Air Marshall Islands (10 percent), and the Ebeye power plant (11 percent). Import duties, except those on staple foods, were raised (*MIJ* 27[9]; 27[11]). The revised budget, which anticipated close to \$4 million from higher-than-expected passport sales, was threatened once again by the June announcement that sales had been suspended. Foreign Minister Phillip Muller said the action was taken in response to distorted and inaccurate representations of the program, and in order to protect good relations with the United States (*MIJ* 27 [25]).

In other restructuring moves, President Kabua picked up the portfolio for Minister of Justice and discussed the privatization of the Ministry of Transportation. He created two additional new Cabinet positions, appointing Senator Imata Kabua as minister for Ralik and Vice-Speaker Litokwa Tomeing as minister for Ratak (the western and eastern island chains), in what was widely believed to be a move aimed at preparing them as his potential successors to the presidency.

The judiciary saw a major rollover with the resignations of Supreme Court Chief Justice Clinton Ashford in February and that of High Court Acting Chief Justice Witten Phillip, the first and only Marshallese to sit on the High Court, in March, both after seven years on the bench. Ashford's resignation followed the drafting, but preceded the introduction, of a *Nitijela* resolution calling for his resignation. Former High Court Justice Allen Fields was nominated by the Judicial Service Commission as his replacement and was appointed by the Cabinet in June. He awaits *Nitijela* confirmation in August. Phillip said he was leaving the bench for personal reasons and taking up private practice (*MIJ* 27[9], 27[16], 27[24]).

Questions about the ability of the government to provide health care and pensions, and the adequacy of financial and project management in various divisions, were raised in the spring during a conflict between the Marshall Islands Social Security Administration (MISSA) and the Kwajalein Atoll Development Authority (KADA). The dispute concerned payment of \$0.5 million in back taxes owed by KADA, and negoti-

ations for a \$2 million loan from MISSA to KADA. MISSA attorney Carl Ingram filed suit in March against KADA for payment of back taxes (*MIJ* 27[14]). KADA Chairman Imata Kabua raised questions about the legality of Ingram's work for MISSA under a law limiting the ability of government agencies to hire independent counsel. Other KADA officials charged that Ingram's actions were unethical and selfishly motivated and accused him of complicity in mismanagement of MISSA funds, providing the *Marshall Islands Journal* with a letter from the MISSA consulting actuary stating that the health fund was in "danger of financial collapse" (*MIJ* 27 [20]: 10). Under what Ingram charged was unconstitutional pressure on Attorney General Gerald Zackios, Ingram's authorization to represent MISSA and the National Telecommunications Authority was revoked.

At the same time KADA and MISSA were negotiating a loan to cover cost overruns in the construction of a new hospital on Ebeye. In a letter to the journal, Ingram accused Minister for Health and Environment Tom Kijiner of conducting these negotiations without the knowledge of the Social Security Board, going instead to the Cabinet for approval. He pointed out that the minister had used similar tactics when he used social security funds to purchase apartments in Honolulu without board approval in 1994 (*MIJ* 27[21]). Ingram said he had, at President Kabua's request, written a report documenting the board's concerns with the KADA loan proposal, including the failure to pay social security and income taxes, failure to pay contrac-

tors, and serious mismanagement of US grant funds for construction of the Ebeye hospital and a causeway.

Actuary David Bencivenga's letter noted that the Social Security Health Fund's cash resource had declined from \$3 million three years ago to a current balance of under \$1 million, that disbursements of over \$1.4 million were recorded for the first quarter of 1996, and that the total of outstanding debts was unknown. He attributed the problems to inappropriate off-island referrals for medical care (one "political referral" alone cost \$400,000), insufficient diligence in approving loans and investments (including the \$2.4 million purchase of apartment buildings in Honolulu), uncontrolled increases in administrative expenses and payroll, and unauthorized or unsupported expenditures on non-social security expenses. Administrator Joe Lanwi told the *Marshall Islands Journal* that authority for Social Security to control referrals and expenditures had been taken away two years before (*MIJ* 27[20]). Kuakini Hospital in Honolulu, the major provider of off-island health services, gave notice of its intention to cancel its contract with MISSA because of medical referrals that violated contract guidelines, which limited MISSA liability to \$100,000. This forced the hospital to absorb excess costs (*MIJ* 27[21]).

