HUNGRY SHARKS: JAPANESE ECONOMIC ACTIVITY IN MELANESIA, 1960-1980

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Introduction

One of the most significant developments in Melanesia since 1945 has been the dramatic growth in Japanese economic activity. The bitter legacy of Japanese militarism in the southwest Pacific made such activity unthinkable in the years immediately after the Pacific war. However, by the early 1960s the Japanese had begun to move into the region in a cautious, inoffensive but highly effective manner securing access to timber, minerals, agricultural produce, and sea products to supplement their resource-poor economy. This "invasion," or "co-prosperity sphere," as critics of the Japanese presence were quick to label it, gained momentum in the late 1960s as the Japanese began to dominate not only the extractive industries in Melanesia but important sectors of the consumer economies there. By the 1970s memories of the war had faded, a number of the Melanesian island groups had gained independence, and the Melanesians had come to see the Japanese as attractive trade, aid, and technical partners as well as convenient counterweights to Melanesia's traditional Australasian and European trade partners.

Approach. This paper provides a historical, descriptive overview of the growth of Japanese economic activity in Fiji, French New Caledonia, Papua New Guinea, the Solomon Islands, and the New Hebrides (now Vanuatu) in the period 1960 to 1980. I have not attempted to describe the Japanese economy or to construct economic models. Nor have I attempted to assess the effectiveness of Japanese activities in a day-by-day sense. Rather I have attempted to describe--in broad, overall terms--the nature of those activities and their contribution to the Melanesian economies.[1] I hope that this survey may serve as a point of departure for much-needed, detailed research on Japanese economic activity in the southwest Pacific. I have used the word "activity" in a portmanteau way to include investment, loans, technical aid associated with revenue generating activities, and so forth. My research has been based on an analysis of twenty years of reporting in *Pacific Islands Monthly,* the leading news magazine for the islands, and all of the in-text references that appear in this paper are drawn from that source. *PIM*, as it was and is popularly known, not only contains a wealth of information on the growing Japanese presence in Melanesia but features editorial commentary and advertisements placed by Japanese firms. Indeed, these advertisements are an interesting barometer of that presence--growing from one, one-eighth-page black and white advertisement in the early 1960s to a dozen or more full-page color advertisements per number in the late 1970s. In a word, the Japanese came to dominate *PIM's* advertising in much the same way that they came to dominate the Melanesian economies in the same period.

Background. The Melanesian islands lie in the southwestern quadrant of the Pacific and are all "continental" islands. Continental islands have--by Pacific standards--relatively large land masses and the potential for modestly diverse economies, enjoying as they do mineral, timber, agricultural, and maritime resources. These island groups were all subject to metropolitan control in 1960: the British in Fiji, the French in New Caledonia, the Australians in Papua New Guinea, and the British and French in the New Hebrides (the Anglo-French Condominium). These powers did very little during their tenure to diversify the island economies. Instead they relied heavily on one or two extractive, labor-intensive industries (sugar and copra in Fiji, nickel and beef in New Caledonia, copra in the New Hebrides, and copra in Papua New Guinea), gearing the economies, government policies, and shipping to benefit a small number of expatriate entrepreneurs and metropolitan firms. The vast majority of their colonial subjects lived in village settings and were dependent on traditional subsistence economies.

The Pacific war, if it did not give rise to direct Japanese occupation (as was the case with parts of Papua New Guinea and the Solomons) with all of the attendant dislocation and tragedy, did give rise to a deep anti-Japanese sentiment throughout the region after 1945. As late as 1959 a Japanese vehicle sighted on the road in Papua New Guinea--where the anti-Japanese feelings of the Australians were perhaps strongest of all--was jeered at.[2] There was a deep reluctance on the part of postwar island administrations to countenance the residence of Japanese technicians in their islands, and in the 1960s the governor of American Samoa forbade the marriage of a local woman to a Japanese fisherman on the grounds that it was somehow inappropriate.

Slowly, however, the wounds of war healed. The British permitted a team of Japanese veterans to come to the Solomon Islands in 1971 to look for the remains of the 24,000 Japanese known to have fallen there during the war. The team recovered the remains of 7,000 and these were interred at Tambea village at the northern end of Guadalcanal. Two years later the Japanese government spent upwards of $A 100,000 looking for soldiers still in hiding in the Solomons and Japanese companies like Mitsui Mining and Smelting Co. and Taiyo Fishery Co., working in the group, took an active part in the search (July 73, p. 5).

At the same time that anti-Japanese feeling was diminishing the island groups were moving towards independence and seeking foreign investment and technical assistance. The Japanese were quick off the mark with both and the Melanesian micro-states, short of risk capital and skilled personnel, found the Japanese willing to make experts and money available for developing projects. Thus we find the Japanese underwriting parts of the $A 400 million Panguna copper mine project in Bougainville, investing in timber, fisheries, and hydro-electric surveys, providing concessional loans, and offering technical assistance in telecommunications, aviation, mining, reafforestation, and fishing.

While the Melanesian nations were eager to attract Japanese investment they were also acutely aware of their own economic vulnerability. “Actually,” observed the Chief Minister of the Solomon Islands, Solomon Mamaloni, “I think the world is full of hungry sharks swimming around looking for nice little developing countries to swallow up” (Apr. 76, p. 11). Japan was one such shark and in order to safeguard themselves, to a degree at least, the microstates began to insist on joint-venture schemes, greater government control over Japanese operations, and guarantees of increased royalties and the localization of those operations.

To a degree far greater, I suspect, than the island nations wished, the Japanese came to dominate their economies. And in the process those nations became subject to the fluctuations in Japanese market demand. When the Japanese timber market slumped in the early 1970s, timber export revenues across Melanesia slumped as well. The same was true with the export of nickel from New Caledonia and copper from Papua New Guinea. Wittingly or unwittingly the Melanesian nations had committed themselves to a new form of colonial domination.

Variables. While it is axiomatic that economic activity is affected by a wide range of variables, it may be useful nevertheless to examine some of the factors that have effected the growth of Japanese economic activity in Melanesia during the past two decades. Probably the most significant change has been the altered political status of the Melanesian islands. With the exception of New Caledonia, all the islands in question have gained their independence since 1960: Fiji (1970), Papua New Guinea (1975), the Solomon Islands (1978), and Vanuatu (1980). Prior to independence the Melanesians were unable to negotiate freely with the Japanese. Trade relations generally favored the metropolitan powers. Commonwealth preference (Fiji and the Solomons), Australian immigration regulations (Papua New Guinea), and direct control in the case of French regulation of New Caledonian nickel export quotas) tended to discourage Japanese economic activity in the southwest Pacific.[3] This was particularly true in the case of Japanese aid programs, which were intended to assist independent nations only.[4]

With the achievement of independence the Melanesian microstates began to campaign vigorously for risk capital and foreign markets. Their long-term goal was the diversification of their fragile, narrowly-based, small-scale economies. The Japanese, themselves eager to diversify their sources of raw materials, were quick to exploit the opportunities afforded them in Melanesia. The one-time colonial powers, however, were not displaced altogether. They continued to exercise considerable influence over the Melanesian economies though their share of the market tended to decline--often dramatically--in the 1970s.

