

At the end of June 1994, the governor had issued a new reorganization plan (executive order 94-3) to completely revamp the executive branch, liberally defined as all those agencies and departments that were not part of the legislative, judicial, or Washington representative's jurisdiction. He is again being taken to court by the Marianas Visitors' Bureau (which does not consider itself a part of the executive branch of government subject to the governor's reorganization authority) supported by the House of Representatives. In the Senate of the legislature, four senators are suing the other five for improperly holding elections for officers on 13 May. Several Senate employees are also suing the new leadership in federal court for alleged civil rights violations when they were abruptly terminated by the new leadership.

Six cholera cases were reported by the Public Health Department, which indicated that it was a relatively benign variety, and all were treated as outpatients. The cases were unrelated to each other, and the source of contamination is being sought. These are the first cholera cases reported in the islands since the epidemic in Chuuk about ten years ago.

The entry of United Airlines to the flight path to Saipan means more tourist entries from Japan, and hotels report a very high occupancy rate. No new hotels are under construction or planned for the near future.

A constitutional convention will be held sometime in the next twelve months. There are no restrictions on what can be amended, except that some provisions linked to the Cove-

nant would require mutual consent with the federal government to become effective. Otherwise, the field is open for complete revision.

Both houses of the legislature finally approved a budget of \$150 million for fiscal year 1994, which ends on 30 September. The new budget, which will have to be spent in just three months, gave the governor authority to reprogram up to 75 percent of any appropriated funds. It was assumed that this budget would be at least \$15 million more than the anticipated collection of revenues. However, it does mark the first time a budget has been passed since 1992. There is still no budget for fiscal year 1995, which begins on 1 October 1994.

SAM MCPHETRES

## NAURU

The Dowiyogo government was forced to resign in September 1993 when Parliament voted in favor of an amendment to the 1993-94 Appropriation Bill. President Bernard Dowiyogo tendered his resignation saying that "the Committee of the House has passed an amendment which [is] tantamount to a rejection of the programme of the Government." However, Parliament reelected Dowiyogo on the same day it sanctioned the passage of the bill. The composition of the cabinet remained unchanged.

In the second reading of the bill, Minister for Finance Vinci Clodumar stated that "under these trying times, Government has two choices—stop and recess or keep marching forward. Your Government elects to march for-

ward within the concept of sustainable development because this country has no time to waste.”

Briefly, the scenario of recent years remains the same: phosphate, the single finite export product and the island's mainstay for close to ninety years, is expected to be depleted within the foreseeable future. Notwithstanding the remaining lifespan of phosphate, the revenues it has generated have declined gradually over many years and reached an all-time low of A\$23,082,000 in 1991; a decline in the demand for phosphate, coupled with a drop in world price, resulted in a corresponding drop in exports.

The estimated expenditure for 1993-94 amounted to A\$96,583,000, while revenue was approximately A\$62,834,300. Revenue comprised dividends, received largely from the Nauru Phosphate Corporation, and loans and receipts from the provision of government services. Although the deficit was half that of the previous fiscal year, Clodumar urged a need to further reduce government borrowings and thus the national deficit. To this end, he outlined a government agenda that included optimizing the revenue capacity of government quasi-commercial services, such as telecommunications, Air Nauru, printing, and the Philatelic Bureau. The minister also urged Nauru to address issues regarding the establishment of alternative export-based industries to reduce the dependence on imports and improve self-sufficiency in at least some areas of food supply and agricultural produce. He alluded to the introduction of a tax regime, a future option the government should seri-

ously consider as an additional means of increasing revenue.

The drop in phosphate income brought unwelcome ripples throughout the national economic agenda. Clodumar pointed out that there has been a dramatic drop in real exports per capita to A\$3526 in 1991, a level well below the basic wage of A\$8065. Although there is a lack of information from which to derive the gross domestic product, a crude alternative using real exports per capita has been used by international organizations such as the Asian Development Bank to determine Nauru's status in relation to the rest of the world. The drop in phosphate exports spells a serious situation for Nauru, a country highly dependent on imports. In 1991, imports were valued at A\$19,210,000 against exports of A\$23,082,000. The minister warned that families used to an affluent lifestyle, created by the very high per capita income of the early 1970s into the 1980s, should start budgeting their incomes and expenditures so that they live within their means. The main sources of personal income are wages and salaries received, plus phosphate royalties, giving an estimated income per capita of A\$6,094 in 1992. In the circumstances, and compared with other countries in the region, Nauru had a very high activity rate of 57.6 percent in 1992, that is, the ratio of economically active persons to the total population over the age of fifteen years. Despite the financial constraints experienced over the last three years, this rate has continued to rise.

The year 1993 marked not only the twenty-fifth anniversary of independence, but also a change in

government priorities with respect to domestic development. To date, a large proportion of Nauru's resources has been channeled into various investment activities overseas. Two Boeing 737-400 aircraft were obtained by the government, which intended to sell two smaller aircraft from the Air Nauru fleet. Several facilities were upgraded: the telecommunication system obtained international direct-dialing facilities and expanded line capacity; the airport terminal building and the Meneng Hotel underwent extensive renovations; the Civic Centre complex and supermarket were given a facelift; and the airstrip extension was completed. A desalination plant was installed and working by the end of 1993, ending the saga of importing fresh water from Australia and other countries. Parliament House was ripped down during the last months of 1993, and construction of a new building began in June 1994.

During the latter half of 1993, Nauru hosted three major regional conferences: the twenty-fourth South Pacific Forum; the Asia-Pacific Parliamentarians Union; and the Pacific Islands Law Officers Meeting.

The twenty-five-year-old dispute over the rehabilitation of mined-out phosphate lands under the administration of the partner governments of Australia, New Zealand, and the United Kingdom was settled, with Australia compensating Nauru in the amount of A\$107 million in August 1993. In spite of the long years of association between Nauru and Australia, Paul Keating became the first Australian Prime Minister to visit Nauru to attend the twenty-fourth South Pacific

Forum. During his visit, he signed the Nauru-Australia Compact of Settlement, whose terms include the payment of A\$57 million cash. Under the Rehabilitation and Development Fund Cooperation Agreement, Australia will provide A\$2.5 million a year to Nauru for the next twenty years. The Joint Declaration of Principles covers matters such as civil aviation, access to medical and educational facilities, use of Australian currency, trade and investment, and certain development issues. The declaration also spells out the extent of the rehabilitation commitment between Nauru and Australia. In June 1994, a rehabilitation feasibility study began, and it is expected to be ready for presentation to the government in September 1994.

In June 1993, the governments of Nauru and India agreed that Nauru would withdraw from Paradeep, a joint-venture phosphate-fertilizer company based in India. By withdrawing, Nauru received a full refund of the invested amount of A\$63.8 million. Although the joint venture has been in operation since the early 1980s, the accounting value of Nauru's shares was virtually zero. Nauru is currently working to withdraw from a second phosphate-fertilizer joint venture with the Philippine government. For the first time, Nauru opted to invest in a musical that was previewed in London in June 1993, a departure from traditional investment activities such as financial undertakings and property development. The nature of the investment and subsequent travel arrangements to London were cause for grievance by a vocal minority. In late 1992, it was alleged that cash funds

from the Nauru Phosphate Royalty Trust Fund amounting to US\$60 million had been invested in a number of prime bank instruments around the world without the knowledge and consent of the government of Nauru. The fund, which invests the substantial

earnings from phosphate royalties, requires government approval for all investment arrangements. The investigation of the movement of funds continues, with approximately US\$4 million still unaccounted for.

JULIE OLSSON