Study report on Chinese trade and investments in Africa

Rapport d'étude sur le commerce et les investissements chinois en Afrique

Study report on Chinese trade and investments in Africa evaluation and management of trade-offs between national economies, local livelihoods and forest ecosystems Case of Gabon

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on Chinese trade and investments in Africa evaluation and management of trade-offs between national economies, local livelihoods and forest ecosystems BRAINFOREST Quartier Ancienne SOBRAGA, Facing the Ministry of Mines, P.O. Box: 23 749 Libreville – Tel: 44 53 52 E-mail: info@brain-forest.org – url: www.brain-forest.org Registration No: 00265/MISPD/SG/CT - NIF: 89616C ® The opinions expressed, the information presented in this report do not in any way constitute the expression of the opinion of the donors and are the responsibility of Brainforest © December 2010 REPORT WRITING Laurentine BILOGO BI NDONG Reine Patrick. BANIOGUILA With the collaboration of Richelieu ZUE OBAME and Johanna Jansson Case of Gabon study report

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Acronym List APiP Agency for the Promotion of Private Investments APv Voluntary Partnership Agreement cicmh Industrial and Commercial Mining Company of Huazhou cfAD Sustainable Management Forest Concessions comiBeL Mining Company of Bélinga cPAet Provisional Exploitation-Transformation Agreements DGef General Directorate of Water and Forests DGi General Directorate of Taxes DiArf Directorate of Inventories, Management and Regeneration of Forests fLeGt Forest Law Enforcement Governance and Trade GeB Gabon Export Wood-AssALA-Wood Company of Kota htG Honest Timber Gabon iDe Foreign Direct Investments ifL Lambaréné Forestry Industry oiBt International Tropical Timber Organization mefeDD Ministry of Water and Forests, Environment and Sustainable Development PfA Associated Forest Permit PGG Permit for Gré à Gré onG Non-Governmental Organization oPeP Organization of the Petroleum Exporting Countries reDD Reducing Emissions from Deforestation and Forest Degradation sfik Industrial Forestry Company of Koulamoutou tBni Wood Transport International Trade uicn International Union for Conservation of Nature Wcs Wildlife Conservation Society

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6 Chinese Trade and Investments in Africa: Summary: In the last fifteen years, the share of investments made by Chinese companies in Gabon, across several sectors of activity, primarily those related to forests and the livelihoods of local communities, has significantly increased, raising questions about their impacts on local/national economies and, above all, on environmental sustainability. China's economic growth indeed depends on its producers' access to raw materials such as minerals, wood, oil, and food. The contrast with Gabon is enormous; a small Central African country endowed with vast natural resources, a very small population, and an economy that primarily depends on oil rents. China's attraction to Gabon thus lies in the fact that the latter is rich in hydrocarbons and raw materials (wood, oil, iron...) necessary for its rapidly transforming economy. Gabon is a true gold mine of natural resources. However, the exploitation of these resources reveals two major concerns: first, the fragility of the ecosystems that are the source of this wealth, whose mismanagement can compromise regeneration (of certain resources), and secondly, the governance necessary to ensure that exploitation is ecologically sustainable and economically beneficial to the Gabonese people. This study report is a diagnostic analysis of the influence of Chinese investments and exports to China in the process of sustainable forest management and the livelihoods of rural communities in Gabon. At the end of this study, it emerges that Chinese investments are mostly directed towards sectors of forestry, mining, and fishing (the fishing sector is not covered by our study), while the agricultural sector currently attracts little investment. Regarding Chinese forestry companies, established in the country for about fifteen years through the acquisition of national permits and large forest concessions from foreign capital companies, they hold approximately a total area of 2,844,813 ha, representing 25.11% of the exploited forest area of the country, constituting, with 15.29% of the wood industries established in Gabon, the third group of operators in this activity segment. The mining sector is dominated by two projects, including the future exploitation of the iron deposit of Belinga (Ogooué Ivindo), which is expected to cost 1,600 billion FCFA, for a total estimated area of 7,224 km², and the project for the exploitation and marketing of

manganese from Mount M’Bembelé in Ndjolé, valued at 40 billion FCFA by the CICMH

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7 evaluation and management of trade-offs between national economies, local livelihoods, and forest ecosystems As for trade between the two countries, a glaring inequality persists between exports (raw materials: 70% wood, 40% manganese (Comilog annual report 2008)) and imports consisting of various products (textiles, cosmetics, food...) often of questionable quality and at prices that defy all competition, thus distorting market rules and causing serious harm to local merchants. The governance context in which these investments operate sometimes favors non-compliance with national and international investment standards, while socially and environmentally, the balance of these same Chinese investments is negative. The way in which Chinese investments influence Gabon is due to a relatively favorable legislation, but the implementation of this by the authorities is a problem that also relates to governance issues in Gabon. This situation is the source of some concern from other foreign investors. Methodological approach for conducting the study. To contribute to a better understanding and assessment of the impacts of Chinese investments in sectors affecting the forest and the livelihoods of local communities, three (3) methodological approaches were adopted. First, an intensive documentary research on the issue related to our inquiry through the documentation centers of the administrations and institutions concerned by the study (Water and Forests, Agriculture, Mining, NGOs ...), as well as on websites and works addressing the issue. To this end, some study reports, mission reports, internship completion reports, and environmental impact studies were collected: such as the one on "Chinese interests in the wood sector in Gabon (IUCN 2010), Environmental Impact Studies (Belinga, Mont Bembelé)... Next, semi-structured interviews were conducted with resource persons concerned by the study (international NGOs, World Bank, Agents: Water and Forests, Mines, Agriculture, APIP, General Directorate of Taxes,...) in order to gather their opinions on Chinese companies in Gabon. To interview the managers of Chinese forestry companies, the research team took advantage of the official release of the IUCN study report to better approach them by proceeding with a sort of triangulation. Finally, based on the information collected, a field study was conducted in the province of Ogooué-Ivindo (Mékob, Ikobey, Mayiboth) in partnership with the Participatory Mapping project during the period from July to August (10 days). This visit allowed for the identification of areas of concentration of Chinese forestry companies, to observe the extent of their practices on the ground, and finally to gather the perception

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8 Chinese trade and investments in Africa: local populations living near forest concessions. Problems encountered The major difficulty that deserves mention here concerns the obtaining of numerical data, or more generally information at the level of the forestry and financial administration (General Directorate of Taxes). There was an absence or retention of information not only from Chinese companies but especially from the administration and sometimes even from some of our colleagues from international NGOs. Similarly, the majority of documents made available to us were outdated and thus unusable. The lack of data updates prevented comparison with other non-Chinese companies operating in the same sectors.

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9 Introduction evaluation and management of trade-offs between national economies, local livelihoods, and forest ecosystems I. Introduction The decade of 2010 that is coming to an end has been marked economically by a great breakthrough of Chinese companies in Africa and Gabon in particular. The International Monetary Fund estimates Chinese investments on the African continent at one trillion US dollars, making this country one of Africa's largest creditors

(IMF 2010). Chinese presence is observed in sectors as varied as construction and public works (road construction), mining (oil, iron, manganese), fishing, or even forestry exploitation. Whether public or private, for nearly fifteen years (1995), Chinese companies have been competing with older European ones in Africa in these fields. Regarding Gabon, Sino-Gabonese cooperation began on April 20, 1974, with the joint communiqué on the establishment of diplomatic relations between the People's Republic of China and the Republic of Gabon, followed a few weeks later by the arrival of 75 Chinese agricultural technicians 1 . Friendship and cooperation relations have continued to grow between the two countries through the multiplication of reciprocal visits by high-ranking officials from China and Gabon (between 1974 and 2008, former Gabonese president El Hadj Omar Bongo visited China more than eleven times). China is keen to get involved in the country's development aid, and by the end of the year 2000, the total amount granted by China to the Gabonese government, as interest-free and low-interest loans, was estimated at over 600 million Yuan RMB (approximately 73 million dollars). These funds have been allocated to the realization of a large number of cooperation projects, which include, among others, the new palace of the National Assembly of Gabon in Libreville, two medical centers (including the sending of twelve Chinese medical teams), two primary schools, a pharmaceutical laboratory in Franceville in the southeast of the country, a cassava processing plant named SODAG (Eastern Agricultural Development Company in Gabon), and two wood processing factories located at the port of Owendo 2 . Moreover, at the China-Africa cooperation forum in Beijing, an action plan (Beijing 2007-2009) was adopted, granting a total of two billion dollars to Africa to successfully carry out financing agreements. A portion of this funding was used for the construction of the Gabonese Senate. In the field of economic cooperation, several agreements have been signed, such as the "Agreement on the protection of investments between the governments of the 1 Continental N°54 November 2006, page 52 2 www.cooperation-internationale.com

