FEEDING THE DRAGON
China and Natural Resource Developments in Oceania

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Introduction

China's economic growth and emergence as a global power engenders a hunger for natural resources – there is a need to feed the proverbial dragon. Consequently, in the past two decades, there has been an increase in China's overseas direct investments (ODI) in resource development. As China's demand for natural resources increases, even places like Oceania have seen an upsurge in Chinese investments in resource development. This is likely to continue, as long as China's economy keeps growing.

This paper provides a broad survey of Chinese ODI on resource developments in Oceania, with a focus on mining, fisheries and forestry. There are three parts to the paper. First, it provides an overview of China's "resource diplomacy," outlining the different perspectives that are often expressed. Second, it provides a survey of Chinese investments in natural resource developments in Oceania, with a focus on the three sectors mentioned above. Third, it discusses policy implications and raises questions and issues that could be the subject for further studies in the future.

The surge in Chinese ODI in resource development provides many developing countries – including those in Oceania – with much needed revenue. Chinese investments are also attractive because they are often accompanied with aid and access to credit without the stringent pre-conditions that the governments of Western countries and international financial institutions attach to their aid and loans. On the other hand, Chinese investors are frequently accused of poor environmental and labor standards, and Beijing's policy of "non-interference in domestic affairs" allegedly ignores, and in some cases perpetuates, poor governance and conflicts in the host countries. Furthermore, the increasing global presence of Chinese ODI has caused concern, especially among Western countries that perceive it as an extension of Beijing's foreign policy and representing its expansionist strategy. They therefore portray China as a threat to the current global order with the dominance of the US and its allies. These discussions often ignore the views of developing countries and the fact that many of them readily accept Chinese investments as an alternative to the West. Further, the negative representation of China disregards the fact

that many Western countries trade with and depend on China for their economic wellbeing. They also overlook the long histories of resource exploitation, land alienation, slavery and poor labor practices associated with the rise of Western powers.

In these discussions, Oceania does not usually feature prominently because China's ODI in natural resource developments in the region is, at present, relatively small compared to those from other countries.[1] However, in the past decade, this has increased and is bound to increase further, as China's economy continues to grow and innovations in technology make projects such as seabed mining economically viable and reduce the costs of extracting and processing certain minerals. This will have a significant impact on social and economic development, politics and the environment of Pacific Island countries. It could also influence geo-political and geo-strategic relations as global powers tussle for control of Oceania's natural resources. This is because Chinese investments are perceived by the US and its allies as challenging their dominance in Oceania. Furthermore, these discussions often portray Pacific Island countries, either as potential victims of a Chinese "takeover," or as naïve and uniformed about Beijing's "true" motives. Some academics, policy-makers and media commentators – especially in Australia, New Zealand and the US – drum-up the "Chinese threat" thesis (see Henderson and Reilly 2003; Windybank 2005).

China's "Resource Diplomacy"

Since the 1980s, China has made a concerted effort to access and secure reliable sources of natural resources in other parts of the world – especially in Africa, Latin America, Central Asia, Australia and Canada – to fuel its growing economy.[2] Its demand for mineral and energy resources suddenly surged in 2002. Drysdale and Hurst attributed this to the fact that the country

[1] Fisheries is an exception, as more Chinese boats have been licensed to fish in the region since the 1990s. Oceania is therefore bound to become prominent in discussions about Chinese investments in fisheries.

[2] China is a relatively resource-rich country. However, many of the natural resources that it needs to sustain its economic growth, especially hard rock minerals and energy resources, are located in the northern part of the country. Consequently, getting them to where the industries are – mostly in the coastal southeastern part of the country – would be expensive and therefore uneconomical with the current infrastructure and technology. Drysdale and Hurst point to the fact that "While well-endowed with resources in absolute terms, China's per capita endowment is poor, which has led to its rising demand being reflected in increasing purchases from abroad" (2012,16).

entered the "mid-phase of industrialization, which is more energy- and minerals-intensive than the more labor-intensive early phase" (2002, 16). Consequently, policies and strategies for accessing resources became an integral part of China's foreign policy and were closely linked to its foreign aid programs and the provision of loans. China's international relations were, in other words, closely connected to its attempts to access and secure natural resources. This is referred to as China's "resource diplomacy." It frames the nature of China's investments in resource development.

