Chinese views of African forests

Evidence and perception of China-Africa links that impact the governance of forests and livelihoods

Xiufang Sun, Peng Ren and Marissa Van Epp

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Cover photo: A Chinese employee operates the cutting machine at Green Timber, a Chinese-owned timber concession that is licensed to operate in Nampula and Zambezia provinces, Mozambique. © Mike Goldwater.

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Acknowledgements

Between 2003 and 2013, the Forest Governance Learning Group (FGLG)[1] was facilitated by the International Institute for Environment and Development (IIED), with teams active in 10 countries in Africa and Asia (Cameroon, Ghana, Uganda, Tanzania, Malawi, Mozambique, South Africa, India, Indonesia, and Vietnam). Over the course of a decade, FGLG built its capability to influence policy and improve decision making about forests – researching issues with marginalised communities, connecting diverse groups of opinion formers, and applying practical tools to build bridges. In recent years, with the increasing influence of interests from China in decisions about African forest resources, FGLG and others have recognised the need for opinion formers and policy workers in Africa to link with their counterparts in China to seek opportunities to shape policy and investment decisions in favour of sustainable forest management and local livelihoods.

A China-Africa Forest Governance Learning Platform was therefore launched in 2013 as a mechanism for exchange and strategic policy intervention for African policy researchers and opinion formers and their Chinese counterparts, with a focus on issues of forestry investment and trade.[2] At IIED, James Mayers and Lila Buckley have facilitated this work. In China, IIED's main partners in establishing the Platform are the Global Environmental Institute (GEI), the Chinese Academy of Forestry (CAF) and the International Center for Communication and Development (ICCD). This review of evidence and perceptions on the Chinese side of the China-Africa relationship was carried out in 2012 and 2013 to help provide a basis for discussion at the launch of the Platform, and to identify key issues on which the Platform could focus its action. It is complemented by a sister review on the African side of the relationship. The authors wish to thank Sacha Rawlence for contributing reviews of policies described in Chapter 1, and Lila Buckley and James Mayers for reviewing drafts of the report.

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1. For more information on FGLG – its objectives, teams, outputs and impacts – see: http://www.iied.org/forest-governance-learning-group.
2. For more information on the China-Africa Forest Governance Learning Platform, see Tran-Thanh *et al.* (2013).

Acronyms

AQSIQ	Administration of Quality Supervision, Inspection and Quarantine
BOC	Bank of China
CADF	China Africa Development Fund
CAF	Chinese Academy of Forestry
CCICED	China Council for International Cooperation on Environment and Development
CDB	China Development Bank
CEC	China Environmental United Certification Center
CFCC	China Forest Certification Council
CFTN	China Forest Trade Network
CIFOR	Center for International Forestry Research
CITES	Convention on International Trade of Endangered Species
CNCA	Certification and Accreditation Administration of China
CNFPIA	China National Forest Products Industry Association
COC	Chain of custody
CSR	Corporate social responsibility
CTWPDA	China Timber and Wood Products Distribution Association
DFID	Department for International Development (UK)
DRC	Democratic Republic of the Congo
EIA	Environmental impact assessment
ENA FLEG	Europe and North Asia Forest Law Enforcement and Governance
EPs	Equator Principles
EUTR	European Union Timber Regulation
FDI	Foreign direct investment
FGLG	Forest Governance Learning Group
FOCAC	Forum on China-Africa Cooperation
FSC	Forest Stewardship Council
GEI	Global Environmental Institute
ICCD	International Center for Communication and Development
ICRAF	International Council for Research in Agroforestry
IFC	International Finance Corporation
IIED	International Institute for Environment and Development
IUCN	International Union for the Conservation of Nature
MEP	Ministry of Environmental Protection
MOFCOM	Ministry of Commerce
NDRC	National Development and Reform Committee
NGO	Non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
OFDI	Outward foreign direct investment
PEFC	Programme for Endorsement of Forest Certification Scheme
RPP	Responsible purchasing policies
RWE	Roundwood equivalent
SAFE	State Administration of Foreign Exchange

SEPA	State Environmental Protection Administration of China (now MEP)
SFA	State Forestry Administration
SIA	Social impact assessment
SMEs	Small and medium-sized enterprises
SOEs	State-owned enterprises
SSA	Sub-Saharan Africa
UNCTAD	United Nations Conference on Trade and Development
VLO	Verified Legal Origin
VPA	Voluntary Partnership Agreement
WWF	World Wide Fund for Nature

Executive summary

China's direct investment in Africa remains a small share of the nation's total outward direct investment, but has experienced fast growth in the past two decades, indicating successful implementation of the Going Global strategy and China's African Policy. The Going Global strategy encourages Chinese firms to do business abroad – making them more competitive by acquiring strategic assets, securing access to natural resources, and establishing new markets for Chinese exports – while China's African Policy promotes China-Africa cooperation. China's investment in African forests also remains a small share of its total investment in the continent, which has largely focused on other sectors, such as mining.

