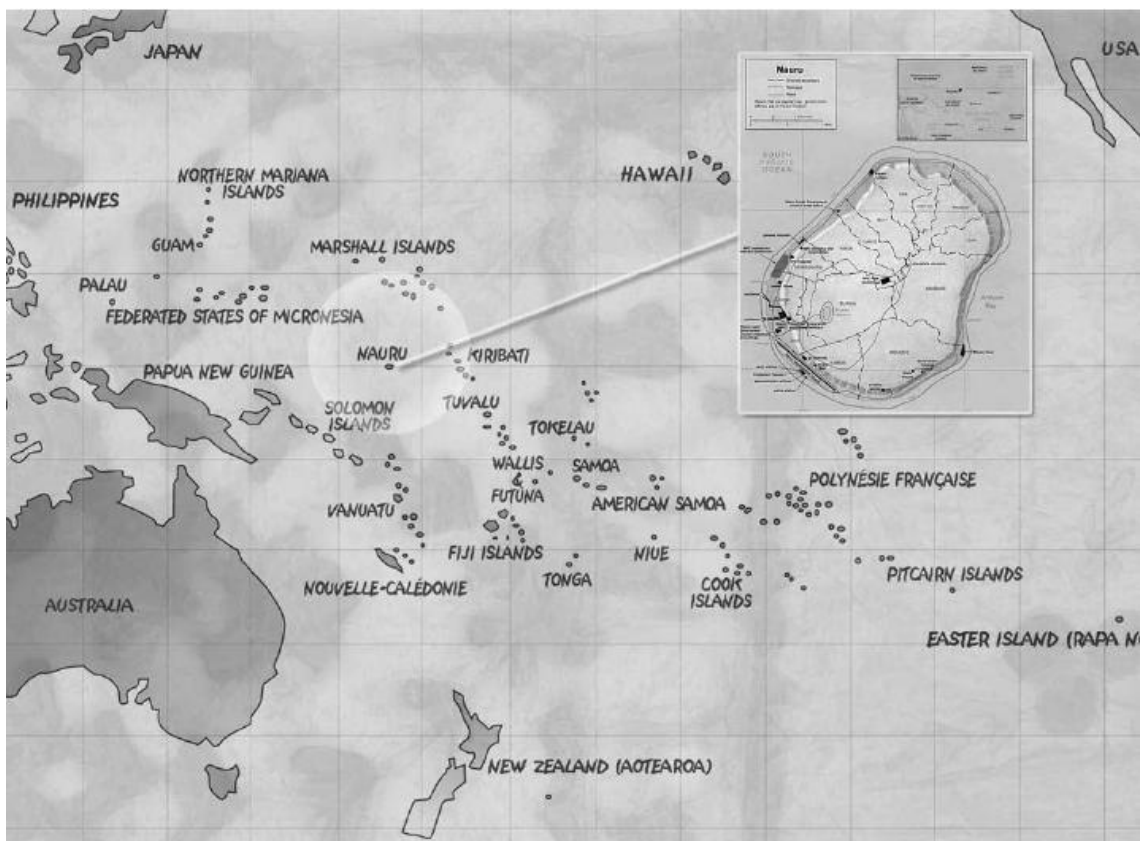


Nauru

between stability, growth and distribution



Class: Challenges of Globalization

Professor: Antonio Quesada

Student: Eileen Mangalam Preuss

1. Introduction

Nauru is the smallest republic and the third-smallest state by area of the world. The island is located in the central Pacific, 60 km south of the equator and only measures 21 square km. It shelters around 10.000 people.

At first sight the country does not seem to be an appropriate candidate to analyze globalization dimensions, but dipping into the history of Nauru globalization plays a central role for the country and marked it for decades. The key element for Nauru's hyper-globalization is the discovery of remarkable resources of phosphate on the island and made Nauru temporarily the second richest country in the world (by GDP per capita).

In the first part the history of the island will be summarized as well as classified into 9 phases. The phases of globalization are defined and named by the student and do not follow an official categorization. The division is made according to important changes in terms of global influence. In the second part the work aims to indentify which of the three dimension of globalization, "Growth", "Stability" and "Distribution" had to be sacrificed in each phase and if globalization could finally be an sustainable process where one dimension got expensed. Furthermore it will be analyzed if in any constellation of the dimensions globalization was beneficial for Nauru.