There are diverse perspectives on China's ODI and "resource diplomacy." Many developing countries view Chinese investments as a valuable and alternative source of income. It is particularly valuable for countries that have been economically and politically marginalized by Western countries because of their allegedly poor records in governance, human rights, or simply because of differences in ideologies. China invests in resource development irrespective of the host country's internal politics. In its attempts to access and secure resources, Beijing adopts the "policy of non-interference" in the domestic affairs of the host countries. Consequently, it invests even in countries that are shunned by the US and its allies. These include, for example, countries such as Venezuela (especially under the late President Hugo Rafael Chávez); South Sudan; Angola; Myanmar (Burma) and Iran. In Oceania – as will be elaborated below – Fiji, for example, strengthened its relationships with China after Australia, New Zealand, and the European Union (EU) (among others) suspended much of their development assistance to the Fiji Government following a military coup in 2006 (see Brant 2013, 167). Chinese investments in resource development were viewed as economic projects and should not be mixed with the politics of the host country. In commenting on China's investments in new oil and gas fields around the world, Susan L. Shirk states that, "The Chinese believe that because the energy supplies in reputable countries have already been claimed by the Americans, Europeans, Japanese and others, they have no choice but to ventured into countries that others have shunned as international outlaws" (2008, 23).

China is also an alternative market for exports from developing countries. This is particularly valuable because many developing countries lost out on preferential trade arrangements because of the push for trade liberalization. African, Caribbean and Pacific (ACP) countries, for example,

lost their special access to European Union (EU) markets as a result of the end of the Lome Convention. This has had a negative impact on the economies of ACP countries because they could no longer sell certain commodities to the EU market with a preferential price and without having to pay for tariffs. Stewart Firth (2005), for example, discusses how this has had negative impacts on Fiji's economy. While China might not necessarily be a market for the same commodities – for example sugar from Fiji and Jamaica – its investments provide an alternative source of income.

Chinese investments have indeed contributed to economic development in developing countries. For example, Erik Meyersson, Gerard Padró i Mequel and Nancy Qian, in a study on the impacts of China's investments in resource development in Africa, found that,

> A 1% increase in exports to China increases one-year [Gross Domestic Product] GDP growth by 0.2% and three year growth by 0.7%. Exporting [natural resources] NR to China also increases capital formation, investment in value added industries, and decreases labor force participation. This suggests that the increase in GDP is partly driven by increased investment in capital-intensive extractive industries. If China were to completely stop buying NR from Sub-Saharan African countries, on average, one-year GDP growth rates would decrease by 23%, capital formation would decrease by 66%, the value of value added industries would decrease by 21% in levels and by 56% as a fraction of GDP and labor force participation would increase by 9.6% (2008, 4).

Chinese investments in resource developments are valuable, not only for developing countries, but also in developed countries with resource-based economies. Peter Drysdale and Luke Hurst (2012) provide an interesting insight into how China's resource consumptions have impacted Australia's economy. They note that, "In 1999, China accounted for less than 5 per cent of Australia's total resource exports, whereas Japan accounted for 23 per cent. In the decade since then, the growth of Australia's resource trade has been entirely focused on China" (2012, 14).

On the other hand, China's critics usually roll out a menu of concerns about China's ODI in resource developments. There is, for example, the argument that China's attempts to secure and access natural resources are motivated, not only by economic imperatives, but also by a state-driven scheme to exert China's political and strategic influence (Kielmas 2005, 30). As Hongtu Zhao states, "China is sometimes accused of taking a 'strategic approach' rather than a 'market approach' to resource acquisition by taking resources 'off the market' and conducting a state-

orchestrated, worldwide search for energy and resources" (2014, 110). It is therefore not unusual to read, or hear about Chinese investments as part of Beijing's broader agenda to "take over" global affairs.

The perception that there was a centrally-orchestrated strategy to resource access was fueled, in part, by the fact that a majority of firms involved in China's ODI in resource developments, are state-owned enterprises (SOEs). In the energy sector, for instance, these include companies such as the China National Petroleum Corporation (CNPC), the China Petrochemical Corporation (Sinopec), the China National Offshore Oil Corporation (CNOOC) and the China National Chemicals Import and Export Corporation (Sinochem). According to Zhao, outside the energy sector, firms such as the China International Trust and Investment Corporation (CITIC Group) and the China North industries Corporation (ORINCO) "are also getting involved in overseas upstream oil exploration and production (Zhao 2014, 111). In the mineral sector there are companies such as Chinalco.

It is because of these SOEs that many observers assume that every aspect of China's investments in natural resource development is controlled by the central state and operate within particular policy and operational frameworks dictated by Beijing. Consequently, academic, policy and media discourses, especially in the West, are often framed around the threat discourse: China is out to access and control resources in order to fuel its economic growth and to establish itself as a political and strategic power in the world.

