

# Nauru case study

Business



The phosphate is used as a fertilizer around the world and the majority of it has been exported to Australia. The minerals located among the ancient coral reefs found underground. Mining the phosphate, however, destroys the vegetation and soil of the island.

Phosphate is the primary basis for the economy, and with the depletion of the mineral, Nauru is left with nothing to trade. Thus, the island faces virtual economic collapse. Today, Nauru's problems are becoming increasingly acute, as the phosphate on the island has been exhausted, and mining has virtually ceased.

As such, the government of Nauru is looking into the question of responsibility for the ecological disaster raging on the island, and is looking into ways to rehabilitate the island. 2.

Description This section contains nine parts: history, phosphate, damage, people, culture, economics, legal issues, settlement, and the future.

HISTORY: The story begins in 1908, when the Germans, then in control of Nauru, began to mine the large deposits of phosphate located there. The island fell into the hands of the Australians after their soldiers liberated Nauru in the early months of World War I.

The League of Nations subsequently set up a mandate system than Australia, Great Britain, and New Zealand administered together. These three states then set up the British Phosphate Commissioners to deal with the mining operation.

In 1942, the Germans seized and occupied Nauru. After World War II, Australia became the chief administrator of the United Nations Trusteeship that included Nauru until independence for the island was granted in early 1968. (1) PHOSPHATE: Phosphate is the only resource with which the island can sustain an economy.

Nauru exports the majority of its phosphate to Australia, which uses it as a fertilizer because its soils are poor for agriculture. (2) The type of phosphate found on Nauru and a few other Pacific islands, which is a combination of limestone and guano, is part of a larger grouping called phosphate rock. The majority of phosphate rock can be found in large beds of marine sedimentary rocks, but can be found in other areas.

Much of the world's phosphate rock comes from the United States (Florida, North Carolina, and Tennessee) and Russia's Kola Peninsula. Smaller deposits are found throughout North Africa.

Phosphate rock formed primarily from guano, such as that found on Nauru, plays a smaller role in terms of worldwide supply and demand. Nonetheless, the Nauru deposits, producing 2 million tons yearly, are important to local customers Australia and New Zealand in terms of providing phosphate fertilizer for croplands (especially wheat and barley) and pastures (cattle grazing). (3) Phosphate mining on Nauru generally occurs in the interior, which is a central plateau commonly called "topside".

The phosphate is actually a composite of two materials which have combined and solidified over the eons: decayed oceanic microorganisms and bird droppings.

These elements intertwined with the coral and limestone that forms the island, and extraction of the phosphate left behind deep pits and tall pillars, some as high as 75 feet. This creates a moon-like scene, which contributes to the incalculable and uninhabitable atmosphere. Four-fifths, or 80%, of the island is a barren wasteland, with the residents living on a narrow strip along the coast. As a result of the mining, the vast majority of soil and vegetation has been stripped away.

This prevents agriculture from taking place, and makes it very difficult for a viable ecosystem to establish itself and to flourish.

In addition, the combination of a pillar and pit landscape on Nauru and the loss of vegetation creates a very hot interior, such that rising hot air prevents rain clouds from settling over the island. This contributes to frequent droughts, exacerbating an already difficult problem. The Anauran people, living along a coastal strip, are generally descended from Polynesian, Micronesian, and Melanesian ancestry.

About one-fifth of the population is from other island groups in the Pacific, and the remaining one-fifth are of Chinese or European descent, and are usually mine workers. The islanders speak a language called Anauran, which is a distinct blend of Pacific speech components, although English is widely taught. The people generally practice Christianity.

(6) The mining that has taken place on Nauru for the past 90 years has had a physical toll on the native islanders. Because of the lack of soil and vegetation, the Nauruans have been forced to import nearly all of their food.

The result of eating processed, fatty foods such as alcohol, potato chips, and canned meats, has been an increase in high blood pressure, diabetes, and obesity. These problems have led to a decrease in the life expectancy of the islanders, which is between 50 and 60 years. (7) The traditional culture of the Nauruans has also been affected by the mining of phosphate.

German settlers in the late 1800s prohibited native dancing, and native myth suffered as well. The Germans did not want to promote the inter-clan warfare that was occurring at that time.

As a result, the settlers requested in 1888 that Nauru be placed within a German Protectorate. The discovery of phosphate on the island in 1899 and its subsequent exploitation also played a large role in curbing the expression of the Nauruan culture because of domination by other countries. (8) Even today, Nauru has not escaped the proliferation of technology around the world, as satellite dishes are commonplace.

The traditional past is all but gone. Mining also took away the skills of the islanders. With the loss of agricultural land, in combination with new-found wealth, farming and fishing ceased, and food had to be imported.

Individuals involved do receive a financial statement, but aggregate island accounts of financial dealings do not exist. The Nauru government figures are sketchy, if not entirely secret.

The trust fund also has an investment component, but information on returns of those investments is also held privately by the government. (12) Such secrecy has the islanders concerned about the outcome of the trust fund, and especially its ability to pay out. While the Unarms do own some foreign real estate, such as office buildings and golf courses, the bulk of their investments lies with the trust fund.

The people of Naira do indeed have cause to worry about the fate of their money. This is because of irresponsibility on the part of the government, coming in the form of investments that have gone awry and failed, and others by which the government was simply swindled.

(13) LEGAL ISSUES: As a result of the environmental degradation discussed above (and to a lesser extent, the financial crisis), the Republic of Naira filed suit with the International Court of Justice against Australia in June, 1989.

The stated goal was that Naira desired compensation from Australia for the environmental damage that resulted from the long AT ten opponents Tanat took place prior to Nurses Independence In 1 side of the story has it that the former colonial powers were irresponsible in the mining of the mineral, and that Australia, as the primary trustee power, did a miserable effort at preparing the island for independence. The Australians contended, however, that the leader of Naira, Hammer Detour, incompetently mismanaged the affairs of the phosphate export funds while at the same time acting disinterested in the welfare and fate of his own people.

In addition, the Australians began the legal battle by recognizing the Court's legitimacy, yet contested its restriction. The Australians then defended <https://assignbuster.com/nauru-case-study/>

themselves vigorously, taking the position that agreements made at the time of independence nullified any future claims. A 1988 Anural commission, however, disputed this claim, actually putting a price on pre-independence mining at \$AAA million.

(14) The involvement of the International Court of Justice is significant in that while it does not have formal powers of enforcement, it nonetheless has a certain moral weight.

In addition, any ruling would likely set an international precedent concerning natural resources and the profiting of them by colonial powers at the expense of developing states. 1 5) The Court, in a 1992 preliminary hearing, however, dismissed the Australian position that Naira was mostly responsible since two-thirds of the mining occurred after independence. The Court stated that the argument did not end with independence, and that the “agreements” made prior to independence did not absolve Australia of any blame. In addition, Naira did not violate any time limitations in its filing of the claim to the Court.