Direct Chinese investment in African forests is divided between logging and secondary processing activities. Chinese firms' activities are focused on logging, while much of the processing is carried out in China. Increasing numbers of African countries are developing legislation requiring the secondary processing of logs prior to export in order to encourage the development of increased value-adding domestic industries, but in some cases companies – including those from China – have found legal or illegal ways around these laws.

There is no question that Chinese activities in African forests have a wide range of impacts on livelihoods. In some places, Chinese firms appear to comply with corporate social responsibility requirements and contribute to the welfare of local communities. In other places, there are examples of Chinese firms exploiting rights-holding communities by failing to compensate them adequately for access to forest land. This failure, however, can also be attributed in part to poorly managed economic rent capture and revenue distribution systems on the African side. Social integration between Chinese companies and African communities also appears to be varied. While there are anecdotal reports of Chinese companies importing high proportions of Chinese workers, data reveal that many firms primarily hire African workers.

Chinese government agencies and banks play important roles in encouraging investment in Africa, while at the same time regulating and supervising Chinese enterprises' activities in African host countries. In this regard, the Ministry of Commerce (MOFCOM) has developed a series of guidance reports to help Chinese companies navigate overseas investment, including one on environmental compliance. Chinese banking regulatory agencies are expected to apply green criteria to applications for credit to be used in overseas investments; the Export-Import Bank of China (China Exim Bank) and China Development Bank (CDB) are two examples of banks with environmental policies in place. While these developments demonstrate a commitment to environmental regulation, more specific details on implementation, legally binding requirements and concerted enforcement are needed to make them effective tools for improving the governance of forests and livelihoods in Africa.

Chinese imports of African forest products have increased only slightly in recent years, and account for a relatively small share of the nation's total forest products imports each year, but China has still become the key destination for timber exported from many African countries. Forest products trade between China and Africa has followed the same pattern as China's overall forest products trade – imports from Africa are primarily unprocessed wood materials (logs), while exports to Africa are primarily manufactured wood products (paper, plywood, furniture). This trend may be stunting the growth of Africa's domestic wood products industries. China's forest product exports to Africa, on the other hand, have experienced fast growth in recent years, reflecting China's efforts to diversify export markets.

While China has a number of laws and regulations in place that are relevant to its imports of forest products from Africa, and its customs agencies practice routine controls over imported goods, there are no regulatory measures to verify imported timber in terms of its sourcing legality and sustainability, or to assess the impacts on sourcing countries. Neither does public procurement policy specify any requirements for imported timber. Nonetheless, there is some evidence that Chinese organisations are increasingly concerned about forest sustainability in other countries. For instance, the State Forestry Administration (SFA) and Ministry of Commerce have issued two guidelines for Chinese forest enterprises operating overseas. Although they are voluntary, these guidelines provide a tool to positively impact forest governance and livelihoods in Africa, given the increasing number of Chinese forest enterprises setting up operations in the continent.

Despite these positive efforts, for the majority of the Chinese timber industry, responsible purchasing policies have yet to be implemented, and sourcing legally and sustainably harvested timber has not been part of corporate social and environmental responsibility. Yet a number of wood processing mills have received or are preparing to apply for forest certification and manage their supply chain responsibly. Chinese government agencies have also taken initial steps towards verifying the legality of the raw material used in the wood processing industry. Several international NGOs have played important roles in supporting both the Chinese government and industry to invest in and import from Africa responsibly.

Chinese investments in other land use sectors – such as agribusiness, infrastructure and mining – likely have increasing impacts on forests and local livelihoods in Africa, but assessment or debate of such impacts in China appears to be at a very low level to date.