At the same time a fundamental change was taking place in the socioeconomic systems of Melanesia. More and more Melanesians were making the shift from subsistence to cash-based economies, a transition reflecting and accelerating urbanization in the southwest Pacific. This shift was fueled by Japanese investment and gave rise to an increasing demand for consumer goods like cars, radios, outboard motors, cameras, and electronic goods, all of which the Japanese were able to provide at highly competitive prices.

The Japanese ability to supply consumer goods related in part to the transport revolution that took place during that period. Shipping services, which had been disrupted or discontinued during the Pacific war, were slowly reestablished and by the late 1960s the Japanese had begun to move aggressively into the shipping business; firms like Daiwa and Nitto provided regular service to Melanesia. In some cases, for example the shipping of copper ore from Papua New Guinea, the Japanese were prepared to provide specific vessels for those services alone. Furthermore the Japanese were much closer to Melanesia than their European competitors, and they frequently managed to edge out the Australians because of the latter’s very high freight rates. Indeed, in the late 1960s it cost more to ship freight from Australia to the Solomons than it did from Europe (June 1968, p. 32).

Complementing the shipping services was the general improvement in airline service in the southwest Pacific. During the period being examined Japan was linked to the area by Air Niugini, UTA, Air Naura and its own national carrier, Japan Airlines. Not only did improved air service stimulate Japanese investment through tourism, but it encouraged the movement of Japanese aid and technical teams to the area with an overall multiplier effect.

In addition, other Japanese-Melanesian links were forged that promoted economic activity. Several island nations established Japan friendship societies; the Japanese created their own version of the Peace Corps, with Japanese volunteers serving in the islands; and trade fairs and diplomatic visits encouraged a greater awareness of trade potential.

Two significant changes occurring during the period were the oil crisis of 1973 and the decision by the Melanesian island nations to extend their off-shore fishing limit to two hundred miles in 1978. The former led to a general sluggishness in world trade and a marked decline in Melanesian exports to Japan; the latter led to temporarily strained relations with Japan. The Japanese, obliged to seek 40 percent of their annual fish consumption of ten million tonnes outside their own territorial waters greeted the decision with dismay (Apr. 1978, p. 10). The South Pacific nations took a somewhat different view. With roughly 75 percent of the $1,000 million worth of fish caught every year in their area being caught within the enlarged zone, it was very much in the islanders' best interests to capitalize on the new boundaries (Jan. 1978, p. 5).[5]

The countries that had previously enjoyed near monopoly positions in Melanesia--like Australia--chose, on occasion, to resist Japanese economic pressures by threatening to undercut the island economies. Thus when Fiji began to capture what the Australians deemed an unacceptably large share of the duty-free market in Japanese cameras and electronic equipment, the Australians attempted to retaliate by reducing the import privileges of Australian tourists returning from the islands (Jan. 1965, p. 10).

FIJI

"In recent years," *Pacific Islands Monthly* noted in May 1963, "there has been a spectacular invasion of the South Pacific territories by Japanese capital" (p. 133). Much of it was directed toward Fiji where the Japanese were interested in exploiting the colony's mineral and marine resources. The first in the field was the Pacific Fishing and Canning Company (Pafco), a joint-venture company involving Japanese and Fijian capital and directors. On the Japanese side Pafco was a subsidiary of the fisheries giant C. Itoh and Company of Osaka, and Nichiryo of Tokyo (Dec. 1974, p. 84). Following several years of negotiation with the British authorities, Pafco announced in February 1963 that it would build a freezer facility (eight-hundred to one-thousand-ton capacity) and fish meal plant at a cost of £100,000 at Levuka, the old capital of Fiji on the east coast of the island of Ovalau. Thirty ninety-nine-ton catcher-boats, each capable of holding roughly fifty tons of refrigerated or ice-packed catch, were to be based at the port. Initially, these vessels, employing the so-called longline fishing method to catch yelowfin and albacore tuna, were Japanese, but after 1967 they were steadily replaced by Korean and Taiwanese boats under contract (Nov. 1966, p. 101).[6]

At the outset fears were expressed about the appropriateness of allowing Japanese fisheries technicians to live ashore in Levuka (Mar. 1963, p. 9). Pafco was anxious to secure residence permits at the rate of one family for every fishing vessel up to a maximum of 105 families. How, *PIM* enquired editorially, could the Fijian government be expected to limit the number of families to this figure, and what would Levuka be like with the addition of four or five hundred Japanese residents (Mar. 1963, p. 13)? In the end these fears proved groundless, and by 1969 the magazine was on record as applauding the "international friendship [that had] developed between the Japanese and the local Levukans" (Jan. 1969, p. 99).

While modest by international standards, Pafco came to play an increasingly important part in the Fijian economy, providing employment for upward of four hundred Fijians, generating export revenues, and reviving the moribund Levuka township. The fish-freezer facility opened in 1964, and three years later a canning factory was constructed to process top-quality fish (tuna flakes, light meat, and white meat) for sale in the United States and substandard flesh for the pet food market (Nov. 1966, p. 101).[7] During the late 1960s the Levuka factory was supplied with between six and seven thousand tons of tuna a year by the fleet of thirty-five to fifty long-liners. A peak year was reached in 1972 when twelve tousand tons of frozen tuna worth A$10 million were shipped out of Levuka (June 1976, p. 36).[8] By 1974 sales to the United States alone amounted to between A$5 and A$7 million annually and Pafco had become one of the major industries of Fiji, standing second only to sugar and tourism as the dominion's most important export earner. The company's position was further enhanced by the decision to open a new A$1 million cannery in 1976. The Fiji government was particularly interested in promoting the construction of a larger cannery. Not only would the cannery contribute from A$10 to A$15 million annually toward export earnings (Nov. 1977, p. 65), but its output sold in Fiji would help offset 35 to 40 percent of the canned fish imports, principally from South Africa, which were costing the dominion more than A$5 million annually (June 1976, p. 36).[9] In addition, the government was anxious to strike up a new relationship with

Pafco that would promote the government's policy of localization in terms of employment and fish purchases. The agreement concluded provided Pafco with the site for the cannery and a ten year monopoly on tuna processing and export in Fiji. In return the government acquired a 24 percent holding in Pafco (Itoh 60 percent, Nichiryo 10 percent, and 5 percent held by about twenty Fiji residents) and a promise that the company would progressively localize the cannery's staff and purchase skipjack and other tuna from Fijian fishermen (June 1976, p. 36).[10]

If Japanese fishing operations in Fiji were highly successful the same could not be said of Japanese mining ventures there. In 1963 Banno Oceania and its subsidiary Banno Mining Company took over the manganese mines at Nabu, Vunimoli, and Momi in northwestern Viti Levu (May 1963, p. 133). They invested a reported £400,000 in their development and dispatched their first shipment of one thousand tons of low grade ore in December 1967 to the Japan Metal Trading Company, in the face of stiff competition from Russian producers.

At the same time Banno Mining, in conjunction with Daiwa Mining Company and Daiwa Bank, spent fifteen thousand pounds on preliminary surveys before deciding to open the first commercial copper mine in Fiji at Nukudamu, Udu Point, northern Vanua Levu in 1967 (May 1967, p. 132). The consortium hoped to export twenty-five hundred tons of ore a month to Japan from their open-cut mine and Daiwa Mining commenced work, in August of that year, on a copper processing mill to produce two hundred tons of crude copper ore a day. Shipment of ore was to be facilitated by the regular monthly service operated between Fiji and Japan by the Daiwa Line (Oct. 1967, p. 103). However, within a few months the mine closed permanently because it was discovered that the mineral deposits were far smaller than calculated (Nov. 1977, p. 65).