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10 Introduction Chinese People's Republic and the Gabonese Republic in May 1997, and the Agreement on interest-free loans that China will provide to Gabon in December 2002". But China and Gabon are primarily major trading partners. Trade between the two countries reached a trade volume of 479 million dollars between January and July 2006, representing an increase of 122% compared to the same period of the previous year, before peaking at a value of 1.93 billion USD in 2008. The consequence of this situation for Gabon is that there is a spectacular rise in its trade balance with China (see fig.1), while at the same time a redefinition of power relations is observed in some of its markets traditionally dominated by European companies. However, China encourages very little diversification, as highlighted by an OECD report (June 2006). While the search for raw materials necessary for its economy generates growth in exports and an increase in Chinese direct investments in Gabon, with Chinese investments have come companies that disregard sustainable management and fair trade rules (non-compliance with regulations, very tough competition for local merchants, imported labor from China...) as indicated by Professor François Lafargue in an interview with Continental magazine 3 . figure 1: Trade evolution between Gabon and China from 1995-2008 Source: World Trade Atlas Data 3 Continental n°54 November 2006 P.49

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11 Chinese influence in Gabon: Overview evaluation and management of trade-offs between national economies, local livelihoods, and forest ecosystems II. Chinese influence in Gabon: Overview Gabon is a small country in Central Africa with a low population (1.5 million inhabitants), but it is rich in natural resources. Gabon depends notably on the price of crude oil, as it is one of the leading oil producers in Africa and a member of OPEC. With the depletion of oil

expected, Gabonese authorities are seeking to diversify their economy. Thus, in his societal project, President Ali Bongo Ondimba relies on the industrial pillar with "the local valorization of raw materials. For it is true that no country can develop by exporting only raw materials. The momentum initiated with the production of ferro-manganese will thus be consolidated, thanks to the exploitation of new manganese deposits, the construction of new railway branches, and the exploitation of iron ore from Belinga." The economic attractiveness of the country is based on raw materials such as wood, manganese, and iron that it possesses. Gabon is a true gold mine of natural resources. But the international community and the Government have also recognized the fragility of its ecosystems. According to the authorities, nearly 85% of Gabon is covered by tropical forests of astonishing ecological diversity and very important for the planet's preservation through their carbon dioxide capture. Thus, the second pillar, "Green Gabon," aims to preserve the ecosystem in "a deep concern for environmental respect, which must transpire both in the integration of the environmental dimension in each of the country's projects and in the daily actions of every Gabonese." Reconciling the industrial exploitation of natural resources and environmental preservation is the challenge that Gabon must face in the coming years so that the country's development does not come at the expense of the environment and the populations living there. All the collected data and the exploitation of interview contents allow us to assert that Chinese dominance in Gabon is mainly felt in the forestry and mining sectors, but also in fishing (a sector not included in our study). The agricultural sector, on the other hand, remains little influenced by Chinese investors.

12 Governance of FDI and Corporate Practices Trade and Chinese Investments in Africa: III. Governance of FDI and Corporate Practices Foreign Direct Investment (FDI) is defined as international capital flows from a parent company in one country to a subsidiary in another country, or that allows the parent company to obtain a majority stake in a foreign company. FDI is different from other forms of international capital movements because it involves a transfer of resources; it also implies the acquisition of control over assets in another country (Krugman and Obstfeld, 2000). As for governance in promoting investments, it refers to the set of institutional and administrative processes that ensure the satisfaction of criteria for predictability, accountability, transparency, and participation. While some countries, such as those in East Asia and Latin America, have managed to mobilize significant foreign savings, Sub-Saharan African countries have remained on the sidelines of financial integration and globalization in terms of private capital markets. The reasons for the insufficiency of FDI flows to Sub-Saharan Africa are multiple, among which the business climate is quite unfavorable, characterized by the democratic mediocrity of political and infrastructural institutions, corruption, a shortage of skilled labor, and dysfunctions in tax and customs administration. Regarding Gabon, foreign investments in the country are experiencing slow growth. The 2009 report on the average risk levels for investors in Africa by the French Insurance Company for Foreign Trade (COFACE), published in March 2010, ranks Gabon 10th in Africa with a 'B' rating, the same as in the last ranking of 2005. The 2009 country risk seminar explains that despite its great wealth in raw materials and its unparalleled political stability on the continent, Gabon still presents too many shortcomings in institutional capacities, significant failures in transport and energy infrastructure, as well as an economy still too dependent on the oil sector; indeed, oil is the main destination for FDI in the country. Added to this are the limited market potentials and bureaucracy. However, the country is determined to break free from its dependence on oil exploitation and move towards diversifying its economy. To attract more investors, Gabon has adopted initiatives favorable to foreign investments. These complement a number of regulatory provisions taken a few years earlier, such as the Investment Charter established by Law No. 15/98 of July 23, 1998. It outlines the objectives and mechanisms implemented to promote

investment, the expansion of businesses, and individual activities without discrimination based on the origin of the investor/entrepreneur or the sector of activity in which they operate. Its aim is to promote growth and diversification of the economy based on harmonious development of the private sector and investments. Article 2, "to secure foreign investments". The country creates: on February 2000, under the supervision of the Ministry of Commerce and Industrial Development, responsible for NEPAD, an Agency for the Promotion of Private Investments (APIP) whose missions are: i. To inform, advise investors, and facilitate all administrative procedures related to the creation of a business; ii. To seek investors and partners, technical, financial, and commercial from around the world; iii. To organize both in Gabon and abroad, events (forums, seminars, exhibitions, etc.) on the investment and business environment in Gabon; a future free zone in Mandji (Port-Gentil) which offers attractive fiscal conditions such as: - total exemption from customs duties - absence of import, export licenses, price controls - freedom of financial transfers ... This new project initiated and conducted under the directive of the Presidency of the Republic will cover an area of approximately 2000 hectares, divided into seven (7) plots. According to Law No. 10/2000 creating

the Mandji Free Zone, adopted in October 2000, and the reflections conducted by the project leaders, the targeted activities are not exclusive: the oil and gas industries and services, the secondary processing of wood, which would benefit from the recent growth of sawing, slicing, peeling, and veneering activities in the country, storage, assembly, and distribution of products. service activities related to new technologies such as training, teleworking, and the promotion of new technologies. The initially planned start date was set for 2006. To date, despite some progress, much remains to be done, and no precise date can be given for the actual start date. Furthermore, there is a project to create another free zone called the "Special Economic Zone (SEZ)" conducted jointly by the Gabonese government and Olam Singapore. The SEZ will cover an area of 12,000 hectares and "offers a tax, customs, and commercial regime comparable to that traditionally offered in free zones": total tax exemption for companies for ten years, exemption from customs duties, freedom of financial transfers, absence of import, export licenses, and price controls, and reduction of personal income tax. Gabon thus offers a favorable legal and fiscal context for business, for many foreign investors. Thus, in 2008, an increase in FDI stocks was observed compared to the previous year, as indicated in the graph below. Figure 2: Foreign Direct Investments in Gabon (*) Projections for 2009 and 2010 Source: IMF, 2010 available in the daily newspaper l'Union of March 5, 2010. Even if the statistics place France at the top of the list of foreign investors in Gabon, other countries are interested in Gabon, notably China, which is keen to catch up in acquiring natural resources to meet the demand of its domestic market. Indeed, the aforementioned obstacles do not seem to deter Chinese investments, a significant portion of which provides African countries with rapid responses to development problems, said Mamadou Lamine Ba, the Senegalese Minister of International Cooperation, speaking about his country. The same goes for Gabon, concerning certain agreements with China, such as the contract for the Belinga iron ore exploitation project worth 3 billion Euros, which includes the construction of the Kongou Falls hydroelectric dam, a railway, and a deep-water port in Santa Clara. The issue of governance concerning Chinese investments must be understood in a context primarily dominated by the need to develop the country economically while preserving ecological sustainability. Indeed, Gabonese authorities direct investors first towards the extraction of natural resources, which are largely non-renewable. The economic development of the country also raises complex questions. Despite decades of oil wealth, Gabonese people have social development indicators that are much lower than those of countries with similar GDPs. The country was ranked only 103rd out of 181 in 2010 for the Human Development Index of the United Nations Development Program (UNDP). Therefore, although the concern of the rulers is to equip the country with a number of development

infrastructures with the returns from natural resource extraction projects and the support of investors, the country's history shows that these considerable returns from oil and timber struggle to transform into better living conditions for Gabonese people. According to Xavier Aurégan, another aspect of Chinese investments is the frequent lack of transparency in contracts or commitments. In the case of the Belinga iron mine file, the opacity of the contract and the apparent scale of the commitments made were one of the aspects that motivated civil society to rise up to denounce a concession contract that seemed unfavorable to the Gabonese side. The reasons for this opposition, according to Gabonese civil society, concerned: the non-respect of legal provisions by both parties, the collusion between the Chinese operator and the