However, more careful studies of China's investments in resource developments have revealed a much more complex – and messy – story, and that Beijing is not as in control as is sometimes portrayed. These studies have challenged the perception of a centrally orchestrated and monolithic Chinese ODI agenda. Graeme Smith and Paul D'Arcy, for example, argue that we shouldn't assume that there is a "single China" and that ". . . Chinese people, the Chinese government and Chinese corporations are not monolithic entities; they represent a diverse range of interests, views and values that are shaped by their interaction with other countries" (2013, 218). This echoes the observations of other scholars (Fishman 2005).

Furthermore, the behavior of Chinese investors is influenced by a variety of factors, including, as Smith and D'Arcy argue, ". . . Chinese domestic considerations, and by legal, cultural and social norms of the host country." Consequently, the host countries influence how Chinese investors operate, as much as the policies, cultures and demands of China. Others have pointed to the fact that Chinese firms are not static. As Drysdale and Hurst point out, "Corporate governance of China's SOEs is evolving towards a system increasingly driven by market disciplines" (2012, 32).

Academics as well as media commentators have also challenged the threat discourse – the perception that China is out to "take over" the world. *The Economist*, for example, asserts that,

> For all this ambition, China is not bent on global domination. It has little interest in polities beyond Asia, except in as much as they provide it with raw material and markets. Talk of China's "neo-colonialism" in Africa, for instance, is exaggerated. The country's stock of direct investment there still lags far behind Britain's and France's and amounts to only a third of America's. Though China's influence is undoubtedly growing, its engagement is not imperial but transactional . . . (*The Economist*, 23 August 2014, 45).

Similarly, in his discussion of China's interests in the South Pacific, Jian Yang asserts that,

> . . . there is no clear evidence to suggest that China's deepening involvement in the South Pacific is a calculated strategic move for its military security. The South Pacific has little strategic value to China's national security at the present or in the foreseeable future. Chinese influence in the region is largely based on its 'no-strings-attached' aid and its increasing economic interactions with the region. China has neither the hard power nor the soft power to dominate the South Pacific (www.asianz.org.nz p. 6).

As a growing political and economic power, China is not unique in its pursued for access to and control of natural resources in other parts of the world. The expansion of European powers in the 18th and 19th centuries was due in a large part to the exploitation of resources in other parts of the world. This led to the colonization, land alienation and poor labor practices, including slavery. Corporations from these countries facilitated the access and control of natural resources. The British East India Company, for example, controlled the production and trade of resources in a large part of Asia. The US emerged much later, but was equally aggressive in its pursued for access and control of resources. For example, in its attempts to compete with European powers for control of resources, the US introduced the Guano Islands Act in 1856. This provides that,

> Whenever any citizen of the United States discovers a deposit of guano on any island, rock, or key, not within the lawful jurisdiction of any other government, and not occupied by the citizens of any other government, and takes peaceable possession thereof, and occupies the same, such island, rock, or key may, at the discretion of the President, be considered as appertaining to the United States.

This law is still in the books in the US, although it is no longer relevant because of the increasing production of artificial fertilizers. Furthermore, there is no more "island, rock, or key" that has not already been claimed by one country, or another.

So, placed in a longer historical context, China is not unique in its attempts to access and control resources in other parts of the world. There are, of course, differences between China's current pursued to access resources and that of the Europeans and the US's pursued earlier in history.

This would, however, do little to comfort Japan, the Philippines and Vietnam (as well at the US and its allies) who are concerned about the economic and strategic implications of China's assertiveness in the South and East China Seas. This is often pointed to as an example of Chinese expansionism, driven by strategic and economic interests, especially its desire to control potential deposits of seabed minerals. However, as the *The Economist* points out, Beijing does not see this as straightforward territorial expansionism. Rather, they see it as a re-establishment of the territory of the Chinese empire under the Qing dynasty; these places have always been part of the Chinese empire. Furthermore, Beijing views the Pacific Ocean as big enough for both the US and China. As the Chinese President, Xi Jingping, told the US President, Barak Obama, during his 2013 California summit, "the vast Pacific has enough space for two large countries like the United States and China" (*The Economist* 23 August 2014, 47). This could be interpreted as Beijing's perception that the "Western Pacific was a legitimate Chinese sphere of influence" (Ibid.).

Another issue that is often invoked, as a criticism of Chinese investments in resource development, is that it contributes to or exacerbates poor governance, conflicts, environmental degradations and poor labor practices. Critics attribute this to China's policy of "non-

interference" in the internal affairs of the host countries,[3] and point to its investments in mineral and oil extractions in Sub-Saharan African countries such as Angola and Sudan as examples of this (Taylor 2006).