While Banno Mining was commencing trial operations at Nukudamu early in 1968, the Nippon Light Metal Company was seeking permission from the British authorities to begin mining bauxite on Vanua Levu. The company had undertaken a two year survey of bauxite deposits there and estimated that there were six million tons of exploitable tribydrate bauxite available, with 50 percent alumina content (Feb. 1968, p. 123). However, by 1973 Nippon was obliged to close down and sell off all its assets in Fiji because of a persistently depressed world market in bauxite (July 1973, p. 99).

The Japanese were also interested during this period in resort development in Fiji. As Nippon was winding up its operations on Vanua Levu, the enormously wealthy Toyo Ocean Development and Engineering consortium of Tokyo (consisting of thirty-one companies, including such giants as Nippon Steel, the Sanwa Bank, and Hitachi Shipbuilding, with combined assets of U.S.$60 billion) acquired controlling interest in Mana Island Resort off the west coast of Viti Levu. *PIM* speculated on that occasion that the takeover might very well "be the thin end of the wedge of Japanese investment in Fiji tourism" Jan. 1973, p. 41). As the Sanwa Bank was the banker for Japan Air Lines (JAL) there was reason to believe that Toyo's acquisition of Mana Island might presage increased Japanese tourist traffic to Fiji.[11]

The sprawling A$32 million Pacific Harbour resort and residential development at Deuba on the south coast of Viti Levu, fifty-five kilometers from Suva, was the other object of Japanese investor attention during the 1970s. Early in 1973 the Nomura Real Estate Company of Tokyo secured sole right to sell sites at Pacific Harbour in Japan (Mar. 1973, p. 96). Two years later South Pacific Properties Taisei, a subsidiary of the Taisei Construction Corporation of Japan and Southern Pacific Properties of Hong Kong (of which the British P & O shipping group was a major shareholder), increased the Japanese beachhead at Pacific Harbour by acquiring a twenty-four-hundred-hectare site for the construction of hotels and "village-type complexes" (Oct. 1975, p. 83 and Nov. 1977, p. 65).

The premier Japanese success story in Fiji, in percentage terms at least, related to the motor vehicle business. In 1965 Japan trailed behind Australia and Great Britain in car sales in Fiji. Four years later she had overtaken the British and by 1970 had "cornered the car market in Fiji," selling 157 cars compared with 90 for Australia and 85 for Great Britain (Mar. 1971, p. 112). The real breakthrough occurred when the government of newly independent Fiji made the first of two decisions "that all but cleared the market of serious rivals for Japanese vehicles" (June 1976, p. 45). First, it scrapped the Commonwealth preferential system under which cars from Australia and Great Britain had been landed in Fiji at half the duty applied to Japanese cars. Second, it imposed a ban in 1975 on imports of cars with an engine capacity of over two thousand cubic centimeters in an effort to reduce gasoline consumption in the face of worldwide oil shortages. Even before the second decision Japan's domination of the relatively small (A$10 million a year: 1976) market was nearly total. Of the 1535 vehicles imported into Fiji in 1974, Japan supplied 1,119 (Great Britain 270 and Australia 141) while in the "vehicles under two tons" category she supplied 86 of the 90 vehicles enumerated (May 1975, p. 72). Her command of the motorcycle market was equally complete. Britain once supplied virtually all of the motorcycles sold in Fiji. By 1974, 258 of the 260 motorcycles sold in Fiji were Japanese (June 1976, p. 45).

Thus in little over a decade (1964-1974) Japan came to dominate vital areas of Fiji's import-export trade. Fisheries were Fiji's second biggest export earner by the end of 1974 (Dec. 1974, p. 84) and Japan's economic authority was reinforced by her monopoly position as supplier of the optical and electronic goods (radios, television sets, record players, cameras, watches, telescopes, and binoculars) that underpinned Fiji's duty-free tourist industry.[12]

New Caledonia

The Japanese trade relationship with French New Caledonia was almost the exact opposite of that with Fiji; fisheries were a failure and minerals were largely successful. In 1963 the Japanese fishing company Taiyo Gyogyo, in association with New Caledonian directors, formed a joint-venture company named Société l'Océan and established a tuna fishing base on the Ducos Peninsula near Noumea (Mar. 1963, p. 130). By January 1964 there were approximately forty catcher-boats operating in New Caledonian waters with two or three of them delivering up their catch each day to a refrigerated mother ship, *Eiyo Maru* (Jan. 1964, p. 39), for transshipment to Japan and the United States. Six months later Société l'Océan was in a state of dissolution. Having contributed twenty-five to thirty thousand pounds a month to the Noumean economy, Société claimed that high costs had rendered its operations unprofitable and that it had to close down.[13]

While this was happening Japanese and New Caledonian interests were negotiating for major sales of nickel ore to Japan. Until 1969 New Caledonia's nickel industry was dominated by the Rothschild-owned Société le Nickel (SLN). Prospects for the nickel industry at the time were, in *PIM's* words, "extremely bright" as the world demand was expected to substantially exceed world production (Nov. 1968, p. 122). To take advantage of this situation and to break SLN's near monopoly a consortium of companies (Pechiney and Ugine in France; Inco, Amax, and Denison Mines in Canada; and Hanna in the United States) established COFIMPAC in Paris in March 1969. COFIMPAC was not expected to be fully operational until 1974 and in the interval two things happened that threatened to destroy the Japan-New Caledonia minerals trade. The first involved SLN overtures to Japanese interests for a favorable U.S. $200 million loan to help finance a huge new project at Poum in northern New Caledonia. In May 1970 Nippon Yakin Kogyo KK offered SLN the loan in return for a long-term contract to supply ferro-nickel ore (June 1970, p. 121). The second involved a decision by the Department of Scientific and

Industrial Development in Paris on 25 March 1970 (made public in Noumea on 20 May) to impose snap quotas on the export of nickel ore to Japan. The official justification for the quotas was Paris' desire to promote the sale of processed nickel over nickel ore, but the miners' union and independent producers in New Caledonia claimed that they were being subjected to "strangulation" (Dec. 1970, p. 101) in order to benefit COFIMPAC.[14] The Japanese, who were then purchasing 90 percent of their nickel ore from New Caledonia and who had emerged as the territory's major trade customer in 1970 with 51 percent of New Caledonia's exports (Oct. 1970, p. 110), reacted sharply. The loan to SLN was delayed and there were fears that the Japanese would begin to look elsewhere for supplies of nickel ore. These were matters of no small moment. Nickel exports of all kinds constituted 99 percent of the territory's total exports. The former were valued at A$72 million in 1970 (up from A$52 million the year before) and A$30 million of this sum consisted of nickel ore exports, almost exclusively to Japan (Oct. 1970, p. 43). Japanese nickel ore demands exceeded by almost three-quarters of a million tons the 3.8-million-ton quota set by Paris, and the director of mines in New Caledonia announced that consideration would be given to raising the quota to 4.5 million tons if Japan undertook to assist financially in the development of a nickel processing factory in New Caledonia. However, the Japan-New Caledonia trade relationship remained tense. In October 1972 the Japanese broke off price talks and the nickel ore crisis did not ease until late December when the exporters met with Japanese buyers in Sydney and accepted a lower price than they had been demanding (Feb. 1973, p. 113). There was a subsequent meeting in Sydney in 1974 at which an eleven-man delegation from Noumea met with representatives of the Gokokai Association of five Japanese smelting companies and agreed to maintain the status quo on ore prices. However, by this time the energy crisis had begun to effect Japanese industry and the Japanese decided late in 1974 to cut back their imports of New Caledonian nickel by a third, a move that heralded a long-term decline in nickel sales to Japan. Increasingly, the Japanese turned to cheaper and closer sources of supply in the Philippines and Indonesia. The trade figures reflect that decline. In 1970 New Caledonia exported 4,141,000 tonnes of nickel ore to Japan. By 1978 that figure had fallen to 1,540,000 tonnes (Sept. 1974, p. 91; Dec. 1974, p. 86; and Sept. 1979, p. 69).[15]