Gabonese administration. For Gabonese civil society, the Chinese advanced several billion CFA francs to the Gabonese state, but no trace of this funding has been found in the Public Treasury. The Chinese side hesitates to make all data public, which in a context of often insufficient governance suits African leaders. Even if we assume that the Gabonese investment code and the various sectoral codes of the fields of activity concerned by the study do not establish a preferential order among potential investors, it should be noted that Chinese entrepreneurs do not hesitate to create preference through the very subtle game of commission deposits often evaluated at rates approaching 20%. Laurent Delcourt: "The Chinese offer what they call win-win deals to African leaders. They are very happy that this new diplomacy is relieved of a morality that they often found both hypocritical and awkward for business."

16 Overview of Key Sectors Chinese Trade and Investments in Africa: Chinese investments, trade relations, and aid (construction of roads, dams, public buildings, etc.) are part of a "package" negotiated with African countries in general and Gabon in particular. IV. Overview of Key Sectors IV-1. The Forestry Sector Context According to the forestry administration, the forest covers 22 million hectares, of which 14 million are in the permanent domain of the State and 8 million hectares in the rural domain (areas dedicated to community forests, hunting and fishing grounds, etc.). The permanent domain of the State is subdivided into 10 million hectares of production forests and 4 million hectares of protected areas. Inventories of forest resources conducted in 1990 show that the country has about 400 known species, but only about sixty are exploited, with a strong dominance of two species: okoumé and, to a lesser extent, Ozigo. The latter represent about 40 to 50% of the total log production. However, the reserves of okoumé, the most commercially traded species, are estimated at 130 million m3, while the total potential of timber would be around 400 million m3. The forest has long constituted the primary national economic wealth before being surpassed by oil in the early 1970s. Even today, in the search for diversification of its economy, as a palliative to the decline in oil resources, the Gabonese State places its hopes on the revitalization of the timber sector, which is, moreover, the second employer after the State with about 14,000 people (Chevalier et al., 2009). In 2007, the timber sector experienced strong growth in its added value. It recorded an increase of 22%, rising from 190.9 billion FCFA in 2006 to 232.9 billion FCFA in 2007. There is no doubt that logging has generated very significant profits for logging companies, and that the State has gradually increased its share of these revenues through taxes, leases, etc. However, the allocation of logging concessions has also served the clientelist tendencies of the government, as highlighted in a WRI report in 2003; "In Gabon, it was discovered not long ago that not only President Bongo, his family, and every important minister in the government had logging concessions, but all had failed to pay the prescribed taxes and were therefore operating illegally." The coastal area has been reserved for nationals, allowing local dignitaries to lead a comfortable life by renting their exploitation concessions to foreigners (leasing). To meet regional and international requirements for sustainable and sound management of forest resources (2000 ITTO objective, COMIFAC convergence plan, Rio Conference 1992, etc.), Gabon initiated a multitude of reforms of its old forestry code (law 01/82) in the 1990s, culminating in the promulgation at the end of December

2001 of law 016/2001 establishing the forestry code in the Gabonese Republic. This law encourages the sustainable management of forests, the industrialization of the timber sector, the sustainable conservation of resources, and a stronger involvement of local communities in the management of the considered resources. Gabon has shown a strong commitment to sustainability in the management of its natural resources, particularly through forest management and the creation of national parks. To ensure sustainable forest management, Gabon emphasizes the production of management plans for each concession; these plans are the essential piece of Gabonese forestry legislation. The environmental challenge in Gabon is linked to economic and social challenges. Gabon has decided to diversify its economy, and logging is a strategic element in this diversification. The government aims to push for more wood processing to create jobs and added value by completely banning the export of raw wood (logs) in May 2010. Ultimately, the country, through its 2001 Forestry Code, also relies on the contribution of former loggers to the development of

neighboring communities and the respect of their forest use rights. All of this is made operational through the management plan. Current trends make the Gabonese forest an "essential potential for the regional ecosystem and a real economic asset for the country." The approach towards Gabon's adherence to processes of good forest governance and/or combating illegal logging and its trade (FLEGT/APV) or combating climate change (REDD) requires the country to adopt reforms in the exploitation of its resources to raise awareness and hold accountable the various stakeholders in the sustainable management of this sector. Today, therefore, all new investors in the forestry sector and other holders of forestry permits are required to commit to the State to provide a management plan during the three (3) years of Provisional Management-Exploitation-Transformation Conventions (CPAET). Most of these conventions were signed between 2002 and 2005.

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17 Overview of Key Sectors Chinese Trade and Investments in Africa: Ten years after the promulgation of this new forestry code, it is clear that the situation of forest management, the basis of sustainable management of forest resources, so often praised by Gabon, is struggling to take off. The government's goal of placing all production forests, about 13 million hectares, under sustainable management is indeed slow to be achieved. To date, only 13 concessions have a management plan covering 3.6 million hectares, and 36 other forestry concessions, covering about 6.2 million hectares, have only signed provisional management-exploitation-transformation conventions (CPAET), some of which have already expired. The results of documentary research and direct observations show the marginal level of involvement of most forestry companies in the development of management plans. And yet, while in some concessions the authors strive to ensure compliance with the requirements set by the government, others, such as the Chinese, are reputed to be among the poor performers in the "game" of management. Obviously, the shortcomings of operators and investors in the forestry sector are also linked to the implementation of legal texts by the authorities (many articles lack implementing texts). The absence of sanctions against operators and the lack of declarations regarding the authorities' share contribute to a less than favorable situation. Rather than remedying the problems in the forestry sector a priori, the Gabonese government continues to invite the Chinese to invest more in the country. The objective of this section of our study will be to highlight the characteristics of forestry companies with Chinese capital, first on a general level, presenting their mode of establishment, their location, and their area, then we will establish a diagnosis of their impact on the environment and on the livelihoods of local communities through an analysis of their ability to comply with regulatory standards. The study report on "Chinese Interests in the Timber Sector in Gabon," commissioned by IUCN in June

2010, contains a significant amount of current information and data on the practices of Chinese companies. A large part of this information will appear in this section of our report as it comes from documents made available to the public at MINEFEDD (activity reports, studies) and on various websites.