This has, however, been challenged by numerous scholars. Debra Braughtigam (2009), an expert on Chinese aid, is one of the biggest critics of this argument. She insists that there is no Chinese investments are solely responsible for these challenges. Meyersson, Padró i Mequel and Qian (2008, 4) state that,

> . . . we find no evidence that diverting [natural resource] NR exports to China causes a slide towards autocracy as measured by Polity IV or Freedom House. Third, exporting NR to China worsens internal conflict and has adverse effects on human rights. To investigate whether these effects are generic effects from trading with a rich and politically powerful country or a fast growing economy, we compare the effects to the effects of exporting NR to the U.S. and exporting to India, respectively. We find that the positive effects on economic growth are unique to exporting to China. Surprisingly, the negative effects on human rights are similar for exporting to China and to the U.S. For exporting NR to the world at large, we found no evidence of negative effects on economic outcomes but we find evidence of adverse effects on institutional development" (2008, 4).

Others focus on the question of whether or not China's economy and therefore its appetite for resources would continue to grow. Greg Mills, Terence McNamee and Peter Jennings, for example, claim that,

> . . . all resource-based economies reliant on exports to China are in the same boat. The end of the good times may not yet be high, but China's current appetite for resources will eventually abate – and that could happen with cruel suddenness. The countries that have used their natural resources wisely to develop their human capital, build resilience and diversify their economies will be able to withstand any downturn in Chinese demand. Those that haven't had better start paddling quickly, or the shock may be too much to bear (Mills, McNamee and Jennings 2012, 10).

This argument is based on the idea that despite its current outward expressions of power, China has enormous internal challenges that are likely to result in the eventual decline of its economy

[3] In 1954, during negotiations with India over the Tibet issue, Enlai introduced the "Five Principles of Peaceful Coexistence": (1) mutual respect for sovereignty and territorial integrity; (2) mutual non-aggression; (3) non-interference in each other's affairs; (4) equality and mutual benefit; (5) peaceful coexistence. This later became the cornerstone for China's foreign diplomacy, aid delivery and its approaches to securing and accessing natural resources (see Braughtigam 2009, 29).

and its demand for natural resources. China is therefore viewed as a "fragile superpower" (Shirk 2008).

Our Sea of Dragons

China is relatively new to natural resource developments in Oceania, and its investments are few and smaller – in terms of value and volume – compared to investors from countries like Australia, France, US, Malaysia and Japan that have traditionally dominated resource development in the region.

That is bound to change as technological innovations make resource extractions economically viable and Chinese firms set their eyes on Oceania. There are resources in Oceania that are important to the Chinese. As Terence Wesley-Smith states, "Oceania is important to China as a source of key resource inputs for its burgeoning economy" (2013, 362). As Chinese investments grow, they will have significant impact on the economies, politics, cultures and environments of Pacific Island countries. As will be discussed in detail below, Chinese investments in fisheries have grown rapidly since the 1990s. They have also ventured into the mining industry, especially in Papua New Guinea (PNG) and Fiji. There is also the potential for seabed mining as innovations in technology make it economically viable. Henderson and Reilly claim that, "China has carried out extensive oceanographic research, including the analysis of the region's seabed minerals" and that the Chinese fishing fleet established a base in Fiji in 2001 (Henderson and Reilly 2003, pp. 103 & 104). Chinese involvements in forestry are, for now, largely as a market for forestry products, especially round logs from PNG and Solomon Islands.

Another important issue is the link between Chinese foreign aid and access to resources. Philippa Brant examined this and concludes that, "Unlike in other regions, in the South Pacific there are (as yet) no examples of resource deals being explicitly part of Chinese aid. Current policies suggest that the resources sector is not an overriding focus or objective of Chinese aid in the region" (Brant 2013, pp. 173 & 714). But, she went on to state that, "A notable feature of Chinese aid in the region, however, is the way that the foreign aid program is being utilized to support commercial activities, including in the resource sector, particularly when problems have

arisen" (2013, 174). PNG and Fiji are the two countries in the region that have, so far, been the focus of Chinese investments in resource development, specifically mining. They are also the recipients of a significant percentage of Chinese aid and loans to the region.

Associated with this is China's increasing high-level political engagements with Oceania. Since 2006, for example, China has held China-Pacific Island Countries Economic Development and Cooperation Forums hosted in Fiji. The first was in April 2006. It brought together Pacific Islands heads of governments to meet with the then Chinese President Hu Jintao. In November 2014, the Chinese President, Xi Jingping, visited Fiji following the G20 meeting in Brisbane, Australia. During that visit, he signed five agreements with the Fiji Prime Minister, Frank Bainimarama, "with the aim of strengthening economic and strategic ties with Pacific island nations" (ABC News, November 22, 2014). One of the MOUs includes the establishment of a Chinese cultural center in Fiji. The others cover increase economic and defense cooperation and climate change issues. He also had a "round-table" meeting with Pacific Islands leaders, and held bilateral meetings with leaders of Samoa, Vanuatu, Niue, Tonga, Papua New Guinea and the Federated States of Micronesia (Ibid.).