In reply Kijiner asserted that the actuary had become nervous when his forecasts turned out to be inaccurate and sought to mislead the MISSA board and administrator. He reassured beneficiaries that Social Security was not in danger of bankruptcy, as noncash

equity holdings were adequate to cover any liabilities. He noted that Social Security manages two separate funds, and that the Retirement Fund was sound, while the threats to the health fund came from areas of forecasting and planning that were Bencivenga's responsibility. "If it is true that the budgeted annual revenue for FY95 was not enough to cover this fiscal year's health care benefits . . . why had the Actuary not been able to foresee the consequences? One can only conclude that the Actuary neglected his prime professional responsibilities" (*MIJ* 27 [25]: 14). He said, with respect to the charge of "political referrals," that the minister of health was properly involved in the referral process, with a responsibility to save lives. The Honolulu apartment purchase was made to save the cost of supporting patients and families in Honolulu. He contrasted MISSA consultants' negative interventions with the "constructive criticisms" of KADA by the US Office of Insular Affairs and said their obstruction had cost KADA, MISSA, and the government over \$300,000.

The KADA loan was finally approved in June following the resignation of the MISSA board chairman, due to "matters affecting the board that were beyond its control," according to the *Marshall Islands Journal*. The new chairman, Majuro businessman Grant Labaun, said the loan was approved "without influence from outside" (*MIJ* 27 [23]: 5). The loan reduced the possibility that the United States might terminate its grants to KADA and require the government to repay the several millions in funds already expended.

The United States, meanwhile, expanded testing activities at Kwajalein to include theater missile defense systems, leasing land on Aur Atoll for a missile launch site and announcing a 1996 program of fifteen major missions, the highest number since 1988 (*MIJ* 27[3]). NASA announced they would add a new \$14 million radar installation at the Kwajalein weather station to monitor tropical rainfall and global climate change (*MIJ* 27 [5]: 19). Any economic optimism generated by these developments was tempered by the claim of a local contractor that they were discriminated against in the awarding of Kwajalein contracts in violation of provisions of the Compact. Among other claims in a lawsuit filed in the High Court, local contractor PII claimed that a 1994 US law awarding US contractors a 20 percent preference over foreign contractors violated the nondiscrimination provisions of the Compact and the Status of Forces Agreement. Lawyers for the United States claimed the suit was barred by provisions of the Compact and the doctrine of sovereign immunity (*MIJ* 26[33], 26[49]).

Nuclear issues continued to play an important part in Marshall Islands–United States relations. Bikini Islanders celebrated the fiftieth anniversary of the first nuclear tests with a lavish celebration on Kili and signed an agreement with Robert Reimers Enterprises to promote tourism with scuba diving expeditions in the Bikini lagoon, while continuing to plan a clean-up of contaminated islands (*MIJ* 26[31], 27[10]). The US Department of Energy announced that, because of budget restrictions, rising costs, and a declin-

ing population of survivors, they would fly exposed Utrik and Rongelap people to Kwajalein instead of using ship-based medical care delivery. The proposal was protested by the government, and the Department of Energy later agreed to give the Marshall Islands more participation in the planning process (*MIJ* 27[7], 27[21]). Rongelap and Bikini leaders also objected to a planned September cut-off of food aid by the US Department of Agriculture, saying it would present a major obstacle to resettlement plans, because local foods were too radioactive for consumption. Congressmen they consulted seemed favorably disposed toward a five-year extension (*MIJ* 27[24]). Meanwhile, on the advice of US medical experts, seven additional cancers were added to the list of conditions eligible for compensation (*MIJ* 26[48], 27[12]). Marshallese officials argued further that evidence uncovered in the Clinton administration investigation of human radiation experimentation justified renegotiating the “177” compensation provisions of the Compact (*MIJ* 26[32], 26[38], 27[3]) based on the extent of health effects and the area contaminated, and charged the United States with continuing to cover up the full extent of nuclear experimentation on Marshallese (*MIJ* 26[30]).

The government continued to advance a controversial proposal to study the feasibility of using radiologically contaminated islands for nuclear waste storage facilities, gaining the endorsement of two US congressmen, Representative Don Young (R, Alaska) and Representative Elton Gallegly (R, California), who wrote to Energy Secretary Hazel O’Leary asking that the

administration change its position of nonsupport for the study. They called the US position unreasonable, given American “special responsibility to the people of the former Trust Territory,” saying that “we should do all we can to facilitate radiological rehabilitation of the islands and resettlement through sound nuclear disposal practices.”

The Marshall Islands Government referred to the past and continuing burdens incurred from the US nuclear testing program in objecting to the renewed French testing program at Moruroa (*MIJ* 26[34]). It continued to refuse to sign the South Pacific Nuclear Free Zone treaty, however, even after France, the United States, and Britain signed in March. Foreign Minister Phillip Muller protested that as the treaty prohibits transportation of nuclear waste in the region, it would “force us to live with nuclear waste. . . . We already have nuclear storage. As long as the current situation exists, we will continue to look at other avenues” for disposal (*MIJ* 27[13]: 8).