In the work globalization will be defined in a very general way as an increased degree of interaction, integration and interdependence among people and economies of different countries. If the level of interaction, integration and interdependence is low globalization is on a low level and high if the level of interactions is high.

2. A short history of Nauru

Phase 1: Isolation.

Most likely the island was populated around 1200 B.C. by Micronesians and Polynesians and was homeland of twelve different tribes. In this time Nauru was isolated from the western countries, hence no international trade was done and Nauru was self-sufficient. Most probably little contact to some neighbour islands could have exist. Nauru counted less than 1000 people. (Commonwealth 2019; Republic of Nauru 2019)

Phase 2: First Western Merchants.

First known and documented contact with the western world was in 1789, when a British whale hunter ship and his captain John Fearn passed the island on their way. After this discovery Great Britain declared ownership of the island.

In the following decades Nauru had sporadic contact to merchants and some trade between the people from Nauru and other cultures started. Mainly water and food became traded in exchange of alcoholics and weapons. But not only commodities also deadly measles and influenza got imported.

In 1878 a civil war between the twelve tribes unleashed. It is believed that the main reason for the outbreak of the conflict were the arrival of firearms and alcohol. After ten years of war the population were 30% reduced to around 900 people. (Australian Government 2019; Folliet 2011)

Phase 3: German occupation.

In 1886 under the Anglo-German convention, Nauru got annexed by Germany and 1888 first troops landed on the island which ended the civil war. As representative of the German emperor the chief of one of the twelve tribes was appointed.

Characteristic for the time of the German protectorate were Christianity, a Western style of education, infrastructural achievements and prohibition of firearms and alcohol. (Republic of Nauru)

Phase 4: British influence.

In 1896 Henry Denson, captain of the British trading company "Pacific Island Company" found a particular stone during a stop on Nauru and some years later one of his colleagues Albert Ellis got it analzed. The stone was made of almost pure phosphate, one of the most important components of fertilizer, which considered in the 19th century as valuable as gold. The "Pacific Island Company" had been looking for years with little success for Phosphate for the barren soils of Australia. The phosphate's origin was the accumulation of seabird dung on Nauru's surface. A chemical reaction with the island's lime soils and tropical weather had turned them into almost pure calcium phosphate.

After an agreement with Germany the "Pacific Phosphate Company" started to mine phosphate on Nauru in 1906. Mainly foreign workers got hired; the native population

was excluded from mining. Besides, the company invested in the island: A hospital was built; a sewage system implemented, infrastructure developed as well as electric light could be generated. (Commonwealth 2019; Folliet, 2011; Republic of Nauru 2019)

Phase 5: World War I.

After the outbreak of the First World War in 1914 Australian troops conquered Nauru under the British crown and 1919 Australia, New Zealand and Britain administrated the island. They bought the Pacific Phosphate Company and renamed it into the British Phosphate Corporation. (Commonwealth 2019; Republic of Nauru 2019) The Nauruan population benefited very little from the profits of the phosphate business.

Phase 6: Japanese occupation.

In the Second World War Japanese occupation (1942–45) took place. The Japanese invaders aimed to exploit the phosphate resources, but due to several attacks from the US the mission failed. Nevertheless the Japanese could successfully finish another project: The establishment of a Japanese airfield on Nauru. By pushing around 300 Nauruan into forced labour the airfield was completed in 1943. This airfield today is the Nauru International Airport. Furthermore 1200 Nauruan were deported as forced workers to Truk (now Chuuk), Micronesia, where many died as a result of starvation or bombing. At the beginning of the war, the Nauruan population counted around 1800 people. After the war around 1300 were left. The survivors were returned to Nauru in 1946 only to find a destroyed island. (Republic of Nauru, 2019)

A witness reported to the journalist Luc Folliet: "We did not recognize Nauru again. Hundreds of trees had been felled, shell funnels distorted the landscape and the Japanese had left everything standing there: weapons, guns, jeeps."

Phase 7: UN trust territory.

After the Second World War, Nauru fell back to Australia and in 1947 the UN authorized Britain, Australia and New Zealand to control the island as a UN Trust Territory, administered mainly by Australia. Under the trusteeship further exploitation of phosphate continued for more than 20 years, but money went to the shareholders of the British phosphate corporation England, New Zealand and Australia. Only little redistribution of profits to Nauru's population was made and again population went away empty handed. The predatory exploitation of the resources destroyed a huge amount of the island's environment.