An effort to collect perceptions of Chinese stakeholders on China's involvement in African forestry and forest land use was made through a literature review (particularly of online sources) and interviews with a small sample of Chinese stakeholders. While the Chinese government refers to China's involvement in African forests as 'win-win' cooperation, Chinese NGOs and academics have occasionally provided more critical views. Much more criticism has come from

NGOs outside China. Industry representatives have tended to be more business-oriented when assessing their activities in Africa, and have avoided consideration of impacts on forests and local livelihoods. For both the Chinese government and industry, defensiveness appears to be the routine response to criticism. They are sceptical of reports alleging negative impacts on forests and people or misconduct by Chinese companies overseas. This is due to the perception that such reports are biased and inaccurate and that China is being singled out because it is providing strong competition to established interests.

A range of organisations in China would welcome better information and relationships with organisations in Africa to explore how Chinese investments in Africa could improve local benefits and impacts on forest sustainability. It is hoped that this report can contribute to establishing and developing such relationships.

Introduction

Since the launch of its Going Global strategy 14 years ago, China has actively increased its foreign investments worldwide, some of which have transformed today's investment landscape in parts of Africa. As the world's second largest economy and largest trading economy, China is a major player in the global economy and Africa's largest trade partner. Drawn by the continent's abundant natural resources and driven by the need to sustain its growing economy, China has engaged in significant investments in and trade of resources and products with Africa. With China's internal ban on logging[3] and growing demand for wood-based products, this investment and trade increasingly includes African forest products.

Africa has grown to become one of the major sources for China's timber imports, although the market share is relatively small compared to Russia. More importantly, China has become the key destination for timber exported from many African countries. At the same time, Africa has become an important export market for Chinese processed wood products, partly as a result of China's strategy of diversifying export markets.

China's involvement in Africa has been increasing and is gaining international attention. Chinese involvement in African forests specifically has attracted less attention than the nation's other areas of resource extraction and activity in Africa, but is increasingly important. Growing trade and investment have led to growing impacts on forest governance and livelihoods in African countries. China is often criticised for allegedly plundering African resources without regard for the welfare of workers and society. Unsustainable and illegal harvesting of forests is attributed to increasing demand for African timber products from China. One of the key questions motivating this report is how to leverage China's need for forest products to favour forest governance and livelihood improvements in Africa.

While there is a growing literature on 'China in Africa', much of this literature is either general or focused on infrastructure and resource extraction, limited to mining and oil. For example, Deborah Brautigam's (2010) book, *Dragon's Gift: The Real Story of China in Africa*, revealed some evidence on the scale and impacts of China's aid and investment in Africa, supported by extensive field research. Meanwhile, a growing body of work on China's forest-related activities and investments in Africa has developed in recent years. For instance, under the project Chinese Trade and Investment in Africa: Assessing and Governing Trade-offs to National Economies, Local livelihoods and Forest Ecosystems implemented by the Center for International Forestry Research (CIFOR), research has focused on mapping the

3. The logging ban in 13 of China's 27 provinces, along with restrictions on harvesting, has reduced domestic log supply by 12-15 million m^3 since it was instituted in 1998 as a response to the severe environmental damage caused by the flooding of the Yangtze River, which was attributed to logging in the region (Brady, 2004; Butler, 2005).

situation and impacts of Chinese forest-related trade and investments in Africa.[4] The CIFOR work covers a limited number of countries – namely, Cameroon, the Republic of Congo, Democratic Republic of the Congo, Equatorial Guinea, Gabon, Mozambique, Zambia and Zimbabwe – and, inevitably, a subset of the many issues involved. Further work is needed to develop a more comprehensive picture of the China-Africa links that impact forest governance and livelihoods in Africa.

This report aims to further enrich this picture. It starts with a review of existing evidence on investment- and trade-related governance measures and instruments relevant to African forests and livelihoods from the Chinese side, based on a thorough review of literature and statistics. This is followed by a brief overview of China's forest-related investment and trade policies that set the stage for China-Africa links, and a summary of statistics on China's investments in Africa and on the current status and trends of China-Africa forest products trade. Impacts of these policies on forest governance and livelihoods in Africa are then assessed. The final section discusses perceptions of governance issues relevant to African forests, livelihoods, trade and investment gathered from different Chinese stakeholders through a literature review and interviews.

4, The project was initiated in 2010; for all of the project's publications, see http://www.cifor.org/china-africa/home.html.