Despite interference from Paris, competition between nickel ore producers in New Caledonia, and the general uncertainty of world markets in the 1970s, Japan achieved and maintained a commanding position in the New Caledonian economy. While Japanese exports accounted for less than 4 percent of the territory's imports, shipments of New Caledonian nickel ore to Japan produced upward of half the territory's export revenue during the 1970s (Oct. 1970, p. 110).[16]

Papua New Guinea

Timber, copper ore, and fish were the principal items of interest to the Japanese in Papua New Guinea (PNG) in the 1960s and 1970s. Timber operations were largely confined to three areas: the Cape Hoskins area of north New Britain, Vanimo on the north coast of PNG twenty-five miles east of the border with West Irian, and McFarlane Harbour one hundred miles southeast of Port Moresby. There were only two saw mills in the territory in 1951 producing about eighteen million super feet of lumber per year. By 1964 there were more than seventy mills producing over eighty million super feet. Much of this growth and the continued development of the timber industry in PNG was directly attributable to Japanese demand. In the early 1960s the Japanese, accustomed to importing 60 percent of their timber from the Philippines and 35 percent from North Borneo, began to look for new sources of timber. They turned to PNG and in a little over a year (January 1963-March 1964) the proportion of New Guinea's timber exports to Japan rose from 5 to 70 percent.[17] "Nowhere in the South Pacific," *PIM* noted, "has Japan's recent interest in islands' timber had such a startling effect as in New Guinea." After years of virtual hand-to-mouth operations in which many mills hardly earned a crust [the PNG timber industry] . . . is looking forward to a boom--thanks to guaranteed markets in Japan" (Mar. 1964, p. 120).

One of the biggest exporters of timber to Japan in the 1960s was Thompson and Wright of Cape Hoskins. They sold through contract with the New Guinea Lumber Development Company (NGLDC) of Rabaul, which was responsible for handling roughly 90 percent of New Guinea's lumber exports to Japan. NGLDC was an Australian-Japanese joint-venture firm and a subsidiary of the Southern Trade and Industry Company of Tokyo, which in turn was a subsidiary of the big Japanese Nitto Line (Mar. 1964, p. 120).

Nitto Line was responsible for shipping all of the timber from Cape Hoskins and filled a ship every four to six weeks for direct service to Japan. In December 1963 Nitto launched a specially designed freighter, the fifty-five-hundred-ton *Austral Maru*, as the first of four vessels designed to handle the anticipated timber traffic (Mar. 1964, p. 121 and May 1964, p. 99).[18]

There was a restructuring of the companies responsible for the Cape Hoskins timber operation early in 1965. NGLDC acquired a 55 percent interest in Thompson and Wright while Southern Trade and Industry Company became a subsidiary of the Japan Line, formed a year earlier through the consolidation of the Nitto Line and the Daida Line. NGLDC planned to export three million super feet of logs a month from Cape Hoskins, all to Japan, in three Japan Line ships calling at Hoskins at the rate of two to three per month (Apr. 1965, p. 134).[19] In addition NGLDC hoped to foster PNG production in cocoa, coffee, maize, and cultured pearls as well as acting as agents for the Kanbara Ship Building Company in Rabaul (Aug. 1966, p. 142).

The Rabaul shipbuilding scheme raised an awkward issue that had application well beyond PNG, namely residence requirements for Japanese technicians. Kanbara was anxious to obtain two-year visas for some fifteen to twenty technicians required to establish the shipyard and train Papua New Guinean apprentices. It was not until early 1967 that permission was granted for the technicians to stay longer than the customary six months (July 1966, p. 19). They were the first to be admitted to the territory under a new two-year policy (Feb. 1967, p. 105).[20]

The Vanimo timber lease did not commence operations until September 1967 when New Guinea Goldfields shipped 3,553 super feet of hardwood to Japan aboard the *Tenrin Maru* (Oct. 1967, p. 105). Early the following year government agricultural officers began negotiations with the native owners to acquire 600,000 acres of indigenously-owned land in the Vanimo area for what promised to be the largest timber project in PNG (Feb. 1968, p. 125). Two years later the Melbourne-based Savoy Corporation and the Oji Paper Company of Japan commenced a government sponsored survey of the area thought to contain some 4,500 million square feet of timber (Feb. 1970, p. 121).

Meanwhile another timber and harbor project was taking shape at McFarlane Harbour aimed at the Australian and Japanese markets for hard and softwood logs and sawn timber and for the Japanese market in wood chips (Nov. 1968, p. 121). However, the initial shipments in 1969 came at a time when Japan was overstocked with timber and the market for PNG timber had become sluggish. Producers at McFarlane and elsewhere were offered prices often lower by 20 percent than those paid the year before by Japan, the only market for logs from PNG (Nov. 1968, p. 121). The situation was not destined to improve and by 1975 there had been a collapse in the Japanese log buying market, which affected the PNG market severely (Jan. 1975, p. 80).

PNG copper ore sales were also subject to boom and bust fluctuations. In the mid-1960s Conzinc Riotino of Australia (CRA) announced that it had encountered substantial reserves of copper at the southern end of the Crown Prince Range on Bougainville Island, eastern PNG. Three years later *PIM* announced that Bougainville was on “the threshold of huge copper operations which could make [it] . . . the site of one of the world’s biggest copper mines” (July 1968, p. 81). It further reported that seven big Japanese smelting companies had formed a consortium to begin negotiating with CRA.

Panguna, as the vast open-pit copper mine came to be called, could only be developed with enormous amounts of risk capital. In the end CRA and its companion companies were to spend upward of A$400 million carving the mine out of the rugged jungle-clad wilderness. A good deal of the risk capital came from Japan. Early in 1969 the Bank of Tokyo joined the Bank of New South Wales (Australia) and the Bank of America to form Partnership Pacific to help raise finances for the project (Mar. 1969, p. 120). Later the same year the operating company, Bougainville Copper, signed a contract with nine Japanese companies to supply 1.1 million tons of copper ore, worth an estimated A$1.78 billion over a fifteen-year period. One of the features of the agreement was the provision by the Japanese of U.S.$60 million in finance for Panguna, half in cash and half in equipment such as generators, crushers, ball mills, and flotation cells (Dec. 1969, p. 115). However, by the mid-1970s the combined impact of the termination of the copper-greedy Vietnam War and the energy crisis led to a sharp downturn in Japanese demand for copper ore (Mar. 1976, p. 65), Japanese smelters reducing their demand by 15 percent in early 1976. Despite the reduction in copper sales, Japan remained the biggest buyer of PNG products throughout the late 1970s, and much of the export revenue continued to come from copper.