Phase 8: Independency.

In 1966 the gradual destruction of the island was already evident and Australia decided to offer Nauru resettlement to one of the Queensland islands. In the following held referendum deciding on their future, Nauruan instead voted for independency and the island got self governed. Officially independency was declared in 1968. Hammer DeRoburt led the country into independence and was president most of the time until 1989.

Nauru for the first time became owner of their resources and the people of Nauru got the assets of the British Phosphate Corporation. In 1970, control passed to the new “Nauru Phosphate Corporation”. The economy started to boom and Nauru became the second richest state in the world (GDP per capita) and had the highest per capita income (PCI) worldwide. Around 400 Million A\$ could be captured every year and could benefit a population of around 7000 people. The immense profits were distributed to the Nauruan population and free social services were provided. On the other hand the government also tried to invest the money in different projects abroad. Unfortunately most of the investments were not made wisely and were not sustainable. Only one example of failed investments is the “Nauru House”, the so called “Birdshit Tower” in Melbourne. The tower became temporary the highest tower of Melbourne, but decades of mismanagement forced Nauru to sell at a loss. Not only investments were unsustainable; also the social services were excessive. The government created countless well paid jobs that nobody needed. For instance hundreds of police officers got hired even though there was nearly no crime. (Davies, 2018; Folliet 2011)) Neither the population did manage their money well. “Instead, the country celebrated a long-lasting party. They bought luxury boats, cars and expensive hi-fi equipment abroad and built expensive mansions. Nearly no Nauru worked. But out of boredom they kept turning around an island in their cars, which was already surrounded after a few minutes.” (Gunkel, 2011). The Nauruan lived like kings and queens.

"It was hair-raising. Sometimes people would run around with buckets full of Australian dollars just to pay for a family party at the Chinese restaurant. At parties even dollar bills were used as toilet paper." (Violette Mc Kay, cited by Folliet, 2011)

Furthermore due to a changed diets adapted by the new life style inhabitants became overweighted (highest obesity rate in the world with 70%) and many people suffer serious health problems (highest diabetes type 2 rate in the world with 40% and widespread cardiovascular problems). As the diet previously contained mainly fruits, fish, roots and coconuts since the independency of the country imported food with high sugar and fat concentration replaced the traditional one.

(Commonwealth 2019; Folliet 2011; Gunkel, 2011; Republic of Nauru 2011)

Phase 9: Exhausted Resources.

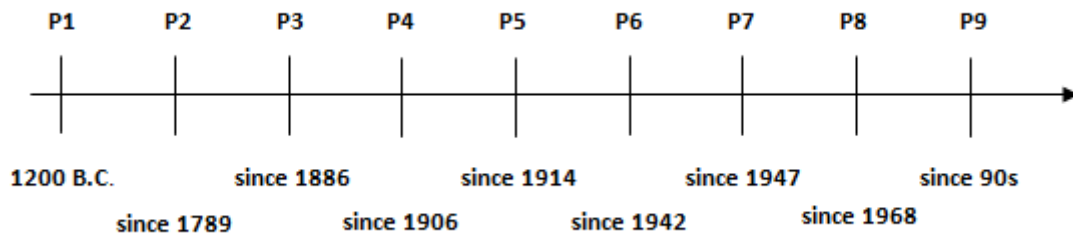
At the end of the 90s and beginning of the new century the phosphate resources came to their end and the country was in fact bankrupt. The abundance of money resulted in a heavy reliance on imported goods and this reliance still continues. Nauru needed to re-establish new income sources. The island decided to concentrate on 2 businesses to make fast money: Money laundry & offshore immigration.

Nauru turned into a paradise for the Russian mafia and South American drug lords. The Russian Mafia was able to wash around 80 billion US\$ through the island. In a consequence the OECD included Nauru to their blacklist of states that tolerate harmful tax practices in 2002 and sanction came into force. On the other hand Nauru set up the Nauru Detention Centre (now Nauru regional processing centre) in 2001 and picked up

hundreds of Afghan boat people who did not want Australia in their detention centres. Conditions in these centres were described as highly inhuman. In return Australia paid Nauru for their “service” generously. International pressure persuaded Nauru to close the centre in 2008. In 2012 it was opened again and conditions continuously stand under very high criticism. It is the main source of income for the island. (Doherty 2016, Folliet 2011)