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19 Overview of Key Sectors Evaluation and management of trade-offs between national economies, local livelihoods, and forest ecosystems The involvement of Chinese companies in logging in Gabon. Mode of establishment of Chinese forestry companies and their location The establishment of a company in a locality follows certain requirements and realities of the environment. Regarding forestry companies in Gabon, their establishment requires prior compliance with determined legal and regulatory provisions, namely: the possession of a registration number in the commercial register; the provision of a bank guarantee from the bank where it is domiciled; the possession of a valid business license; registration with the tax administration (Tax Identification Number (NIF)); registration with social security (National Social Security Fund (CNSS) registration number); possession of receipts for payment of employer contributions; registration with the forestry administration (Articles 101, 102 of the forestry code). Thus, to obtain a forestry exploitation permit, operators must submit a request for the allocation of permits intended for the exploitation of forests to the Ministry of Water and Forests, after having previously defined their areas of expertise. The quality of the elements contained in this request entitled them or not to the requested permits. When around 1995 Chinese forestry companies established themselves in Gabon, the administration in charge of forests proposed to suspend the allocation of permits based on a simple request in favor of tenders for greater transparency. The new forestry code now only provides for three types of permits: CFAD, PFA, and PGG. From now on, "Any request for a Forest Concession under Sustainable Management, abbreviated CFAD, is addressed to the Minister in charge of Water and Forests through the Head of the Provincial Inspection of Water and Forests to which the concerned area belongs" (Article 106). However, it is the increase in forestry taxation from 8F/ha to 600F/ha that remains an important determinant for many Chinese companies in acquiring forestry permits. Indeed, national holders of forestry permits found themselves unable to bear the forestry taxes, which often amounted to several million. The options for transfer, leasing, and repurchase authorized by law allowed the Chinese to acquire permits, most of which were sold off by nationals (Table 1). This situation increases the presence of Chinese investors in the timber sector, without

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20 Overview of Key Sectors Chinese Trade and Investments in Africa: However, it seems to have the same enthusiasm in forest management. Chinese forestry companies are thus investing in Zone 1, reserved for Nationals (Hua-jia; SFIK, HTG...). Another important factor that facilitated the integration of the Chinese into the Gabonese forestry sector was the acquisition of Gabonese nationality, which allows some to hold Associated Forestry Permits (PFA) theoretically reserved for nationals, even though they have not initiated the management process required by the authorities: this is the case of ZHANG WOU ZONG (PFA 87/03). Table 1: National Permits Leased and/or Bought by Chinese Companies. PROVINCES TYPE OF PERMIT PERMIT NO. HOLDER LEASE/BUY Ogouoé Invindo PFA 20/02 MELAN MBOTE A. TBNI Ogouoé Invindo PFA 18/02 EBANE Martin TBNI Ogouoé Invindo PFA 19/00 NTSAME Martine TBNI Ogouoé Invindo PTE 56/01 KIGUI TBNI Ogooué Ivindo PTE 42/00 MINKO D. TBNI Ogooué Ivindo PTE 76/03 MALOMBO BOUDIANDJA HTG Estuaire PFA 26/02 BATSIELILI Delaconte Greenedge Estuaire PTE 11/91 GONDJOUT Laure Olga Greenedge Estuaire PTE 52/00 GONDJOUT Laure Olga Greenedge Estuaire PFA 83/03 Pongui Jules Henry Sunry Ngounié PI 04/03 Ntoutoume

Emane J.F. HTG Moyen-Ogooué PTE 29/93 BILOGHE AMIENG ALONG SARL Source: DBF Table (MapInfo) DGEF Cartography Service Schedule; 2007 In addition to the acquisition of small Gabonese forestry companies by some Chinese firms to integrate into the Gabonese forestry sector, others have opted for the acquisition of larger companies, the most spectacular examples being the purchase in April 2009 of the Leroy Gabon group (Plyrosol) by Honest Timber, a Chinese firm (Belligoli, 2010), and recently the company Gabon Export Bois (GEB) bought on August 4 by the Chinese group Shengyang for 68 million euros for 1.47 million hectares of forests).

21 Overview of Key Sectors evaluation and management of trade-offs between national economies, local livelihoods, and forest ecosystems On June 15, 2010, after a return to the domain of 73 permits whose conclusions are still awaited (moratorium??), Gabon currently has 579 permits (WRI 2010) across all types of permits; 145 are available to Asian companies, with 121 in the hands of the Chinese. (Table 2) Regarding forestry companies registered with the commercial registry, data collected from the Agency for the Promotion of Private Investments (APIP) indicate about ten Chinese forestry companies registered with the APIP (Table 2 list of registered companies in bold) in addition to the large companies recognized by the administration in charge of Water and Forests. However, this data only concerns companies registered with the APIP since 2008; therefore, they are not exhaustive. Additionally, it should be noted that none of these companies, as well as European and Gabonese ones, have the professional approval from Water and Forests as required by law, since the latter has never been the subject of an implementing text. In addition to the acquisition of small Gabonese forestry companies by some Chinese firms to integrate into the Gabonese forestry sector, others have opted for the acquisition of larger companies, the most spectacular examples being the purchase in April 2009 of the Leroy Gabon group (Plyrosol) by Honest Timber, a Chinese firm (Belligoli, 2010), and recently the company Gabon Export Bois (GEB) bought on August 4 by the Chinese group Shengyang for 68 million euros for 1.47 million hectares of forests). Table 2: Officially Registered Chinese Companies at DIARF, their areas. (Source: P.O.O DGEF 2010) GROUPS/COMPANIES NUMBER OF PERMITS * ADMINISTRATIVE AREAS (HA) SUNLY/SUNRY COFCO Group - SUNLY Okandja (7 permits) 7 199,507 - SUNLY Mouila (7 permits) 7 165,552 - SUNRY Fougamou (4 permits) 4 50,037 - SUNRY Mekambo (3 permits) 3 327,225 Shandong Longsheng and Honest Timber Groups - HTG (23 permits) 23 409,107 - Leroy (with the current problem) (7 permits) 7 549,327 - ALONG Sarl TBNI Group - TBNI (23 permits) 23 438,386 Mont Pele Bois (14 permits) 14 Greenedge 5 84,354 Forestry Devpt Gabon (FDG) 3 Hua Jia Group - Hua Jia (1 permit) + (10 permits from TLP) 11 100,000 Industrial Forestry Company of Koulamoutou (SFIK) 2 134,290

22 Overview of Key Sectors Chinese Trade and Investments in Africa: GROUPS/COMPANIES NUMBER OF PERMITS * ADMINISTRATIVE AREAS (HA) Gabon Export Bois-ASSALA-Wood Company of Kota (GEB) 8 107,240 Lambaréné Forestry Industry (IFL) 1 102,900 GABONESE TRANSPORT AND FORESTRY OPERATIONS COMPANY (SOGATEF) MATERIALS-WOOD TRADING COMPANY (SARL M.N.B) TAIWAN GABON CO COFAGA GABON LOULIN SHENG YANG INTERNATIONAL WOOD OF GABON Wei Longsheng Gabon ALL FOR ONE ZHU ZHONG QING XUE JIE 3 TOTAL PERMITS/AREAS HELD 121 2,667,925 * Data collected from WRI Other information obtained during interviews with resource persons from the ministries and administration (DGI, DGE CNSS) involved in the creation of forestry companies in the Gabonese Republic reveals that while among these Chinese forestry companies, the majority meet the establishment criteria (business approval, CNSS number, NIF...), it does not mean that they pay their dues to the state.

According to the National Social Security Fund, SFK has three years of unpaid dues 18. Prosper Obame Ondo: these companies with Chinese capital hold a total area of 2,844,813 ha, or 25.11% of the exploited forest area of this country. The companies Leroy Gabon, Sunly-Sunry Gabon of the state group COFCO, Transport Bois Négoce International (TBNI), and Honest Timber Gabon (HTG) are the leaders with more than half of this area (UICN report 2010). This area is undoubtedly larger due to the many shell Asian companies often holding undeclared Chinese capital (Belligoli, 2010). They constitute, with 15.29% of the wood industries established in Gabon, the third group of operators in this activity segment and finally they are the leading exporters of Gabonese wood with an average annual volume of logs of more than one million m3 representing over 70% of Gabonese wood exported (Table 3) 18 Interview with the forestry companies officer.

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23 Overview of Key Sectors evaluation and management of trade-offs between national economies, local livelihoods, and forest ecosystems Table 3: Evolution of log exports to China (x1000 m3). PERIOD JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC TOTAL 2006 45 54 92 53 82 104 46 54 103 97 96 132 958 2007 61 65 179 101 106 98 61 86 52 138 94 110 1151 2008 142 16 121 90 117 42 117 48 105 71 123 85 1077 2009 63 97 76 118 85 69 53 103 165 64 103 106 1102 2010 80 107 94 281 Source: Chinese Ministry of Consumption (2010) available at www.globaltimber.org.uk As for the spatial distribution of Chinese forestry companies across Gabon, there is a concentration of forestry concessions with Chinese capital in the province of Ogooué Ivindo because the region is known to have a great wealth of timber. Some Chinese companies (HTG, Hua-jia...) are adjacent to national parks (Ivindo, Mwagna, Minkebe). The GPS points taken by WCS agents in 2008 show that these companies extend their activities into the buffer zone and even into the National Parks. The field mission conducted in July 2010 in partnership with the participatory mapping project confirmed the same observations. Thus, the village of Mékob is located within the TBNI and HTG permits. However, the law on National Parks and the forestry code stipulate that only low-impact activities on soils, waters, fauna, and flora should be carried out in the peripheral zone of National Parks, which should further encourage strict compliance with the standards set by law.