Japanese fisheries operations in PNG waters were principally joint-venture ones involving Australian partners. In 1967 several Queensland businessmen joined the Nihon Kinkai Hogei Company of Japan, one of the world’s largest fishing groups, to form the South Sea Fishing Company (SSF). SSF planned to use four converted Queensland prawning boats and a 146-foot Japanese mother ship to fish for barramundi, tuna, reef fish, and prawns in PNG waters (Apr. 1967, p. 101 and July 1967, p. 107). Four years later Nichimen Company (Australia-New Zealand) and Kaigai Gyogyo Kabushiki Kaisha began conducting a skipjack tuna survey from Rabaul while C. Itoh (Australia), based on Manus, undertook a similar study of skipjack stocks (Jan. 1971, p. 90).[21]

In 1972 the W. R. Carpenter group of companies in Australia joined Kaigai Gyogyo K.K. to form Carpenter Kaigai (PNG). The PNG government received 20 percent of the shares while the balance was divided 55 percent to Kaigai Gyogyo and 25 percent to W. R. Carpenter. Carpenter Kaigai planned to operate fifteen catcher-boats and three mother ships out of Rabaul on a five year trial. The company undertook to train five hundred Papua New Guineans as seamen, fishermen, and fish processors, to construct a A$500,000 cold store and a A$250,000 tuna smoking plant, and to process 50 percent of its anticipated eighteen-thousand-ton annual tuna catch in PNG.

Clouding the fisheries scene was the general uncertainty occasioned by Papua New Guinea's decision to extend its limit for offshore fishing to twelve miles in 1967 (Apr. 1967, p. 101) and then to two hundred miles in 1978 (July 1978, p. 63). In July 1978 *PIM* reported that three Japanese fishing syndicates had paid A$1.21 million for the rights to fish within the two-hundred-mile limit. This arrangement, however, was only for an eight month period and in January 1979 fishing rights talks between PNG and Japan collapsed. The Japanese refused to pay the A$1.9 million demanded by the PNG government for eleven months of unlimited access to PNG waters.

The Japanese repeated their success in Fiji by dominating the motor vehicle industry in PNG. The anti-Japanese sentiment was still so strong in PNG in 1959 that the government liaison officer working with a Japanese marine salvage team in Rabaul was obliged to hide his Japanese vehicle when he went on rounds. However, the situation had altered dramatically by 1970 and *PIM* reported that Australia was "being whipped . . . in her [own] backyard . . . by Japanese vehicle makers" (Mar. 1970, p. 121). The Japanese captured only 39 percent of the PNG car and station wagon market in 1967, but by 1975 over 90 percent of the vehicles, including motorcycles, sold in PNG were Japanese.

"If you can't lick 'em . . . join 'em" was how one store owner in Madang summed up the Japanese presence in 1966 (Aug. 1966, p. 141). His comment captured the Australians' pragmatic acceptance of Japan as a valuable, indeed increasingly invaluable, trade partner, willing to abide by the rules, enter into joint-venture arrangements, pour in vast amounts of risk capital, provide technical assistance, and negotiate for long-term guaranteed purchases of key PNG commodities.

By the time PNG achieved independence in September 1975 the nation was heavily dependent upon trade with Japan. However, it was a trade relationship characterized by a highly favorable balance of payments for PNG. The governments of independent PNG have maintained the broad outlines of the pre-independence relationship while stressing the need for accelerated training of indigenes, greater government participation and sharing in Japanese ventures, a higher degree of PNG self-reliance, and the diversification of the economy.[22] While the Japanese have been extremely important partners in PNG development, it is important to bear in mind--as always in the Pacific islands--the matter of scale. For all that Japan is the biggest buyer of products from PNG, those products represent only .02 percent of Japan's total imports (Feb. 1978, p, 19).

New Hebrides (Vanuatu)

Japanese economic activity in the New Hebrides was on a modest scale compared with the rest of Melanesia. In 1955 a consortium of companies (Deichi Busan Kaisha and Nanyo Boeki Kaisha of Japan, the Washington Fish and Oyster Corporation of America, and D. J. Gubbay and Company of the New Hebrides) established the South Pacific Fishing Company at Palekula on Santo. A freezer, ice works, a wharf, and support facilities were constructed, and the processing of fish commenced in 1958. The operation employed thirty-four Japanese ashore, assisted by thirty-five New Hebrideans and five local Europeans (Feb. 1963, p. 11).

In the early 1960s Japan was one of the principal customers for manganese ore from the Forari mine operated by the Cie. Française des Phosphates de l'Océanie on the eastern coast of Efate.[23] Phosphates expected to ship forty thousand tons to Japan in 1963, but an exchange crisis in that country in December reduced the order to twenty-four thousand tons. As a result of this cutback the mine was obliged to lay off seventy of its two hundred employees and finally, in 1969, when the Japanese offered uneconomically low prices for manganese, to cease operations altogether (Feb. 1963, p. 43 and Apr. 1969, p. 120). Later the same year Southland Mining of Fiji purchased the Forari mine and immediately entered into contract arrangements with Japan (Oct. 1969, p. 121).

The only other notable area of Japanese investment was in the New Hebridean tourist industry. In the early 1970s the large Japanese retail and tourist chain, Tokyu, purchased the Vate and Le Lagon d'Erakor hotels in Port Vila. They did so in anticipation of the establishment of scheduled air service between Tokyo and Noumea, a service that would promote Japanese tourism in the New Hebrides (Feb. 1974, p. 00). UTA established such a service in the late 1970s and Noumea and Vila became favorite spots for Japanese couples to hold their weddings and spend their honeymoons (Sept. 1979, p. 69).

Solomon Islands

During the 1960s the Japanese invested in timber operations in the Solomons, and during the 1970s they developed fishing and mining concerns in the island group. At the beginning of the period copra was king. Ninety percent of the exports of the British Solomon Islands Protectorate (BSIP), as it was then known, consisted of dried coconut meat. The British colonial authorities, and later the self-governing (1976) and independent (1978) Solomon Islands governments, placed a high priority on diversifying the archipelago's economy--encouraging the production of cocoa, rice, and palm oil--and developing a largely self-sufficient agricultural base.[24] The reasons for this policy are evident when one examines the nature of the world copra market and the demographic trends in the Solomons during the period. Copra is subject to major, not to say wild, variations in world market price. In May 1974, for example, grade A copra fetched A$520 a ton while a year later the price averaged A$170 a ton (Mar. 1976, p. 63). In terms of demography, the Solomons experienced a dramatic growth in population in the late 1960s and throughout the 1970s. Population rates exceeded 3.0 percent per annum and by the late 1970s roughly 50 percent of the population was under twenty years of age. Such population growth meant not only greater demands on the economy in terms of health, education, and welfare facilities but a larger number of nonproductive nationals and an increased number of urban dwellers largely divorced from the traditional subsistence economy.[25]

The British Solomons Forestry Company was established in November 1962, following an agreement between the BSIP government and Nanpo Ringyo Kaisha of Tokyo. The new company acquired timber-cutting rights over Baga Island in the Western Solomons for a period of five years and within six months was negotiating to market timber in Australia and to ship logs to Japan (Mar. 1963, p. 8 and July 1963, p. 126).[26]

"The British Solomon Islands Protectorate," *PIM* reported in January 1964, "is sharing in the growing South Pacific timber boom" (Jan. 1964, p. 121). The BSIP financial secretary, L. M. Davies, was even more hyperbolic when he described the increased interest in timber as "the most important thing which has happened to the Solomons since coconuts were first planted here" (Jan. 1964, p. 121).