The new century is also characterized by a very unstable political situation in Nauru. Frequent changes in presidents, as well as many different views in Parliament regarding the use of the little remaining wealth in combination with corruption have left the financial situation out of control and Nauru fall back to the state of a developing country. (Commonwealth 2019; Doherty 2016; Watanabe 2018)

Overview of globalization phases:



3. The big triad: Growth, distribution and stability

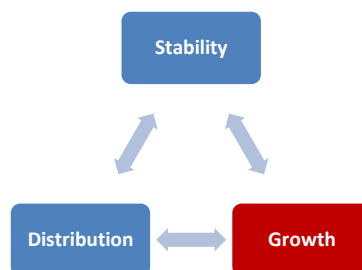
According to the theory from class, challenges of globalization can be defined in terms of three dimensions: The growth dimension, distribution dimension and stability dimension. In the following explanation it will be identified which dimension had to be sacrificed in each previously defined globalization phases. Sacrificing one dimension should be seen relatively. It does not mean that one dimension has to be sacrificed totally. A relative decrease in importance of one dimension in comparison to the other two dimensions could be also possible.

Growth in this context will be defined as economic growth in the broadest sense. That could be GDP growth as well as growth in commodities. Distribution will be defined how equal the outcome of the economic growth is distributed among the people and if it is done at all. That could be investments into social institutions or direct payment to the people. The stability dimension incorporates political and social stability of the country. The ecological as well as health stability will only take into account if of great importance.

Finally it will be analyzed for each phase if Nauru could benefit from globalization.

The following charts represent the three dimensions. The red marked dimension is the dimension that is supposed to be sacrificed.

Phase 1: Isolation.

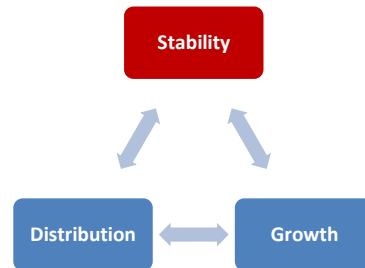


In this phase an accurate definition of the sacrificed dimension is not easy due to the fact that only very little is known about Nauru in that time. In a consequence some assumptions regarding politics and living standards will be made.

Interaction with other cultures nearly did not exist. Maybe some contacts to neighbour islands already existed, but no global contacts were made. Thus, globalization did not start or was on a very low level. I assume that in this phase Nauru was political and social stable, because twelve tribes lived in coexistence on the island. I also assume that the people of Nauru all had a similar standard of living, because activities to the limited space and natural resources could not lead to essential differences. Hence, distribution

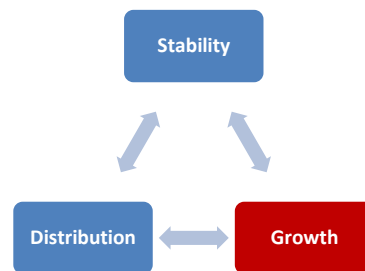
of all resources of the island was made equally. Economical growth was sacrificed (or limited), because no international trade existed.

Phase 2: First Western Merchants.



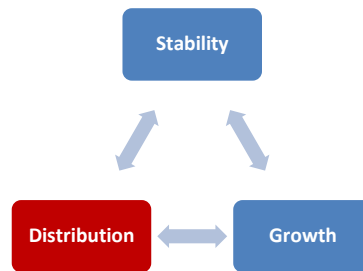
First international trade emerged and increased globalization occurred. In a consequence of a growth in commodities (firearms and alcohol) but also a more or less equal distribution of them, a ten year lasting war between the twelve tribes, who previously had been living in peaceful coexistence, broke out. Political stability had to be given up and also health stability decreased due to imported diseases of merchants. The war even reduced significantly the population. Globalization resulted not to be beneficial for Nauru in this phase.

Phase 3: German occupation.



With the arrival of the Germans, political stability could be regained and even some investments for instance into education and infrastructure were made. On the other hand no significant changes in trade occurred that time. Even if economical growth could increase slightly, the importance of stability and distribution characterizes these phase of globalization. The interference of another culture was beneficial, even though Nauru was under foreign rule.

Phase 4 & 5: British influence & World War I.