These meetings demonstrate China's willingness to engage with Pacific Island countries at the highest political level. This could be interpreted as illustrating the respect that China, a global power, accords to relatively small Pacific Island countries, and the extent that it is willing to go to gain political favor and resources in the region. China is not the only emerging power that is interested in Oceania. Xi's visit came after Indian Prime Minister, Narendra Modi, stopped over in Fiji following the G20 meeting. This illustrates the growing importance of Oceania for two of the world's growing economic powers. It also demonstrates Pacific Island countries willingness to look to Asia for economic and political partnerships. Pacific Island countries are now "looking north," especially to Asian countries. According to Ron Crocombe (2007, vii), this illustrates a transition from Western sources of external influence "whether cultural, economic, political", to Asia. According to Wesley-Smith (2013, 352), "According to China's ambassador to the Fiji Islands, in 2010 the value of trade with the islands region reached US$3.66 billion, a nine-fold increase from 2001, and continues to expand."

The increasing Chinese presence in the region has engendered concerns about Chinese "threat" and its "replacement" of Western powers in the region (see Henderson and Reilly 2003; Windybank 2005). Much of this discussion is reminiscent of the "threat discourses" about communism and the former Soviet Union that was dominant during the Cold War era. That led to Western powers' "strategic denial" policy – to deny "communists" access to and control of Oceania. But, China is different from the former Soviet Union: it is an economic power and is likely to become a political power in the region. Furthermore, China's interests seem to be more economic, rather than geo-political and geo-strategic.

The geo-political discussions aside, it is evident that Chinese investors are becoming more involved in resource development. This is part of China's broader engagement in the country. In Fiji, for example, Chinese investments have already contributed to positive impacts on the country's economy. According to the Reserve Bank of Fiji (RBF), Fiji's economy has had six years of consecutive growth and is forecast to grow at a rate of about 4% in 2015. It should be noted, however, that the growth was minimal – more a recovery from a previous period of negative growth. Furthermore, this growth could have been due in part to loans (mostly from China), rather than investments in the productive sector. This would not be sustainable over the longer period and when Fiji starts to repay the loans.

In celebrating the Chinese Ne Year – the year of the goat – in Suva on February 22, 2015, the Fijian Prime Minister, Frank Bainimarama, acknowledged the contributions of, not only the Chinese community in Fiji, but also the "Chinese government." He mentioned in particular the increase in the number of Chinese visitors, which is a positive contribution to the tourism industry. He was reported as saying that, "the Chinese Government had contributed a lot in the development of the country [Fiji] and in return the [Fiji] Government had given the green light to the Chinese people [to] visit the country" (*The Fiji Times*, 23rd February 2015, 3). It was reported that 28,000 Chinese visited Fiji in 2014, which was an increase of 5000 over the number of visitors in 2013 (Ibid.).

Here, I provide a broad survey of Chinese investments in Oceania, focusing on mining, fisheries and forestry. This identifies the Chinese firms invest in the different sectors, the nature of their investments, and some of the issues and discussions surrounding their involvement.

Mining

In the mining industry, China's biggest investments are in PNG and Fiji, two of its strongest diplomatic allies, and the largest countries – in terms of population and economies – in the region.

In PNG, the Chinese State-Owned Enterprise (SOE), Metallurgical Corp of China (MCC) – a subsidiary of China Metallurgical Group Corporation – owns and operates the US$1.4 billion Ramu nickel and cobalt mine in the Madang Province. This represents China's single largest mining investment in Oceania to date. Ramu NiCo Mine has had a rocky beginning due to shaky relationships between the company and customary landowners, Non-Government Organizations (NGOs), and the between the company and the state. The controversies were due to concerns that its submarines tailings disposal (STD) – or deep sea tailings pipeline (DSTP) – will pollute the surrounding ocean, poor labor conditions, and alleged. MCC bought the mine from a string of previous owners. The Australian company, Mount Isa Mines (MIM), originally owned the mine under its subsidiary, Highlands Gold. This company was divested in 1996 before being taken over by Placer Dome in 1997 (subsequently taken over by Barrick Gold). Placer Dome had acquired Highlands Gold for its Kainantu operations, it subsequently bundled the Ramu and Frieda River projects together and sold them on the 6 June 1997 as "Highlands Gold Ltd-noncore assets" to Highlands Pacific. MCC currently owns 85% , Highlands Pacific owns 8.56% share, the PNG Government's Mineral Resources Development Corporation owns 3.94%, and the landowners 2.5% (Matbob 2014, 60).