Evidence on Chinese governance measures relevant to African forests, livelihoods, trade and investment

China and African forests are linked through forest products trade and Chinese forest-related investment in Africa. Therefore, Chinese governance measures and practices are relevant to African forests and livelihoods. China's instruments governing forest products trade with and investment in Africa have direct impacts, while domestic forest-related governance practices in China have indirect impacts. This chapter reviews existing evidence of such governance measures and practices and examines the specific China-Africa links that influence governance of African forests and livelihoods.

1.1 China's domestic forest-related governance practices

As in many other parts of the world, China's forests and the way they are managed are changing rapidly. But while many developing countries are witnessing large-scale deforestation, China's forest cover has increased over the last two decades from about 15 per cent to 22 per cent of the total land area. This is largely attributed to the government's investment in afforestation and improvements in forest management. Another remarkable development is that China has progressed toward a household-based management system that gives ordinary farmers use of and management rights ('tenure') over commercial forests.

In China, the State Forestry Administration (SFA) is responsible for developing forestry policies, including setting the harvest quota and supervising law enforcement. Forestry bureaus at the provincial, district/county and township levels are responsible for developing local timber harvest quotas and managing license-based forest harvesting, transportation, management and processing activities. The Forestry Law requires that each shipment of timber must be accompanied by three permits – a timber harvest permit, a quarantine permit (certificate) and a transportation permit – as it is taken out of the forests and before it enters the processing sector. These three permits are key documents necessary to establish the chain-of-custody (COC) for legal timber production in China, a positive development with potential for African countries.

Under the broader trend of reforms aimed at the establishment of a market-driven economy, forest tenure reform has been at the top of the agenda of Chinese forestry policymakers since the 1980s (SFA, 2011). In July 2008, collective forest tenure reform was officially launched with the release of the *Guidelines on Fully Promoting Collective Forest Tenure System Reform*. It is considered to be one of the world's largest forestry reforms in modern times, in terms of both the area and population impacted (Xu *et al.*, 2010). The reforms of the collective forest tenure system are focused on devolving land-use rights and forest ownership to individual households. In order to incentivise farmers to plant and sustainably manage trees, the government provides use rights of collective forestland to farmers so that they have full ownership of the trees grown on their contracted forestland. These reform measures served largely as an equaliser of opportunity and welfare between farmers living in heavily afforested areas and standard agricultural areas.

China's collective forest tenure reform coincides with the general trend of forest decentralisation in a large number of developing countries, including African countries. Its uniqueness rests on its reform goal of establishing an individualistic management system, whereas the mainstream reform goal for the developing world is to establish community-based management systems. In a sense, China's domestic reforms are a step ahead of this mainstream movement and will provide lessons for countries searching for alternative models in the future.

1.2 Chinese policies and schemes relevant to investment and trade in African forests

The Chinese laws, regulations, policies and schemes that govern Chinese investment and trade in African forests are some of the key determinants of the impacts these activities have on African forest governance and livelihoods. They are the rules and incentives governing the moves and interests of Chinese firms, both public and private. This section explores the range of policies and schemes, their content, and their implications for African forest governance and livelihoods.

1.2.1 Chinese actors involved in governing investment and trade

Assessing the China-Africa links that influence the governance of African forests and livelihoods requires first getting to know the actors involved in these links and their respective roles. Here, the key actors include government and financial institutions, as well as non-governmental organisations (NGOs). The public and private companies and individuals involved in investment and trade are introduced in Section 1.3.

Government

Several key government agencies are responsible for regulating and supervising Chinese forest product trade and investment.

Several central government agencies are involved in formal policymaking on overseas investments, and these can be classified into four levels. At the top level is the State Council, which is responsible for overall management of the government and makes major economic strategy and policy decisions. The second level is made up of the core ministry-level agencies, including the Ministry of Commerce (MOFCOM) and the State Administration of Foreign Exchange (SAFE). These agencies have issued the majority of outward foreign direct investment (OFDI) related policies. The National Development and Reform Commission (NDRC) historically had key responsibilities for formulating economic and social development policies, including approving OFDI. It may also be considered part of the second level. The third level consists of functional departments responsible for different fields such as finance and taxation, playing assistant roles to the core ministries at the second level. Agencies responsible for specific industries such as mining, agriculture and forestry make up the fourth level (Huang and Wilkes, 2011b).

The NDRC reviews OFDI proposals to determine whether the projects: 1) comply with the laws and regulations of the state and its industrial policies, 2) contribute to sustainable development of the economy and of society, and 3) follow the administrative prescriptions of national capital projects and foreign loans. They also consider whether the investors possess adequate capacity to carry out the projects.