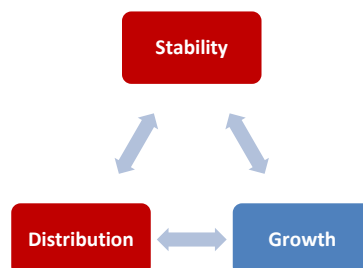


In 1900 the resources of phosphate were touched for the first time and brought intensive economic growth and a more intense interaction with other countries. Nevertheless mainly the British phosphate company and in a consequence Britain (and Germany by payments) benefited from this wealth. The Nauruan population was excluded from mining. Investments like an electricity system and development in the infrastructure seemed to aim to optimize mostly phosphate exploitation. Benefits from the investments for the population seemed to be slight effects. As a hospital was built that could be used also by the population some redistribution was made. Hence, in this phase the stability under the German protectorate continued and economic growth increased massively but people could not benefit in the whole extent from it, the distribution dimension was neglected.

Also the conquest of Nauru by British troops with the beginning of the First World War did not change the balance. Even though political and social stability continued under the British governance no changes regarding the distribution of wealth was made. Winners were foreigners, the owners of the phosphate company: New Zealand Australia and Britain.

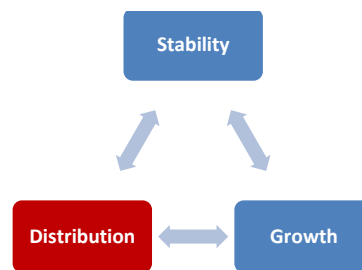
Globalization in this phase did not result in a positive outcome. The country got betrayed and exploited with only a few advantages for the population.

Phase 6: Japanese occupation.



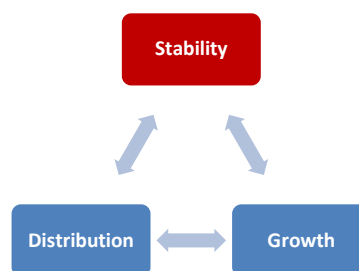
In the sixth phase of globalization new actors appeared. The Japanese occupied the island in the middle of the Second World War. Growth was not achieved by purchase of phosphor but by an improvement of the infrastructure in order to have a strategic advantage in war. A new airfield was constructed successfully. Political, social and environmental stability on the other hand got unsteady. The republic was forced to participate in war, the population were used as forced workers and the island was destroyed after the war. The growth outcome obviously was not distributed to the inhabitants in contrary their work got abused. In this phase of globalization neither two dimensions could coexist. I assume that only the growth dimension got pushed and further interaction of people lead to massive exploitation of the inhabitants. Nauru was extremely negative influenced by international conflicts.

Phase 7: UN trust territory.



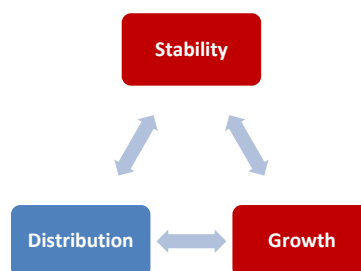
After the end of the Japanese occupation the previous situation could be restored and the island again got controlled by Australia, New Zealand and Britain. The natural resources got exploited further and the beneficiaries again were the western powers. No remarkable invest into the country neither a development of the welfare state or significant employment of the inhabitants could redistribute the economic growth to the population. On the other hand political stability came back to the island after years of war and human exploitation.

Phase 8: Independency.



Since independency in 1968 the habitants of Nauru could benefit for the first time entirely of their resources and that brought intensive wealth to the population of Nauru. The world demand for phosphor was still high and international trade made it possible to sell worldwide. The globalization level of Nauru at that time was very high. Furthermore the welfare state on Nauru got pushed extremely and nearly all social services were offered for free. This phase of globalization hence clearly is characterized by a high level of redistribution of wealth and an extraordinary economic growth. The small republic got one of the richest countries in the world and the population had the highest incomes worldwide. We can conclude that higher distribution level of the economic growth outcome nearly could not be realized. The question is, if the stability dimension of globalization had to be sacrificed. Checking the political stability of the country no crisis can be identified. Nauru was governed for over twenty years mainly by one president who got elected in a democratic way. But other stability factors got an issue. Environment and health stability as well as future financial stability was not given anymore. 2017 80% of the surface of Nauru has been strip-mined to extract phosphate. The damage to the environment was already obvious in the middle of the 20th century, but a resettlement was rejected by the inhabitants. By the 1990s, scientists declared the island uninhabitable for humans. That makes clear that the whole island depend on food imports. (Amber Pariona, 2017) It is outstanding that a country sacrifices totally his environment in order to get rich. The island not only were damaged but was destroyed. Furthermore people became obese and sick due to the new lifestyle. The health of many people is still significantly affected. Knowing that the phosphor reserves will not last forever clever investments should have been made to guarantee future prosperity, but nearly all investments failed. The promising positive effect of globalization resulted in obesity and environmental destruction. Even though, in the short run people could benefit from globalization.