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24 Overview of Key Sectors Chinese Trade and Investments in Africa: Map 1: Chinese Forestry Concessions in Gabon Source: PAPPFG; 2010 The analysis of the map below shows that the method of obtaining Chinese forestry permits (leasing, buying...) clearly determines their locations in Gabon. These forestry permits are located in almost the entire country, even in Zone 1 (reserved for nationals), but especially close to major communication routes to facilitate the transport of logs for export.

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25 Overview of Key Sectors evaluation and management of trade-offs between national economies, local livelihoods, and forest ecosystems Chinese companies in sustainable forest management The Chinese and environmental sustainability The implementation of logging necessarily has impacts on the environment that forest management aims to mitigate. "Sustainable management of forest resources refers to management that maintains in particular their biological diversity, productivity, regeneration capacity, vitality, and ability to sustainably satisfy the relevant economic, ecological, and social functions, without causing harm to other ecosystems" (art 17 of the forestry code). Thus, for logging to be as least damaging as possible to the environment, the new forestry code requires that any concession of the permanent forest domain must be subject to a management plan including an environmental inventory, a cutting

rotation plan, and a reforestation forecast (art 20). This new code, which recognizes only three types of permits, namely: CFAD, PFA, and the PGG, now requires each concessionaire holding a CPAET to develop a management plan within three years from the date of its signature (article 23). In order to manage all its productive forests, Gabon currently has 10,378,304 ha engaged in the sustainable management process, including: 6,958,829 hectares of forests registered in the management process through the signing of Provisional Management-Exploitation-Transformation Conventions (CPAET) by certain holders of permits on one hand; 3,419,475 hectares have been subject to management plans validated by the forestry administration, thus constituting under-sustainable management forest concessions (CFAD) on the other hand. 1,304,900 hectares benefit from FSC certification, including three (3) concessions from Rougier and two (2) concessions from CEB (State of the forests 2008). While Gabon holds a leading position in Central Africa in terms of commitment to the management process of allocated concessions, the commitment of many companies does not materialize in practice and calls into question the sustainability sought by the Forestry Code. Legally, leasing operations no longer exist; however, Chinese companies continue to use them with the exploitation by the Chinese concessionaire Hua-jia of 10 permits from the French capital company TLP or TBNI which exploits the TCN permits. According to the representative of Hua-jia interviewed, the company plans to buy TLP. When closely observing the field, it is noted that these weaknesses are very common in Chinese concessions. 19 Exploitation and sustainable management of forests in Central Africa Part II, chap. 8, Page 185, line 1 paragr.2

26 Overview of Key Sectors Chinese trade and investments in Africa: Indeed, documentary analysis and field observations indicate that on a total area of 2,844,813 ha of forests held by the Chinese, only 818,932 ha have been subject to a management plan validated by the forestry administration, the rest operates on the basis of CPAET (see table 2). Obame Ondo: "Chinese capital companies show little interest in voluntarily engaging in the management process." In-depth documentary research on the sponsors of the implementation of validated management plans that these companies have proves that they are either the work of the administration in 2001 as part of the pilot management plans project (Hua Jia and SFIk) or from former holders of these permits (Leroy Gabon, CEG). However, for one of the managers of Sunry-Gabon, the Management Plan of Sunry Mékambo was submitted in February 2010 for validation, and to this day they are awaiting information. The fact that Chinese companies signatories of CPAET are slow to produce a management plan for their concessions raises questions regarding possible violations of the forestry code. Thus, as noted in the WCS mission report of September 2008 on "the Hua jia and HTG permits in the Ogooué Ivindo," these companies exploit wood located outside the limits, yet they possess a validated management plan. At the same time, these practices do not seem fundamentally different from those of other operators in the sector. SUNLY-SUNRY-Gabon, TBNI, Emirates Bois are for their part flagged for exploiting wood below the Minimum Diameter of Exploitation (DME) and various fraudulent manipulations such as the lack of original documents, absence of a hammer, and the overload of delivery slips (DGEF, 2010) 20. The delay in drafting management plans by Chinese companies signatories of CPAET according to A.P. Obame Ondo, 2010: is a voluntarist strategy implemented by the Chinese that consists of cutting the maximum amount of wood before the expiration of CPAET. Additionally, it should be noted that the exploitation of a forest concession necessarily requires the installation of certain infrastructures (employee living bases, processing plants, roads) which without a management plan can be harmful to the environment. Indeed, the road network that develops around forest operations opens access routes to previously remote areas that today fuel the bushmeat trade. Despite the fact that the regulatory texts of the forestry code (Law 016/2001) related to the sustainable management of forests have been mandatory for all operators since

2005, Chinese forestry companies struggle to apply them. From the analysis of the situation 20 Armand Prosper OBAME ONDO: "Study on the weight and impacts of the activity of Chinese capital companies in the Gabonese wood sector"

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27 Overview of Key Sectors evaluation and management of trade-offs between national economies, local livelihoods, and forest ecosystems of management of Chinese concessions, it emerges that the administration does not fulfill its role, due to its lack of rigor in the application of regulatory texts. Observations made, despite the multiple reports established by provincial inspectors of the administration in charge of forests on the infractions of the Chinese, sanctions are rarely imposed on them. Even today, most of the CPAET signed by the Chinese have expired, yet they continue their activities calmly under the watch of the administration. table 4: Chinese forestry companies engaged in sustainable management (Source WRI, 2008) COMPANIES AREA HELD (HA) AREA TO BE MANAGED OR UNDER MANAGEMENT AREA NOT MANAGED OBSERVATION 1- HONEST TIMBER GABON (HTG) 409,107 409,107 CPAET signed in dec. 2007 2- SUNLY-GABON 695,255 695,255 CPAET signed in nov. 2008 Management works not started on the ground 3- SUNRY GABON 380,233 380,233 CPAET signed in nov. 2006 and Jan. 2007; Management works not started on the ground except for the management plan of Mékambo submitted in February 2010 4- HUA JIA (380,233 108,000 Management plan validated in 1999 and under revision 5 - TRANSPORT BOIS NÉGOCE INTERNATIONAL (TBNI) 108,000 438,386 Management inventories in progress 6 - INDUSTRIE FO- RESTIÈRE DE LAM- BARÉNÉ (IFL) 438,386 102,900 Management works not started on the ground 7 - SOCIÉTÉ INDUS- TRIELLE FORESTIÈRE DE 102,900 CPAET signed in January 2004 KOULAMOUTOU (SFIK) 134,290 1,340 Inventory validated in June 2006 Management plan validated in April 2009 8 LEROY GABON 576,642 576,642 Management plan implemented TOTAL 2,844,813 818,932 2,025,881

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28 Overview of Key Sectors Chinese trade and investments in Africa: Chinese companies and social sustainability: The fact that a forestry company does not have a management plan necessarily leads to consequences on the social level. Indeed, when a title of exploitation is granted to a company, all parties concerned with the management of the forest resources of that space must be informed in order to establish a specification to promote their rights (workers, local communities). In its article n°251, law 016/2001 specifies, "To promote the social aspect of the sustainable management policy, a contribution, notably financial, is established, funded by the holders of these concessions to support the actions of collective interest initiated by the said communities. The nature and level of this contribution are defined by the contractual specifications related to each concession. The management of this contribution is left to the discretion of the representative assemblies of the concerned communities." This article recommends that each operator with activities in the massifs close to village communities, participate in the realization of various community actions (construction of roads, schools, dispensaries, and other projects), under the control of the competent authorities. On the ground, the mechanism of specifications provided by the forestry code requiring that forestry companies perform works and services of collective interest for local communities remains largely absent. The specifications being part of the management plan, the non-existence of this (management plan) and the lack of regulation of this law by an application text penalize the populations. The majority of Chinese forestry companies signatories of CPAET, to date have never started fieldwork; consequently, they do not have any specifications linking them to the villages adjacent to their concessions. As a result, their contribution to social development remains non-existent. The practices of Chinese companies with a management plan validated by the administration appear to be little compliant with the law. For example, the company Hua Jia,

whose concession is located near the village of Ekouk a few kilometers from Kango, has adopted "a targeted/personalized policy" of aid to the community. Thus, it chooses in the village the people to help, for example, in providing electricity. The only Chinese company that tries to stand out by observing social norms is Sunly/Sunry, and according to the populations met (Ikobey), it occasionally provides contributions to the surrounding villages of its forestry concessions even if "the Chinese prefer to do everything themselves (fishing, hunting, planting their vegetables and that slows down a bit the economic development of our village)." Obame Ondo; 2010: "In terms of jobs, it is noted that Chinese companies are