The timber boom was marked by the establishment of several new timber companies in addition to the large and well-established Lever's Pacific Timbers, which had made its first shipment of logs--one million super feet--to Japan in May 1964 (June 1964, p. 114).[27] The Allardyce Lumber Company, a subsidiary of the Colonial Timber Corporation, started logging operations at Allardyce Harbour on the island of Santa Ysabel in late 1964 while the Kalena Timber Company worked out an arrangement with the BSIP government to begin working sixty-eight thousand acres in the Viru Harbour-Kalena Bay area of New Georgia at the end of the same year.[28] Kalena began exporting timber--much of it to Japan--from New Georgia in April 1967 and early in 1968 began construction of a new sawmill at Viru Harbour capable of producing twenty-thousand super feet of sawn timber a day (May 1968, p. 120).

Another timber company established in the Western Solomons was the joint-venture, British-Japanese firm, Shortlands Development Company. Shortlands commenced operations in 1966 and, late in 1969, shipped as much as one million super feet of timber to Japan in a single month. Much of the wood shipped to Japan was hardwood for furniture making (Dec. 1969, p. 56).

The export of logs from the BSIP increased during 1968, up from 2.8 million cubic feet in 1967 to 4.4 million cubic feet. However, despite this strong market performance the industry encountered serious difficulties with its principal customer, Japan, which was offering uneconomically low prices for certain types of timber (June 1969, p. 118). The years 1970-1971 were fairly strong in terms of timber sales, but a fall in prices in Japan (which caused Shortlands Development to cease operations), coupled with Cyclone Ida, which delayed Allardyce Lumber Company's expansion plans, led to a 5.5 percent drop in timber exports in 1972 (Mar. 1973, p. 103). This was the first decline in ten years and recovery was slow as Japanese imports of tropical timber dropped off in 1974 and 1975 (Mar. 1976, p. 63).

By the end of the 1970s the timber industry had recovered from its mid-decade slump. With a share of 23 percent of total Solomon Islands' exports, timber was the nation's third most valuable export product after copra and fish (May 1979, p. 74). Lever's Pacific Timbers continued to dominate the logging scene, providing 200,000 cubic meters of timber to the national annual total of 260,000 cubic meters.[29] About 90 percent of all the timber cut was exported as logs, largely to Japan.[30]

The BSIP Geological Survey Department undertook mineral surveys of the islands of Malaita, Ysabel, Bellona, and St. George in the early 1960s, but it was not until 1969 that two foreign mining companies, one of them Japanese, took a serious interest in prospecting (Mar. 1963, p. 8 and July 1969, p. 122).[31] The Mitsui Mining and Smelting Company received a licence to prospect over ninety thousand acres of land in western Bennell for bauxite and limestone while the Utah Development Company, an Australian subsidiary of an American firm, received a license to prospect for copper on Guadalcanal (July 1969, p. 122).[32]

The BSIP government signed a preliminary agreement with Mitsui early in 1971 to exploit the bauxite reserves on Rennell, which were estimated to amount to thirty million tons. Trial mining was considered essential to establish the cost of the overall operation, and it was anticipated that the bauxite would not only be dried but transformed into alumina before being shipped from Rennell to Japan.[33] The BSIP government was to receive shares in the projected company, Mitsui Smelting and Development (BSIP), as well as a 5 percent royalty on the f.o.b. price of the bauxite. The life expectancy of the mine was calculated to be ten to twelve years, and the operation was expected to provide work for about 170 nationals under the supervision of a small number of Japanese executives and engineers (July 1971, p. 51).

But Mitsui never realized its ambitions on Rennell. After years of seesaw debate the BSIP government decided that the social, economic, and political costs of the bauxite mining operation were simply too great to justify proceeding. The Mitsui scheme threatened to undermine if not destroy Rennellese society, and the government, impressed by the grave problems associated with the Panguna copper mine on neighboring Bougainville and by the painful (and costly) experience of the Banabans on phosphate-rich Ocean Island, determined to shelve the Japanese plan.

If mining ventures were not successful fishing certainly was. At the same time that a trade delegation from the Solomons was negotiating with Mitsui in Tokyo in 1971, it was also reaching an agreement with the Taiyo Fishery Cannery, one of the world's biggest fishing firms, to undertake an eighteen month survey of the protectorate's fisheries resources (June 1971, p. 18). In November 1972 the BSIP government accepted proposals from Taiyo to establish a fisheries base, freezer plant, cold storage facility, cannery, and arabushi (smoke-dried fish) installation at Tulagi, the old capital of the protectorate.[34] The government received a 25 percent interest in the cannery and the option to buy up to 24 percent more in shares. The Solomon Taiyo (as it came to be called) operation was scheduled to employ a staff of 150 producing between 100,000 and 150,000 cases (containing 48 x ½ pound cans of fish) a year. That amount represented about one-third of the maximum allowable annual catch of thirty thousand tons of skipjack. Almost all of the remainder was to be frozen for shipment to Japan or to the Star Kist and Van Camp canneries in American Samoa. What little was left was to be prepared as arabushi.

Solomon Taiyo began fishing operations in May 1973 and in the first six months caught five thousand tonnes of fish worth about A$1.5 million, a figure that placed fish exports third behind timber (A$3.894 million) and copra (A$3 million) for the year (Aug. 1974, p. 15). In 1974 Solomon Taiyo caught three thousand tonnes of tuna above projected landings of eight thousand tonnes and exported eighty-four hundred tonnes against the forecast of seven thousand tons (Mar. 1976, p. 63). But in 1975 the catch and the price per tonne were down and only began to recover toward the end of the year at which time Solomon Taiyo, in a new joint venture with the government, opened a second fisheries base similar to the one at Tulagi at Noru, Hathorn Sound, New Georgia (May 1978, p. 55).

Not only was the government interested in promoting Taiyo's expansion, but it was also anxious to advance national self-reliance by establishing its own fishing company, which could learn from and supply Solomon Taiyo. With a A$3.25 million loan from the Asian Development Bank, a National Fisheries Development Company (NFD) was established in 1978 with a 75-25 percent ownership split between the government and Taiyo (July 1978, p. 17). In August of the same year NFD began to construct ten ferro-cement skipjack tuna catcher-boats at Sasapi near Tulagi. These vessels, with Japanese skippers and all Solomon islander crews, were either to act independently, selling their catches to Solomon Taiyo, or were to sail under charter to that firm (Apr. 1980, p. 61).[35]

Japanese economic activity helped fuel a strong and continued growth in the Solomons' economy, particularly in the 1970s. The Gross Domestic Product (GDP) of the group grew in real terms at an annual rate of more than 7 percent between 1973 and 1977 and at a satisfactory rate of 3.9 percent allowing for rapid population growth. Fish, timber, and copra--all commodities with which the Japanese were directly or indirectly concerned--contributed 92 percent of the GDP in the mid-1970s (Aug. 1974, p. 15). Development in the fishing sector was "truly spectacular" (May 1979, p. 73) and the Solomon Taiyo operations not only provided employment for roughly one thousand Solomon islanders but promoted food self-sufficiency through the elimination of virtually all fish imports.