Phase 9: Exhausted resources.



After exploiting nearly all of the phosphate resources in the 90s Nauru fell back to the level of a developing country. The wealth was gone and legal as well as illegal alternatives could not stabilize the catastrophic economic situation. Neither the political or ecological stability is currently given: Changes of presidents occurred more than frequent; over 20 times since the year 2000 and the environment could not be restored

again. (Australian Government 2019) Regarding the dimension of distribution it is difficult to say how the outcomes of growth are distributed. If there is nothing to share, sharing at least results to be equal as nobody benefits. Due to the fact that minimal social services are still active, such as the hospital, I assume that the growth outcome at least gets somehow distributed.

4. Conclusion

Even if Nauru is a small island with a very little population globalization affected the country massively and it got marked by the influence of other countries. Analyzing all phases of globalization on Nauru regarding the three dimensions growth, stability and distribution and the fact that one has to be expensed, it can be concluded that on Nauru all of the three dimensions at one point had to be sacrificed. Nauru even managed to sacrifice in some phases two of the three dimensions. A process in which two of the three dimensions are sustainable could not be reached in any of the defined globalization phases and in a consequence in the next phase other dimensions got priority.

Remarkable for Nauru is that globalization could not benefit the country in the long run. A lack of control is characterizing globalization on Nauru. Already low globalization, for instance with arrival of the first merchants, had led to war and destruction. Problems that occurred by globalization could not be managed by the country itself. Finally being self responsible for the island and having a great starting position with exorbitant resources to benefit from globalization, the country did not manage to deal with it and failed. In a way Nauru have shown great talent to mismanage all challenges globalization brought to them.

The case of Nauru shows one more time that globalization need to be controlled globally in order to protect countries from the negative impact of globalization.

5. References

Australian Government; Australian Department of Foreign Affairs (2019): Nauru country brief. (Accessed January 2019). Obtained from:
<https://dfat.gov.au/geo/nauru/pages/nauru-country-brief.aspx>

Commonwealth (2019): Nauru: History. (Accessed in January 2019). Obtained from:
<http://thecommonwealth.org/our-member-countries/nauru/history>

Davies, Anne; Doherty Ben (2018): Corruption, incompetence and a musical: Nauru's cursed history. In: The Guardian online 03.09.2018.
Obtained from: <https://www.theguardian.com/world/2018/sep/04/corruption-incompetence-and-a-musical-naurus-riches-to-rags-tale>

Doherty, Ben (2016): A short history of Nauru, Australia's dumping ground for refugees. In: The Guardian online 09.08.2016. Obtained from:
<https://www.theguardian.com/world/2016/aug/10/a-short-history-of-nauru-australias-dumping-ground-for-refugees>

Folliet, Luc (2011): Luc Folliet: Nauru – die verwüstete Insel. Wie der Kapitalismus das reichste Land der Erde zerstörte. Ed. Klaus Wagenbach, Berlin 2011

Gunkel, Cristoph (2011): Pazifikinsel Nauru: Mist waren die reich! In: Spiegel online 2011.
Obtained from: <http://www.spiegel.de/einestages/pazifikinsel-nauru-a-947212.html>

Pariona, Amber (2017): How phosphate mining in Nauru has led to an environmental catastrophe. In: The Worldatlas online 03.11.2017.
Obtained from: <https://www.worldatlas.com/articles/how-phosphate-mining-in-nauru-has-led-to-an-environmental-catastrophe.html>

Republic of Nauru (2011): Nauru census report: National report on population and housing.
Obtained from:
www.spc.int/nmdi/nmdi_documents/2011_NAURU_CENSUS_REPORT.pdf

Watanabe, Anna (2018): Nauru: From economic goldmine to refugee "hell". In: Kyodo news online 16.09.2018.
Obtained from: <https://english.kyodonews.net/news/2018/09/0fdc626a0cdb-feature-nauru-from-economic-goldmine-to-refugee-hell.html>