29 Overview of Key Sectors evaluation and management of trade-offs between national economies, local livelihoods, and forest ecosystems write in the promotion of employment of Chinese workers." Indeed, with the exception of a few companies like Leroy – Gabon, whose capital originates from Europe, or HTG whose ratio of Gabonese employees is very high (80%) compared to that of foreigners including Chinese (20%), all other Chinese companies primarily employ essentially nationals from their country and a marginal number of Gabonese. The populations of the villages (Mékob, Ikobey, Mayiboth) located inside and on the periphery of the HTG permit claim that they have free access to the natural resources that are part of their livelihoods. However, the absence of a management plan prevents the full implementation of Article 257 of the Forestry Code, as it is through the management plan that forestry companies must reserve spaces to allow communities to exercise their usage rights. Table 5: Personnel employed in Chinese forestry companies. COMPANIES LOCATION PERSONNEL EQUIPMENT 1- Honest Timber Gabon (HTG) Ogooué-Ivindo/ Estuary/ Ngounié/ Nyanga 200 Gabonese 50 log trucks - 5 loaders - 10 flatbed trucks - 4 bulls - 50 Chinese 2- Sunly/Sunry-Gabon Haut-Ogooué, Ogooué-Ivindo and Moyen Ogooué Several hundred mostly Gabonese - 4- Hua Jia Estuary -155 Agents, including: 130 Gabonese, 20 Chinese and 5 West African expatriates 5 Bulls-4 loaders- 1 flatbed truck- 8 log trucks. 5 - Transport Bois Négoce International (TBNI) Ogooué-Ivindo 6 - Lambaréné Forestry Industry (IFL) Ngounié 7 - Koulamoutou Industrial Forestry Company (SFIK) Ogooué-Lolo 8 - Leroy Gabon Ogooué-Lolo/ Moyen-Ogooué/ Ngounié 500 employees of which ¾ are Gabonese Source: DPF 2010

30 Overview of Key Sectors Chinese trade and investments in Africa: The commitment of the Chinese in various certification processes. The obligation to carry out a management plan for any concession obtained "constitutes" an incentive to move towards the certification of forestry companies21 (Lescuyer, 2006) Emerging about ten years ago, certification protects forests against destructive logging practices. It aims to serve as a quality label, which informs consumers that a wood or paper product comes from forests managed in strict compliance with environmental and social standards. Unlike the management process, which is a regulatory constraint, certification is a voluntary approach undertaken by the private companies themselves to attest to their commitment to sustainable forest management. The implementation of various measures, however provided for by the Forestry Code, such as management plans by Chinese companies present in Gabon is so far difficult to estimate. It therefore seems difficult to make assumptions about their voluntary commitment to certification. Moreover, this commitment concerns very few operators in Gabon. Table 6: Number of certified forestry concessions TYPES OF CERTIFICATION NUMBER OF CONCESSIONS AREAS (HA) KEURHOUT 1 576,642 FSC 4 1,304,963 PAFC 0 0 Total certified sustainable management forests 5 1,881,605 OLB 3 622,399 TLTV 0 0 Total concessions with legality certificates 3 622,399 Source: State of Forests 2008

31 Overview of Key Sectors evaluation and management of trade-offs between national economies, local livelihoods, and forest ecosystems Also, the signing of the VPA by Gabon

implies that exported, processed, and sold wood in Europe must be subject to "due diligence," meaning that the importer must demonstrate as much as possible that they have systems in place to ensure the legality of their shipments (unless the country has a functional FLEGT agreement, in which case sourcing from a FLEGT country is considered a sufficient system). Conjecture on deforestation: Deforestation or clearing is understood here as the transition from forested land to non-forested land. WRI: The forests of the Congo Basin experience relatively low deforestation rates, below 0.5% for the period 2000–2005. This situation contrasts with the tropical rainforests of South America and Asia, where deforestation rates for the same period are around 1.73% and 1.29% respectively. Data indicates that the expansion of exploited forest areas in Gabon is accompanied by palpable deforestation, notably the reduction of forest area. Indeed, the "stuttering" of forest management in Gabon leaves room for non-standard logging practices. Table 7: The Evolution of Forest Area in Gabon and Deforestation (source: WRI, 2000) According to the administration in charge of forests, deforestation is relatively limited in Gabon. The most recent estimates, from the Central Africa Forest Observatory (OFAC), established over the period 1990-2000, estimate net deforestation at 0.12%. The various research conducted during this study does not allow us to make "credible" assumptions about the level of deforestation due to Chinese activities. However, if nothing is done to bring them to observe environmental standards, one can fear environmental degradation as the people encountered claim that the Chinese exploit all species, even those abandoned by other operators, sometimes beyond the limits of their permits. In conclusion, it should be noted that many companies with Chinese capital struggle to reconcile their economic needs with those of the environment and local communities near the exploited forest sites. Not only do they lack the willingness

32 Overview of Key Sectors Chinese trade and investments in Africa: to fully participate in the management game despite the signed CPAETs, but they participate weakly in the national economy, due to the export of the majority of their production (60% of log production) and their preferential use of Chinese equipment and labor. However, with the total ban on the export of Gabonese logs announced in 2010, the future of some Chinese capital companies remains to be seen. A large number of respondents emphasize that it is not only the Chinese who take shortcuts in the management of their forestry concessions. Even if it is evident that Asian actors make more mistakes than French actors, for example, it would still be an analytical error to conclude that the nationality of a company determines its behavior in Gabon. Successful strategies to combat deforestation must take these dynamics into account22. IV-2. The Mining Sector The mining sector in Gabon is underdeveloped. The only mining company that has had a large-scale operation in the sector is the French company Comilog, a subsidiary of Eramet. Comilog has been extracting manganese in Moanda since 1953 and is currently the second-largest producer of manganese in the world with a production of 3.25 million tons in 2008. (www.eramet.fr). Although it has received the most media attention and captured the interest of national and international public opinion following the outcry from Gabonese civil society organizations denouncing the particularly predatory and harmful nature of the future iron mine exploitation project in Belinga by a Chinese investor, the mining sector in general comes in second place among the sectors of activities that receive Chinese capital in Gabon. Indeed, to date, only two Chinese investment projects are on the agenda in the mining sector in Gabon. However, it should be noted that neither has started. They are still in the negotiation and preparation phases. Comibel with the iron of Bélinga The project to exploit the iron deposit in the Bélinga mountains in the northeast of the country has been the subject of heated debates since the concession was awarded to the Chinese joint venture Comibel (Compagnie Minière de Bélinga) in September 2006. After an opaque bidding process, the Brazilian company Companhia

Rio do Vale Doce (CVRD) lost to Comibel, a decision that was highly controversial. According to the Gabonese state, 22 Jansson, Johanna; Burke, Christopher and Jiang, Wenran (2009). 'Chinese Companies in the Extractive Industries of Gabon & the DRC: Perceptions of Transparency'

33 Overview of Key Sectors evaluation and management of trade-offs between national economies, local livelihoods, and forest ecosystems The decision to choose Comibel was motivated by two factors: 1- Chinese financing was deemed more stable, as it came from a state bank. 2- The Chinese side included more infrastructure in their offer (a port, a railway, and a hydroelectric dam). Aside from this official motivation, numerous rumors circulated. One allegation claims that bribes of several million CFA francs were delivered each week to high-ranking Gabonese officials. It has also been alleged that Jacques Chirac, the former French president, intervened in favor of the Chinese to prevent the Brazilians from taking contracts in Gabon. (Jansson, Johanna, Burke, Christopher & Jiang, Wenran 2009. Chinese Companies in the Extractive Industries of Gabon & the DRC, http://www.ccs.org.za/wp-content/uploads/2009/11/Ch

inese_Companies_in_the_Extractive_Industries_of_Gabon_and_the_DRC._CCS_report_August_2009