China is also one of the major buyers of PNG's Liquefied Natural Gas (LNG) that is produced by the US Company, ExxonMobil. In December 2009, Unipec Asia Co., Ltd., a subsidiary of China Petroleum & Chemical Corporation (Sinopec) and Esso Highlands Limited, a subsidiary of ExxonMobil Corporation and operator of PNG LNG Project entered into a sales and purchase agreement for the long-term sale and purchase of LNG totaling approximately 2.0 million tons

per annum. Under the agreement, the PNG LNG Project will supply LNG to Sinopec's LNG terminal in Qingdao, Shandong Province, for a period of 20 years. During the ceremony, Wang Zhigang, senior vice-President of Sinopec Corp, said that,

> "Sinopec is very pleased to reach the final sales and purchase agreement with the PNG LNG Project. The LNG we've committed will supply an LNG terminal that Sinopec is going to build in Qingdao, Shandong Province. Phase I capacity of the terminal is 3 million tons per annum. With the developments of the market, we will expand the facilities to receive 5-6 million tons per year in a Phase II stage. This LNG terminal will provide long-term and reliable clean natural gas resources to the Shandong market and will play a positive role in meeting the local demand, optimizing the energy mix and improving the local environment."[4]

The PNG LNG Project website states that it is an integrated development, which includes gas production and processing facilities, onshore pipelines and offshore pipelines and LNG plant facilities. Participating interests are ExxonMobil (through various affiliates, including Esso Highlands Limited as Operator) 41.5%, Oil Search 34.0%, Santos 17.7%, Nippon Oil 5.4%, Mineral Resources Development Company 1.2 %, and Petromin PNG Holdings Limited 0.2%. (Participation will change when the PNG State nominees join as equity participants at a later date). Six tankers will transport an estimated 6.9 million tonnes of Liquefied Natural Gas to China, Taiwan and Japan each year for the expected 30-year lifespan of the project. The PNG LNG Project is likely to alter the region's energy map. The four major customers with long-term supply contracts are all located in Asia: China Petroleum and Chemical Corporation (Sinopec) (China), CPC Corporation (Taiwan), and Osaka Gas and Tokyo Electric (both Japan).

In Fiji, Chinese investment in mining is in the bauxite mine in Vanua Levu. This is owned and operated by the Chinese SOE, XINFA Aurum Exploration Fiji Ltd. This is surface mining, which involves scraping the topsoil for about 3 to 5 meters. The lease is for 20 years. The actual mining on the current site was for 2 years (from setting up to production) and the rest of the lease period (18 years) will be for rehabilitation of the mined area, mostly through the replanting of pines. *The Fiji Times* on February 19, 2015 reports a forecast of exports in 2015 worth F$16

[4] China Petroleum & Chemical Corporation ("Sinopec Corp.") is listed in Hong Kong, New York, London and Shanghai, and it's also a fully integrated energy and chemical company. Its main businesses include exploration, development, production and trading of petroleum and natural gas; petroleum processing, manufacturing, trading, transportation, distribution and marketing of petroleum products; manufacturing, distribution and trading of petrochemical products. Sinopec is the largest domestic listed company based on its annual revenues in 2008, and it's also one of the major petroleum and petrochemical companies in China and Asia as well as one of the major producers and distributors of gasoline, diesel, jet fuel and other major petrochemical products in China and Asia.

million from 400,000 tons of bauxite ore on the current mine site is at Nawailevu in Bua. The company has acquired a second mining site in nearby Lekutu. *The Fiji Times* reports that "After Lekutu, the company plans to shift its bauxite mining work to Dreketi and discussions have started with the landowners from Nabiti Village" (February 19, 2015, 4). The main benefits for landowners is through the payment of land lease premium, annual rental, the company's contributions to community development projects such as schools, churches, etc. and compensation for properties that might have been damaged during the establishment of the mine.

Apart from the bauxite mine in Vanua Levu, a Chinese company, Zhongrun, has acquired 66% share of the Vatukoula Gold Mine Ltd., which was formerly held by Emperor Gold Mine. This is the oldest mine in Fiji, and it will be interesting to see how the Chinese firm (with the largest share) operates it.

The other mining project that has been in the pipelines for a long time is the proposed copper mine in Namosi, Viti Levu. This was proposed for many years, but is yet to start operations because of a number of reasons, including land issues, the need for detailed Environmental Assessments (EIA), and access infrastructure. However, this was not a Chinese investment.