In the international arena, the government continued to strengthen ties with the People’s Republic of China with the completion of a new PRC embassy in Majuro, and the signing of a “most favored nation” trade agreement. Negotiations over operation of the joint-venture garment factory seemed to reach a standstill, with the Chinese asking for concessions on social security and income tax, health premiums, and training expenses. Foreign Minister Muller noted that were the government to exempt Chinese workers from these, they would have to extend the provision to other coun-

tries like the United States and Australia, and that the Marshalls could not guarantee duty-free access to the US market for Chinese products (*MIJ* 26[50], 27[14]). The People's Republic of China also appointed a new ambassador, Zhao Lianyi, who presented his credentials to President Kabua in June 1996 (*MIJ* 27[24]).

A number of other new faces appeared in the ambassadorial ranks. Banny Debrum, formerly a member of the staff in Washington, was appointed as the new ambassador to the United States (*MIJ* 27[4]), while Joan Plaisted, former director of Burmese and Thai affairs for the State Department in Washington, was nominated by President Clinton as the new US ambassador and presented her credentials in February. Australia's Peter Stanford was replaced by Perry Head in November (*MIJ* 26[46]). Belgium became the sixty-third country to establish diplomatic relations with the Marshall Islands in June at the United Nations in New York. Ambassador Alex Reyn discussed with Marshalls Ambassador Laurence N Edwards the Marshalls' intention to join the Lomé Convention, a trade and assistance treaty between countries of the European Union and former colonies (*MIJ* 27[23]). A former US ambassador also made the news: William Bodde was declared *persona non grata* by a *Nitijela* resolution for remarks he made to the House Subcommittee on Asian and Pacific Affairs. Bodde charged that the Marshalls were unable to manage their affairs, had developed a "welfare mentality and discounted the impact

of nuclear tests on the population" (*MIJ* 27[6]).

Japan continued to support construction and development projects. New facilities for Marshall Islands High School were opened, and construction began on a cultural and educational center for Delap. Japan also signed an agreement to construct new facilities on Ebeye as an extension of an outer island fisheries development project (*MIJ* 27[40]). Appeals of Mili people for compensation for World War Two atrocities were again rejected, however (*MIJ* 26[35]).

During 1995–96 the Marshall Islands made extensive preparations for hosting the 1996 meetings of the South Pacific Forum, the most visible being the construction of a \$10 million, 150-room hotel on the lagoon in Delap. It is hoped that the hotel will help to expand tourism. Outrigger Hotels of Hawai'i signed a management agreement for the hotel, explaining that this was a logical step in their planned expansion into the Pacific. A second major hotel and resort project, developed by a Korean consortium, is planned for the Ajeltake area of Majuro. Promoted by ex-Mili Senator Kejjo Bien, it will include more than a hundred rooms, shops, a pool, and a casino. The *Nitijela* passed a law legalizing and regulating gambling, after debate about its potential effects on families and crime (*MIJ* 27[3], 27[5], 27[11]). Bien also revealed somewhat ambitious plans to turn most of Mili Atoll into a resort (*MIJ* 27[15]).

In other news with implications for

tourism and development, major changes occurred in the management and operation of the national airline, Air Marshall Islands, following cuts in government subsidies. Tom Ryan from New Zealand replaced former manager Steve Fulk. The Majuro-Honolulu route was discontinued, and an agreement with Air Vanuatu was reached for weekly Fiji-Vanuatu service. Reductions in service to outer islands were also made in February, and efforts initiated to promote charters and weekend "getaway" trips to various outer islands.

Other economic developments included: the signing of a \$6 million ADB loan agreement for improvements to the Majuro water system; the Majuro electrical utility company's acceptance of a \$10 million bid by the German firm Duetz to add two generators with a 12 megawatt capacity; the completion of the Majuro drydock facilities; and the creation by Jaluit people of a nongovernment organization to promote development, which won New Zealand support for creating an icemaking facility to expand fish-marketing capability. The fisheries

training center gained its first placement of graduates on US tuna boats out of Hawai'i. The Marshall Islands took delivery of its first ADB-funded, New Zealand-built longliner, which was promptly deserted by two crews who claimed it was unsafe. The ship registry continued its successful growth, doubling registrations and tonnage to become the twelfth largest in tonnage worldwide. The National Telecommunications Authority also developed a plan to offer Internet services, pending an adequate number of subscribers.

Finally, on what must be a sad note for many, the US Peace Corps announced the suspension of its thirty-year-old program in the Marshall Islands effective 30 June 1996, the victim of congressional budget pressures and difficulties in volunteer recruitment and retention (*MIJ* 26 [47]: 9).

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### *References*

*MIJ*, *Marshall Islands Journal*. Weekly. Majuro.