Conclusion

In the two decades since the late 1950s, *PIM* noted in 1977, "a huge change has been wrought in the relationship between PNG and Japan" (Nov. 1977, p. 17). *PIM* might well have added that an equally momentous change had affected the rest of Melanesia.

This change was highlighted by three quotations drawn from *PIM* over the years. The magazine featured an editorial in 1963 in which it was argued that "the Japanese should never be allowed to develop a trading monopoly in the South Pacific" but that such a thing was certain to happen "if European interests continue to do nothing more constructive than complain" (Feb. 1963, p. 13). Two years later *PIM* noted that "the South Pacific is finally getting around to admitting to itself that it can't do without the Japanese" (June 1965, p. 21). And by 1979 an expatriate cattleman on Santo in the New Hebrides summed it all up when he observed, "The Japanese have well and truly arrived in the New Hebrides, and they're welcome because they're seen as developing the place" (Sept. 1979, p. 69).[36]

In 1960 the island economies of Melanesia were dominated by the traditional colonial powers, Britain, France, and Australia. The Japanese share of the island markets was minimal. Anti-Japanese feeling was still strong and long-established trade arrangements militated against the growth of Japanese economic interests in the area. However, the Japanese were persistent and in a pragmatic, sophisticated, and unobtrusive way they began to penetrate the Melanesian economies. The resource-poor Japanese economy complemented the undeveloped but resource-rich Melanesian economies, while at the same time Japanese industry met the growing demand for consumer goods in Melanesia. Furthermore, where others were unwilling or unable, the Japanese made risk capital available on highly competitive terms and buttressed their joint-venture schemes and investments with offers of expertise and training.

Central to the growth of Japanese economic activity in Melanesia was the question of scale. Relatively modest investment in the tiny economies of Melanesia was sufficient to place Japan in a commanding position. Thus by the late 1970s, 90 percent of the timber exported from the Solomons was destined for Japan; 75 percent of the capital employed in timber projects in PNG was Japanese; upward of one-half of all the export revenues of New Caledonia related to Japanese purchases; Japan was second only to Australia as a supplier of goods to PNG; more than 90 percent of the motor vehicles sold in Fiji were Japanese; Japanese-dominated fisheries were the second or third source of revenue in the Fijian export economy; and roughly 90 percent of the GDP of the Solomons came from sales of fish, timber, and copra, mainly to Japan. While these statistics are impressive in the Melanesian context, it was not uncommon for the entire timber or fish exports of an individual island group to constitute only a fraction of 1 percent of Japan's imports in a particular sector.

It has been, *PIM* observed "a story of almost unbelievable growth" (Nov. 1977, p. 17). Generally speaking, the Melanesian microstates have profitted from their economic relationship with the Japanese, finding them tough but valuable partners in development. What the Melanesians must constantly guard against is the shark becoming too big. The statistics enumerated above suggest that that situation, if it has not already arrived, is dangerously near.

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NOTES

1. Nor have I examined Japanese economic activity elsewhere in the Pacific islands. The Japanese occupied one-time German Micronesia in 1914 and administered the Marianas, Carolines, and Marshalls as a Class C Mandate from 1919 until the mid-1940s. They began to forge new economic links with the area in the 1970s (*Pacific Islands Monthly,* June 1973, pp. 94-94 and Sept. 1979, pp. 61 and 65)

The Japanese have also been active in the Samoas (particularly in American Samoa with fisheries operations that supply the Star Kist and Van Camp canneries), Tonga, the Cook Islands, and Tahiti.

There are some links between Japanese economic activity in Melanesia and Japanese operations elsewhere in the Pacific. For example, as I mention in this paper, fish caught and frozen in Fiji and the Solomons were frequently shipped to American Samoa for canning.

2. A labor member in the Australian Parliament voiced a general concern about Japanese economic activity in 1965 when he asked the minister for territories (responsible for Papua New Guinea) whether the latter had forgotten "that the Australians had spent their blood to turn the Japanese out of New Guinea during the last war" (June 1965, p. 21).

3. When the firms of D. J. Gubbay (New Hebrides) and Mitsubishi (Japan) purchased the British Solomon Islands Protectorate Trading Corporation in 1962 they encountered difficulty because the British preferential tariff favored the traditional Hong Kong market (Feb. 1963, p. 11).

4. Japan did, in fact, extend financial aid to Papua New Guinea prior to that nation's independence.

5. The Japan Fisheries Association greeted the news with a full page advertisement in *PIM* entitled "An Invisible Line on the Sea is Not a Wall" (Jan. 1980, p. 60).

6. Thre were some predictable spin-offs from the Pafco operation. Shell Oil Company installed a sixty-five-thousand-pound bunkering system at Levuka to cater mainly to the Japanese fishing fleet (Aug. 1964, p. 95) while repair facilities and shipway space--for ships up to one thousand tons --took on business worth several hundred thousand dollars a year (June 1976, p. 36).

7. In 1972 the canning factory produced twenty-seven hundred cartons of tuna and eighteen tons of fish meal (June 1976, p. 36).

8. During the mid-1970s catches averaged seven to eight thousand tons per annum.

9. The cannery was scheduled to process twelve thousand tons of fish a year by 1980, yielding 650,000 cases of prime-quality brine pack, up to five million half-pound cans of tuna flakes, and, as a sideline, about seven hundred tons of meal a year suitable for poultry and pig feed (June 1976, p. 44).

10. Under a companion agreement the Fiji government acquired a 20 percent interest in Fiji Can Co., formed with Toyo Seikan Kaisha (TSK). A factory was built next to the cannery to produce upward of one million cans a year. TSK supplied the equipment, technicians, raw materials, and capital.

11. JAL inaugurated its service from Tokyo to Nadi (Fiji) in 1981.

12. The Japanese were also involved--during the period under review--in purchasing Fijian copra (Aug. 1964, p. 121), bananas (May 1963, p. 133; the two trial shipments to Japan were not well-received and exports were discontinued: May 1974, p. 76), ginger (Dec. 1968, p. 128), and timber (July 1972, p. 108) as well as experimenting with the production of cultured pearls. The last-mentioned operation was undertaken by Pacific Holdings, an associate company of the Japanese Banno consortium (July 1966, p. 140 and Jan. 1965, p. 132).

13. There was some talk in 1973 about basing twenty catcher-boats, producing about one thousand tons of tuna a month for sale to Japan and the United States, on Noumea, but the Japanese did not proceed with that proposal (Sept. 1973, p. 83).

14. Edouard Pentecost, producer of approximately 23 percent of the nickel ore, protested strongly when Paris imposed an 853,000-ton quota on his operations after he had received contracts to export almost twice that amount. As a consequence of the quota he was obliged to ship $600,000 worth of prospecting equipment back to Japan (Nov. 1971, p. 108).

15. A further measure of the slump was the fact that New Caledonia's Seventh Development Plan (1976-1980) envisaged nickel metal exports running at 120,000 tons per year in 1980 as compared with the unachieved figure of 200,000 tons for 1976.