There has been a lot of negative publication – both in the region and in other parts of the world – about Chinese companies in the mining sector, especially their records in environment, labor practices, and their hiring of Chinese labors and contracting of Chinese companies, which means much of the benefit goes back to China and there is no development of local skills. However, in his study of the mining sector in PNG, Glenn Banks argues that ". . . the recent hyperbole, fear, and racism that the re-emergence of China on the world stage as a major resource-hungry player may have little foundation this is unlikely to be any different in contemporary Papua New Guinea" (2014, 41). He goes on to say that, "There is evidence that Ramu as a mining company is already 'fitting' and adapting into the PNG context. . ." (Ibid.). In discussing the anti-Asian uprisings in PNG, especially in relation to resource development, Patrick Matbob asserts that Asian companies' tendencies to disregard PNG laws was due largely to the fact that the Papua New Guineans ". . . government has lost effective control of the processes of managing these

projects. It has overlooked its own laws and processes, and ultimately the interest of its own people" (Matbob 2014, 60).

The other interesting development, which I have not yet been able to understand due partly to language barriers, is the involvement (or lack thereof) of Chinese companies in New Caledonia's nickel mine, especially with the northern part of the main island. Furthermore, as stated above, the development of seabed mining could see the involvement of more Chinese firms in Oceania's mining industry.

Fisheries

According to the Western Central Pacific Fisheries Commission (WCPFC), "China began to develop its oceanic tuna fisheries in 1988 in the Pacific Ocean and this region is one of the earliest fishing grounds by China tuna fishery" (WCPFC 2009, 4). Fisheries in Oceania has long been dominated by countries such as Japan, the US, and Taiwan.

There are two types of boats that catch tuna in the WCPFC area: (i) Long-line (LL); and, (ii) Purse Seine (PS). There are two types of LL boats: Ice Fresh Tuna Long-Line (IFLL); and, (ii) and Deep Frozen Tuna Long-line (DFLL). There are four tuna species that are the target: (i) skipjack; (ii) yellowfin; (iii) bigeye; and, (iv) albacore.

The Chinese longline vessels operate in both the high seas and the Exclusive Economic Zone (EEZ) of Pacific Island countries. In 1988 they had only seven (7) LL vessels operating in the WCPFC Convention area, with a total catch of 42 metric ton (MT) in round weight. The number of vessels went up dramatically to 457 in 1994, with 14,062 MT of the nominal catch, the highest record level in the 1990s. However, the numbers went down after that. By 2004 and 2005, there were 212 Chinese LL vessels operating in the WCPFC Convention area. They declined slightly to 157 vessels in 2006 and then a dramatic decline to 86 vessels in 2007. But, in 2008 the number of Chinese LL vessels increased again to 199. This fluctuation in the number of LL vessels is also reflected in the volume of catch.

The big concern, especially with the LL vessels, is that Chinese boats are subsidized by Beijing, making it difficult for boats from other countries to compete with them. It also means that they can take fish long after it has become uneconomic for other boats. This would have a negative impact on the fish stock. On February 11, 2015, Michael Field, a New Zealand journalist wrote an article, titled, "`Marine genocide' warnings over Chinese fishing boats," expressing concerns about the increasing number of Chinese longline boats in the EEZ of Pacific Islands. He claims that, "More than 1,300 subsidised Chinese boats are now licensed in the region with plans for a further 300 this year" (Field 2015, 1). He quoted a "Samoa fish exporter and expatriate New Zealander John Luff" as saying, "I call it marine genocide, something needs to be done about it soon. . . The whole South Pacific stock is getting hammered and if nothing is done soon, it will be beyond recovery" (Ibid.) At the time of writing this paper, I have not been able to confirm that 1,300 Chinese LL boats were licensed to operate in the region. [I will most certainly find out if this is true and the discussions around it].

There are also arrangements where Chinese boats are contracted by the governments of particular countries to fish in their Exclusive Economic Zone (EEZ). In such arrangements, the catches are – or at least, should have been – accounted as national catch for the Pacific Islands countries. Documents show that the WCPFC that one of its greatest challenges is in monitoring and reporting of catches from Chinese vessels.

Forestry

Forestry is a major industry in PNG and Solomon Islands. In Fiji, forestry is comparative small and focused on mahogany and pine plantations. In PNG and Solomon Islands this largely involves the harvest and export of round logs from virgin forests, with limited plantation timber, mostly fast-growing species such as teak. The companies involved in log production are predominantly Malaysian and Korean Companies. The Malaysian companies are usually owned or managed by ethnic Chinese Malaysians. In PNG, for example, Rimbunan Hijau, WTK and Cakara Alam are Malaysian companies that controlled 70% of total log exports among them. Although these companies are owned by ethnic Chinese Malayans, there is no evidence that they have connections to or supported by the Chinese stated. What is evident, however, is that China

is becoming an important market for PNG log exports. As Colin Filer states, "It does seem that more of these [logging] companies are now Malaysian companies owned or controlled by ethnic Chinese individuals, and this may have something to do with the growing importance of China as a destination for PNG's log exports (Filer 2014, 51).