.pdf) In any case, and whatever the reasons, the fact today is that the concession has been granted to Comibel for a period of 25 years. When the mine is in operation, it is expected that production will reach 30 thousand tons annually. It is important to emphasize that initially, the project with all the infrastructure investments was valued at 3 billion USD. The financing was to be made available to Comibel by the China Export-Import Bank (China EXIM) in the form of a conditional loan. However, when Comibel completed the technical studies in 2009, the price tag for the development of the mine and infrastructure had increased to 5.9 billion USD. This was deemed too much by President Ali Bongo, who in May 2010 made a new proposal to the CEO of CEMEC during a visit to China. Currently, both parties must renegotiate the terms of the contract for the Bélinga file. (J. Jansson, 2010) From an environmental perspective, the Gabonese government's choice to allocate the Kongou Falls as a site for the construction of the hydroelectric dam has been criticized by national and international civil society. As the file is renegotiated, it remains to be seen whether the new agreement will include a hydroelectric dam, and where it will be placed. Also, the environmental impacts of this project are still to be assessed. However, a study conducted in 2008 by Landry Lebas showed that if the dam is maintained at the Kongou Falls, it risks having serious impacts on the livelihoods of local populations (flooded plantations, hunting areas) and even the displacement of certain villages. 23 Interview with a Ministry of Mines official in Libreville on 31/05/2010 and with an informed Chinese actor on 07/06/2010 24 "Study report on the impacts of the Bélinga project on the environment and populations"

34 Overview of Key Sectors Chinese Trade and Investments in Africa: CICMH: manganese in Ndjolé The Sino-Gabonese joint venture CICMH (the Industrial and Commercial Company of Huazhou Mines), whose majority shareholder is the Chinese state company CITIC (China International Trust and Investment Corporation), has been granted a concession for manganese in Ndjolé which, when the mine operates at maximum capacity, will have an annual production of one million tons of manganese. CICMH is also in the process of building a plant in Ndjolé where 50% of the mineral production will be processed. The rest of the production will be processed in factories in China. This project has been on the verge of starting since 2008. For reasons of considering environmental aspects and in accordance with the regulations in this area, CICMH had an environmental impact study conducted by a consulting firm located in Libreville called TEREA. The conclusions of this study are available at the General Directorate of

the Environment. However, on October 21, 2010, the Gabonese Government and the Industrial and Commercial Company of Huazhou Mines signed the preliminary agreement for the exploitation of the manganese mine without indicating the exact date for the start of exploitation works. In June 2010, during field research for this project, CICMH was negotiating details with Gabonese suppliers, and it is expected that the project would start before the end of 2010. Therefore, once again, it is not possible to accurately estimate the degree of impact it will have on the environment. IV-3. The Agricultural Sector Context The agricultural sector is relatively underdeveloped in Gabon, having only been recognized as a national priority in 1975. In recent years, the contribution of the agricultural sector to Gabon's GDP has significantly decreased (8.7% in 2003). The growth of the sector has been hindered by numerous structural factors: rural exodus, aging rural population, poor road conditions, low capacity of agricultural operations, and strategic choices favoring the creation of agro-industrial complexes organized by sectors (rubber, palm oil, cocoa, coffee, beef, broiler chicken). Gabon is not an agricultural country despite the presence of fertile areas generally located in the bottoms of valleys. The country has a potential of almost 15.2 million hectares of relatively fertile arable land, of which only 495,000 ha are directly exploited. 25 Daily L'union; October 22, 2010; page 4. 26 High-level conference on: Water for Agriculture and Energy in Africa: the challenges of climate change, Sirte, Libyan Arab Jamahiriya, December 15-17, 2008 (National Investment Report GABON)

35 Overview of Key Sectors evaluation and management of trade-offs between national economies, local livelihoods, and forest ecosystems In 2005, Gabon had a total population of 1.38 million, with only 15% living in rural areas. The main food crops are cassava and plantain bananas, but maize (31,000 tons in 2002) and a little rice (about 1,000 tons) are also produced. Cash crops include cocoa, coffee, and rubber. Family farming has declined and gradually retreated to subsistence systems, due to weak human and social capital; and an unfavorable economic environment. Gabon remains dependent on foreign countries for its food security, as about 60% of the country's food needs are met by imports. This situation is linked to the increasing demand in urban centers and the inability of local production to meet this demand. The absence of a coherent and formalized strategy and action plan on the one hand, and a political will to revitalize the agricultural sector on the other hand, are responsible for the weakness of public investments made in recent years in this sector. According to available data (FAOSTAT, 2004), the country can be considered a net importer. The value of agricultural imports has gradually increased since the 1970s, reaching a peak value of 16.8 million USD in 2004. Between 2000 and 2002, food imports grew in value by 9% per year, causing significant currency outflows. They rose from 70.5 billion CFA francs in 1995 to 134 billion in 2002, excluding beverages (source: Ministry of Planning). It can be considered that the needs of national consumption are mainly covered by local production regarding plantain bananas, cassava, taro, yam, and fish products. For other products, the coverage rate is quite low (fruits, meats, vegetables), or even zero (rice and wheat). 27 High-level conference on: Water for Agriculture and Energy in Africa: the challenges of climate change, Sirte, Libyan Arab Jamahiriya, December 15-17, 2008 (National Investment Report GABON) 28 High-level conference on: Water for Agriculture and Energy in Africa: the challenges of climate change, Sirte, Libyan Arab Jamahiriya, December 15-17, 2008 (National Investment Report GABON)

36 Overview of Key Sectors Chinese Trade and Investments in Africa: Figure 3: Trade in Agricultural Products Source: High-level conference on: Water for Agriculture and Energy in Africa: the challenges of climate change, Sirte, Libyan Arab Jamahiriya, December 15-17, 2008 (National Investment Report GABON) Agricultural Policy In order to better align with its new

policy to revitalize the agricultural sector, Gabon has developed certain documents to better achieve this. The Interim Poverty Reduction Strategy Document (DSRSP) fits within the prospective vision defined by the Gabon 2025 document and the major orientations of the Land Development and Planning Law (LDAT). It constitutes a reference framework containing strategic provisions and sufficiently concrete actions, providing an assessment of the resources that the national budget must mobilize to achieve poverty reduction. Regarding the agricultural sector, the strategies of the interim DSRP aim to increase agricultural GDP by lifting the constraints faced by farmers and also to increase the economic security of the poorest, particularly smallholder farmers. In anticipation of the application of the LDAT, the Ministry of Agriculture has embarked on a process of formulating an Agricultural Orientation Law (LOA) that sets the priority objectives assigned to the agricultural sector. The priority strategic axes retained would be: i. increase production and productivity to reduce food insecurity; ii. improve the competitiveness of agriculture against imports; iii. diversify and increase agricultural production and exports; iv. improve living conditions in rural areas and promote balanced land development; v. sustainably manage natural resources; vi. participate in reducing poverty in rural areas.

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37 Overview of Key Sectors evaluation and management of trade-offs between national economies, local livelihoods, and forest ecosystems With the support of the FAO, the government is updating its National Agricultural Development Strategy for the horizon 2015. This strategy revolves around two main axes: 1- strengthening actions in favor of peasant farming through support and guidance measures; and 2- the continuation and redeployment of agro-industrial activities for the benefit of village operations and the creation of small and medium agricultural enterprises (SMEs) by the private sector. Regarding cash crops (coffee, cocoa, rubber, etc.), the current policy prioritizes increasing and diversifying production. Sino-Gabonese relations in agriculture Sino-Gabonese cooperation in agriculture began on June 29, 1975, with the signing of the "protocol on agro-technical cooperation projects between the government of the Gabonese Republic and the government of the People's Republic of China." This was concretized well before, in April 1974, with the arrival in Gabon of 75 Chinese agricultural technicians. However, regarding their investments in this area, there is no specific product in which they excel, apart from market gardening and livestock. Table 8: Organizations and companies operating in the agricultural field in Gabon NAME TYPE OF INVESTMENT FIELD OF ACTIVITY SIAT GABON (Belgian Investment Company for Tropical Agriculture in Gabon) Belgian capital Industrial plantations - Rubber cultivation - Oil palm - Livestock AGRIPOG (Agricultural Company of Port-Gentil) Privatized and taken over since January 1, 2010 by 3 entities, including a collective of Gabonese, and IGAD Market gardening, "soilless" cultivation, and floriculture IGAD (Gabonese Institute for Development Support) Gabonese association created by Agri Sud, the Gabonese State, and Elf Gabon Market gardening (Peri-urban agriculture) SUCAF Privatized and taken over by the French group Castel BGI Sugarcane plantation, sugar production KEMAO Chinese capital Livestock, agriculture SOGAGRI Chinese capital Livestock and agriculture OLAM Indian capital ONADER (National Office for Rural Development) Rural development program initiated by the Government Steering committee of the Rice project (NERICA) SOGADEL (Gabonese Development and Livestock Company) Herd of 2000 heads transferred to SIAT GABON after liquidation. Cattle farming 29 "Status of agricultural cooperation between the People's Republic of China and the Gabonese Republic," Libreville, August 1977, Library of the Ministry of Agriculture, Livestock, and Rural Development