16. After mining, the second largest industry for New Caledonia is tourism. Much of the growth in that industry was predicated on the assumption that there would be a high inflow of Japanese tourists by 1980 (Sept. 1974, p. 91).

17. While the increase in timber exports appeared, and was, dramatic by PNG standards, PNG's share of the Japan market rose to only 1 percent (Mar. 1964, p. 120).

18. In mid-1964 PNG was exporting about two million super feet of timber a month to Japan worth approximately £500.000 per annum (May 1964, p. 99).

19. The company structures were even more complex than suggested. The marketing of Hoskins timber in Japan came to be handled by the South Pacific Development (SPD) Co. of Tokyo. The managing director of SPD Tokyo was Mr. Ogawa, a director of Southern Trade and Industry Co. Another major shareholder in SPD Tokyo was the fisheries firm of C. Itoh Co., of which the Pacific Fishing and Canning Co. (Pafco) of Levuka, Fiji, was a subsidiary (Aug. 1966, p. 142). The Japanese consolidated their position within the PNG timber industry still further in December 1972 when New Guinea Sohbu Adachi Co. purchased Placer Development's 65 percent share of Commonwealth New Guinea Timbers with operations at Bulolu in the Morobe District and Open Bay in Sew Britain. The deal also involved Sohbu's acquisition of Territory Fisheries, previously held by a Placer holding company, Territory Development (Jan. 1973, p. 11 and May 1973, p. 93).

20. On 1 July 1973 Kanbara Ship Building Co. inaugurated a series of monthly cruises from Japan direct to Papua New Guinea. Approximately, 250 passengers were carried on each sailing of the ten-thousand-ton liner *Tropical Rainbow* (May 1973, p. 85).

21. Another Japanese fisheries company, Collin Kyokuyl Fishing Co., was operating out of Kavieng in New Ireland at this time and undertook a year long study (March 1970-March 1971) of skipjack stocks (Jan. 1971, p. 90 and Sept. 1972. p. 106).

22. The Japanese have provided markets for a wide range of PNG products including cocoa beans (Fuji Oil Co. of Osaka: Jan. 1967, p. 143), crocodile skins (Horiushi Trading Co. of Japan: Sept. 1968, p. 118), trochus shell (Aug. 1966, p. 141), and pearls (Pearls at Fairfax Harbour, PNG: Sept. 1968, p. 115) while providing assistance with natural gas surveys (twelve-man Japanese study team: Nov. 1969, p. 125), the establishment of a brewery (Asahi Breweries of Japan: Dec. 1969, p. 117), exploration for minerals (Nippon Mining Co.: Aug. 1972, p. 116), reafforestation studies (at Madang: Feb. 1978, p. 20), and the planning of a hydro-electric scheme (at Purari: June 1974, p. 97).

23. Trade with Japan in the first nine months of 1962 showed imports valued at Stg. £102,700 and exports (fish and manganese) valued at Stg. £177,470 (Feb. 1963, p. 11).

24. The BSIP exported seven bags of cocoa in 1960 and twenty-one tons in 1962. Cocoa production slumped badly in the late 1960s as a result of a downturn in the world market and heavy storm damage to crops on the island of Malaita (Apr. 1963, p. 69 and Feb. 1967, p. 141).

The Commonwealth Development Corporation (CDC) leased 115 acres of land near Ilu, to the east of Honiara, in early 1964 to use for wet and dry rice experiments and the planting of oil palms (Feb. 1964, p. 123). By November of the same year CDC had harvested about four acres of wet rice and in 1968 Guadalcanal Plains (the Solomons firm that had taken over from CDC) imported a ***rice*** mill, capable of processing ten tons of polished rice a day, from the Japanese firm of Sataka (June 1968, p. 33). Coincidentally (Oct. 1968) it began exporting rice and sorghum for the first time, shipping three hundred tons of the latter to Mitsui and Company in Japan (Jan. 1969, p. 123).

Like Cocoa, the rice crop was also subject to the vagaries of the weather and the Ilu operation was devastated in December 1971 and January 1972 by two cyclones that caused heavy wind damage and flooding (Jan. 1973, p. 51).

Palm oil production did not get fully underway until 1975. By 1978 Solomon Islands Plantations Limited (SIPL), a company jointly owned by the British Commonwealth Development Corporation and the Solomon Islands government, had 3,335 hectares under cultivation on the Guadalcanal plains, and palm oil and kernel sales were earning the Solomons over A$5 million in foreign exchange annually (May 1979, p. 74).

25. A census conducted in Honiara in 1965 revealed that the population of the capital had nearly doubled since 1959, up almost 3,000 in six years to 6,431 (Jan. 1966, p. 27).

26. A number of the timbers being worked by the Solomons Forestry Company were also suitable for paper pulp production (May 1964, p. 121).

27. Lever's, an associate of the United Africa Co. (Timber) and Unilever, began extracting hardwood logs from Gizo Island in the Western Solomons in 1964 at a rate of about 500,000 cubic feet a year. It laid plans in 1967 to inaugurate a A$1 million timber project on the island of Kolombangara nearby in anticipation of exporting upward of three million cubic feet of timber per annum (Aug. 1967, p. 125).

28. Not all the timber industry news was good, and in August 1964 the Kauri Timber Co., after upward of half a century of activity on Vanikoro in the Eastern Solomons, ceased operations. Appropriately enough, the company's last shipment of logs was to Japan on the *Fiji Maru* (Sept. 1964, p. 125).

29. By 1979 Lever's had moved to within two-and-a-half years of exhausting the timber stands on Kolombangara and was attempting--in the face of increasing opposition--to negotiate new timber rights with customary land owners in New Georgia (May 1979, p. 74).

30. Even at full production the Solomon Islands remain a small timber producer in regional terms, on account of both the quality and quantity of timber. The forests do not contain the dipterocarp, the main species logged elsewhere in the region, and at forty to fifty cubic meters of timber per hectare its yields are only half those per hectare of the Philippines.

31. There was a brief flurry of interest in bauxite deposits on Kolombangara in 1966 and in nickel deposits on St. George in 1967, but nothing seems to have come of it (Aug. 1966, p. 147 and May 1967, p. 131).

32. The Conzinc Riotinto Co. was prospecting for bauxite on the island of Ugi at the same time, but the reserves were too small to be worth exploiting (Oct 1969, p. 34).

33. The second stage of processing the alumina into aluminum required vast amounts of cheap electrical power not available on the island.

34. There are some rather interesting parallels between the Pafco operation in Levuka and the Taiyo one in Tulagi. Both fisheries schemes revived backwater townships and encouraged fresh ventures in shipbuilding and ship repair (Aug. 1969, p. 109 and Apr. 1980, p. 61).

35. In September 1978 the Solomon Islands government reached agreement with Japanese fishing companies for fishing rights within the newly-independent nation's two-hundred-mile fishing zone (Oct. 1978, p. 12). The Japanese were allowed to take up to six thousand tonnes of skipjack tuna during a one year period for a license fee of A$350,000 (Nov. 1978, p. 16).

36. Elsewhere in the Pacific an observer summed up the oceanic experience succinctly: "Without Japan the Cook Islands would be in one hell of a mess financially" (Sept. 1979, p. 72).