This is similar to the Solomon Islands case where major logging companies such as Earthmovers Ltd. are owned by ethnic Chinese Malaysians. Also, since 2000 China has become the major market for Solomon Islands logs, replacing Japan and Korea, who were major markets in the late 1980s and 1990s. It seems that China will continue to be the major markets for Solomon Islands logs.

In Fiji, there is a standing mahogany plantation that is worth a substantial value. This is managed by Fiji Hardwood Corporation and harvested to supply local sawmills and furniture producers. However, mahogany production has declined in the past few years, mostly because of land issues and the inaccessibility of some of the mahogany plantations. There is a need to build infrastructure in order to access the mahogany plantations. Apart from mahogany, pine is the other important agroforestry product in Fiji. This is harvested to mostly for the production of woodchips that is exported largely to China and Japan.

As stated above, China does not feature prominent in the production stage of the forestry sector in Oceania. But, it is important as a market. This is likely to increase and could prompt an increase in log productions, especially in PNG and Solomon Islands. But, in Solomon Islands, there is widespread acceptance that commercially accessible logs will be depleted in 10 to 15 years. This could have an adverse impact on the country's economy.

Policy Implications

Chinese ODI is bound to be a major player in natural resource development in Oceania, either in productions, or as a market for Pacific Island resources. In the mining and fisheries industries, they have and will continue to play an important role in both the productions and consumption of resources. In the forestry sector, China will likely increase its consumption of forestry products,

especially timber (either processed or as round logs). Because of this, China is and will continue to be an important trading partner for Pacific Island countries. Pacific Islands countries, especially those that have resource-dependent economies – like the Melanesian countries – will have to understand the Chinese economy and how it will influence their national economies. Pacific Island economies will become increasingly intertwined with the Chinese economy.

Furthermore, despite the largely negative publicities about Chinese ODI, especially about environment, labor practices, governance, etc., a closer analysis demonstrates that they are generally not very different from investors from other countries. Political and economic forces in Beijing as well as market forces and factors in their host countries are increasingly influencing Chinese firms. Consequently, they are beginning to conform to international investment norms.

Increasing Chinese ODI in resource development will have an impact on geo-political and geo-strategic issues in the region. Most of these will be due to perceived, rather than real threats. In the mining industry, China is still a relatively small player in both the mining of mineral and energy resources. For example, it does not play a significant role in the production of energy resources such as LNG. But, it is an important market. In spite of this, it is unlikely that China will, in the near future, be competing with investors from other countries in the mining industry. That is however different in the fisheries industry where the increasing number of Chinese boats will result in direct competition with offshore fishing nations.

Pacific Island countries will likely to compete when it comes to seabed minerals. This is particularly true for countries such as Fiji and Tonga that share borders and sometimes have contentions over particular islands or reefs.

Conclusions

China's ODI in resources development in Oceania is bound to grow, providing economic opportunities that previously did not exist for many Pacific Island countries. China's economic and political presence in the region has increased and will further increase in the future.

Traditional development partners and Western countries that have long "dominated" the region economically, politically and strategically have often portrayed this as a "threat". But, for Pacific Island countries, this is an opportunity. China is a development partner that they must learn to manage to ensure that they benefit from this relationship.

In natural resource development, China's investments are predominantly in mining and fisheries. It is, however, major market for round log exports from PNG and Solomon Islands, the two Pacific Island countries with the largest forestry industry. In mining, Chinese investments are small and few, compared to those of from countries such as Australia, Canada and the US. Two Chinese companies are involved in mineral extractions in PNG and Fiji. But, China is a major buyer of energy resource, in particular LNG from PNG. Chinese investments in the fisheries industry – especially tuna – are the most influential in terms of impacts on a common resource that all Pacific Islands countries share. There are concerns that Chinese fishing boats will push investors from other countries out of the tuna industry because Chinese boats are subsidized by Beijing and could out-compete others. There are also concerns that the increase of Chinese longline boats might lead to the depletion of tuna resources, especially already endangers species such as bigeye and albacore tuna. The other challenge is ensuring that Pacific Islands countries benefit from the industry as much as they should.

There are diverse opinions about Chinese ODI in resource development, just as there are diverse Chinese investors. There is no monolithic Chinese investor. Their impacts on natural resource developments differ from industry to industry and also from project to project. The impact on the economies of some Pacific Islands countries is significant and bound to continue to be important. Chinese investors are here to stay for the near future.

Pacific Island countries will have to learn to manage their relationship with China. The challenge for Oceania is to feed and tame the dragon, and then ride it on the development voyage. That is no easy task.

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