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38 Overview of Key Sectors Chinese trade and investments in Africa: NAME TYPE OF

INVESTMENT FIELD OF ACTIVITY HEVEGAB Taken over by the SIAT Gabon group Rubber cultivation Ranch Nyanga Taken over by the SIAT Gabon group Cattle farming SOGAR Chinese capital Livestock and agriculture This table shows us that, apart from KEMAO in AKOK on the road to Cocobeach, SOGAR in Barracuda Owendo, and SOGAGRI towards SOBRAGA Owendo, there are not many private agricultural promoters with Chinese capital. On the other hand, partnerships in this field between Gabon and China are very numerous. Chinese private companies have a particularity: the introduction of new animal species and innovative and simple techniques for food production, which are their preferred areas of intervention. Such as the production of "day-old chicks," or the ongoing crossbreeding of species with intensive production of pork, starting from animal material imported from China. Agriculture and its impact on the environment Large agricultural development or renovation projects affect the Gabonese forest cover to a lesser extent. Traditional peasant crops use forest space for barely 1% of its total, assuming in a priori that it would only need to be verified that forest lands are cultivable in their entirety. The Gabonese forest is therefore not endangered under the combined action of "modernized" traditional agriculture and large agro-industrial projects. The environmental impacts of small Chinese units are not particular. They are similar to those that can be observed in installations operated by other investors. Two paths naturally open up: either prioritize traditional subsistence and cash crop agriculture through an incentive policy to aid the return to the land for uprooted individuals who are parasitizing the city; or direct the agricultural economy towards agro-industry by investing in the intensive production of certain goods that have so far been little or not cultivated at all. A third path may eventually emerge in the partial follow-up of each of the first two, summarized by two key words: tradition and innovation in the prevailing capitalist world. Ultimately, this third path, a blend of the first two, seems to have been adopted, but it remains the fundamental expression of the mentalities of this country that remain distant from agricultural facts. This policy has therefore set two horizons of very unequal importance: assistance to cash crops: coffee and cocoa, which makes Woleu Ntem considered as the great agricultural province, home to a rural training school opened in 1978 in Oyem. All the classic ingredients related to this type of operation are there: better remuneration for the purchase of dairy products, quality premiums, creation of pilot nurseries, development, refurbishment, and opening of new cocoa tracks. In other words, a policy already practiced under the colonial regime, whose results are always more or less uncertain depending on the situation, and not very encouraging for a massive return to the bush of uprooted peasants who have tasted the regularity of industrial or urban wages. In this arrangement of agricultural tradition, forest space is hardly seriously threatened. The other aspect of agricultural development is based on the industrial promotion of a few products: common consumption: rice, sugar, peanuts, palm oil, plantain bananas, cassava, market gardening. export: rubber, palm kernels, paper pulp, fish products (tuna), and industrial livestock (cattle, chickens). This production relies on the creation or strong growth of existing agro-industrial units, resulting from heavy investments where the State, in the form of state-owned or mixed-economy companies, participates and plays a full incentivizing role that is reflected in the landscape by vast deforested and developed areas for intensive mechanized cultivation. The development of agriculture in Gabon therefore goes through intensive agriculture. This is the approach

to circumvent the handicap of factor costs, limited labor, and allows Gabonese products to be competitive in the local and international market. The adherence of the largest number to agricultural policy proves imperative. Asian sellers of fruits and vegetables source from small Chinese farmers, according to the claims of some of them. However, apart from these statements, we have no other evidence to confirm these claims. V. Trade Relations between Gabon and China Import-Export The Chinese method is simple: sell mass-produced Chinese goods to Africans in order to significantly compete with European and North American products.

An internal note from the Ministry of Foreign Affairs, dated May 30 and signed by Valérie Niquet, "China's African Strategy," specifies that China is now the leading supplier to sub-Saharan Africa, with over 10% market share, ahead of Germany and France. However, agreements with China favor a very unbalanced exchange system: in total, China exports four times more to Africa than Africa does to China. While China exports "trinkets" to Gabon, the latter supplies it with its raw materials. Manganese and timber are the main Gabonese products exported to China. In such a context of exchanges, the dissatisfaction of Gabonese and other African and European economic operators is unlikely to find a remedy. With 80% of the Gabonese population living in poverty, China has well understood the urgency of offering these individuals products suited to their purchasing power. VI. Discussion and Conclusion Gabon must diversify its economy to avoid a catastrophe from the depletion of oil wealth. Bursting with significant and sometimes high-value natural resources, the search for foreign investors to facilitate the exploitation of these resources seems a natural strategy for Gabonese authorities. Gabonese authorities have so far been very lenient towards the multiple violations of texts aimed at sustainability. Thus, the Forestry Code is clearly violated by dozens of companies refusing to produce management plans without this leading to the outright expulsion of these companies and the return to the "domain" of their concession. In other sectors, particularly mining (the Belinga Iron Mine), a lack of information is not able to address the environmental and social stakes of the projects. To meet its enormous needs for raw materials (wood, iron, manganese...), China is increasingly present in Gabon's primary sectors. It has thus invested billions of Euros in the exploitation of these multiple resources. However, while the Chinese presence has significantly altered Gabon's economic landscape, the impact of its activities on the environment and the livelihoods of local populations leaves much to be desired. Many Chinese capital companies struggle to reconcile their economic needs with those of the environment and the communities living near the exploited (forested) sites. Not only do they lack the will to fully participate in the planning process despite the signed CPAETs, but they also contribute weakly to the national economy, due to the export of the majority of their production (60% of log production) and their preferential use of Chinese equipment and labor. The mining sector, with its notable Chinese presence, presents significant stakes, and the management of the Belinga file raises serious concerns about the sustainability of such activities.

41 Discussion and Conclusion evaluation and management of trade-offs between national economies, local livelihoods, and forest ecosystems projects and even the way these projects have come to ‘suspend’ other laws. Thus, mining projects present a risk of significant collateral damage for many years. Chinese investors are not alone in disregarding Gabonese laws and showing their contempt for sustainability principles in Gabon. A large part of the companies in the mining, oil, and forestry sectors have been criticized for their poor performance in this regard, and Gabonese authorities have shown great tolerance for this repeated phenomenon. There are Chinese companies that set a good example, and Gabon cannot do without Chinese investors. China is a country that can innovate and contribute to the sustainable development of Gabon, and the Chinese market can consume Gabonese products for mutual benefits. However, both China and Gabon must take measures to reduce the legal violations of Chinese entrepreneurs and investors and ensure the sustainability of their actions. These operations must be undertaken in a spirit of transparency, in partnership with civil society actors and research institutes based in Gabon. These measures can begin with a joint analysis, and possible translation, of Gabonese texts to ensure their understanding by decision-makers (from technical ministries) in both countries. Then, Chinese companies must comply with this legislation within a transitional period of 12 months, at the risk of being suspended by Gabonese authorities. Chinese authorities must establish a blacklist of ‘criminal’ companies with their peers in Gabon.

At the same time, Gabon should better leverage Chinese experiences in sustainable development, particularly in energy and housing, rather than relying on 'traditional' investments; it should seek contributions from China towards a green (sustainable) economy. Thus, current mining and forestry projects by Chinese investors must include a firm and public commitment to sustainability. This sustainability must be reflected in compliance with existing laws in Gabon, but also through the implementation of 'additional' activities (specifications, Win-Win projects) aimed at sustainable development. Gabon can thus continue its economic development within an ecologically sustainable framework, benefiting all Gabonese people, and China can demonstrate its expertise and commitment to sustainable development in a 'friendly' African country.

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