vie for the twenty-one seats of the Guam Legislature through a September primary and November general election. The voters will also consider four proposals that have reached the ballot through popular initiative. The first asks the electorate if it desires to allow a casino gambling control act that would, among other things, legalize casino gambling. Legalized gambling has been a very controversial issue on Guam and has met with very strong opposition among the Catholic community.

Two of the three other proposals will ask voters to consider changing the basic structure of the Guam Legislature: reducing the number of its seats from twenty-one to fifteen, staggering its terms, lengthening terms from two to four years, and limiting terms to no more than three complete successive four-year terms. The fourth proposal will ask voters if they wish to limit the annual budgetary ceiling of the legislature so as not to exceed 2.5 percent of the total government of Guam revenue projections for the same fiscal year. Given the past year's events, Guam will continue to enjoy interesting political times.

DONALD R SHUSTER

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Kiribati

Following the defeat of a motion of confidence in May 1994, the national legislative body, the *Maneaba ni Maungatabu,* was dissolved prior to normally schedule elections. New elections were called for 22–29 July 1994. Between this dissolution of the *Maneaba* and the elections, Kiribati was governed by an interim Council of State made up of the Speaker of the old *Maneaba,* the Chief Justice, and the Chair of the Public Service Commission.

The national election saw the previous opposition party, the *Maneaban te Mauri* (Christian Democratic Party), winning 13 of 37 seats, compared with only 8 seats for the previous governing party, the National Progressive Party. Popular support of *Maneaban te Mauri* was reinforced on 30 September 1994 with the election of its presidential candidate, Teburoro Tito. The new president defeated three other rivals with 10,834 votes or 51.1 percent of those cast. This result was particularly significant because the National Progressive Party had effectively been in power since the country became independent from the United Kingdom in 1979.

Since taking office for a four-year term, the new government has initiated a special inquiry into the misuse of government travel allowances by members of the previous government. It has also encouraged the idea of constitutional reform, and appointed a Constitutional Review Committee for this purpose.

Overseas, the new government has moved to seek compensation from

Japan for the damage suffered during the Japanese occupation of 1942–43, and in particular the massacre of Kiribati workers at the Banaba Island phosphate mine. Betio, South Tarawa, was also the site of the war's bloodiest fighting when on 21 November 1943 the US marines landed to retake the islands.

More recently, Kiribati joined the newly formed Council of Chief Executives of the Micronesian Region. The sixteen-member council is intended to improve cooperation in environmental issues, fishing rights, and trade. Kiribati has established diplomatic relations with the Republic of Palau, bringing to thirty-four the number of countries with which it has formal links. It also established relations with the Vatican, but suspended relations with France over the resumption of nuclear testing at Moruroa Atoll.

In terms of domestic development, President (or *Beretitenti*) Tito has adopted a policy of improving the living standards of the I-Kiribati people while reducing Kiribati's traditional dependence on foreign aid. He has promoted the concept of community as opposed to government ownership and has sought wider ownership participation in any potential privatization of state-owned enterprises.

Prior to the election of the new government, Kiribati had adopted a fairly consistent approach to fiscal policy. The planners used the government's modest revenue sources to cover the budget's recurrent expenditures (salaries and the like), but sought foreign aid funds for most capital works investment. The new government has sought to change this tradition. First, it has greatly expanded the budget's size and scope of activities. Whereas national budgets have previously stood somewhere in the A$20 millions (expenditures of roughly A$25.8 million in 1992, A$26.5 million in 1993, and A$30.9 million in 1994), the expenditure for 1995 was up sharply at A$48.1 million, and 1996 was at a similar level. This increase was partly a function of higher public servant salaries and greater infrastructure investment.

These increased expenditures were met to some extent through greater drawdowns from the earnings of the Revenue Equalisation Reserve Fund, which was established in 1956 for investing Kiribati's phosphate royalties, so that when the mineral resources were exhausted, the country would retain a source of foreign exchange to balance the budget. The reserve fund, invested roughly fifty-fifty in foreign equities and foreign debt securities, and managed mainly by HSBC Asset Management, was worth some A$360 million in 1996. While the capital is considerable, particularly given the traditional size of the government budget, the goal is to limit any drawdowns so that the fund's assets can continue to grow in real per capita terms. The intent is also to retain sufficient funds to cover Kiribati's imports over a six-year period.

This policy is important because Kiribati has experienced relatively rapid population growth, until recently up to 2.2 percent. A concentration of urban migration into South Tarawa is placing considerable pressure on what is already, by Pacific standards, a high density population area—1600 persons 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.

MICHAEL SKULLY

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 (*MIJ* 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