MOFCOM is the key decision maker for international trade and investment policies and strategies. The Ministry, which oversees the entire trade management process, is in charge of both international and domestic trade and international cooperation. Outbound investment projects are administered through MOFCOM and SAFE. The Ministry is responsible for approving each OFDI proposal, and recording OFDI data. Together with the Ministry of Foreign Affairs, it develops country-specific guidelines for industries looking to make overseas investments.

Aside from NDRC and MOFCOM, there are also other government agencies involved in governing forest products trade. In particular, this includes the General Administration of Customs (Customs) and the Administration of Quality Supervision, Inspection and Quarantine (AQSIQ). Customs is the executive agency responsible for monitoring and managing the import and export of commodities under the Customs Law. Regarding trade in forest products, its roles include supervising timber imports and exports, levying tariffs and other taxes, combating smuggling and preparing customs statistics. AQSIQ is responsible for quarantine examination of imported animals and plants to prevent harmful diseases and pests from entering the country. For imported logs, the official quarantine certificates must be presented by importers to the local AQSIQ office.

SFA is the forestry industry management agency in China. It plays a major role in supporting MOFCOM to issue regulations related to forest product investment and trade. Two departments within SFA – the Department of International Cooperation, and the Department of Planning and Finance – are responsible for coordinating forest products investment and trade-related issues.

China acceded to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) in 1981. The *Directory of Key Wild Fauna under State Protection* and the *Directory of Key Wild Flora under State Protection* were issued to control trade of CITES species. The CITES Management Office is hosted in SFA and was established to be responsible for the import permission of endangered species in the timber trade. If the imported timber is a CITES listed species, importers must apply for 'Import Permission of Endangered Species' from the CITES Office (SFA, undated).

Banks

Chinese banks – the policy banks[5] in particular – provide financing support to Chinese companies' overseas investment. The Export-Import Bank of China (Exim Bank) and China Development Bank (CDB)[6] are the two policy banks that have finance support plans for significant overseas investment projects. Significant investments mainly consist of 'overseas exploration projects for resources that are in domestic shortage; overseas manufacture and infrastructure projects that can stimulate exports of domestic technology, products, equipment and labour services; overseas research and development zone projects that can make use of international advanced technologies, management experience and intellectual property resources; and overseas merger and acquisition projects that can enhance international competitiveness and expand international markets for Chinese companies' (Huang and Wilkes, 2011). Exim Bank and CDB are also important financial institutions in funding a number of small-scale overseas investments.

Exim Bank[7] was established in 1994. It is fully owned by the Chinese government and under the direct leadership of the State Council. As an important force in promoting foreign trade and a significant component of the financial system, Exim Bank has been acting as a key channel of policy financing for Chinese imports/exports of mechanic and electronic products, complete sets of equipment, and high- and new-tech products, and for the undertaking of offshore construction contracts and overseas investment projects by Chinese companies. For loans for outbound investments, preferred rates are offered for key projects recommended by the government (Bank of Tokyo-Mitsubishi UFJ, 2006).

Prior to 2008, CDB[8] was another of the three policy banks implementing the state's strategic priorities, while also helping to develop infrastructure and basic and pillar industries by investing in and financing projects sponsored by the Chinese government. However, in 2008, as a reform pilot in the Chinese financial sector, CDB was converted into a commercial bank, although for overseas investment it continues to play a role as a policy bank. In response to the call of the state to encourage domestic enterprises to 'Go Global', CDB also engages in a wide range of activities focused on international aid. Its overseas lending has primarily been for infrastructure and energy projects.

China's state-owned companies mostly rely on Exim Bank (African projects constituted 20 per cent of the bank's total business volume in 2007) and CDB for financing. These banks grant Chinese firms a distinct advantage over other multinational firms operating in Africa, as they provide 'soft loans'[9] and relatively low-cost capital which can help companies overcome the high risks associated with investment projects in the continent (Biau, 2010).

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5. Chinese policy banks were established in 1994 to take over the government-directed spending functions of the four state-owned commercial banks. They are responsible for financing economic and trade development and state-invested projects. The three policy banks in China are Exim Bank, China Development Bank and the Agricultural Development Bank of China.
6. CDB has been categorised as a commercial bank since 2008, but it still enjoys the same international credit ratings as China's sovereign ratings, and operates as a policy bank when dealing with overseas investment.
7. http://english.eximbank.gov.cn/.
8. http://www.cdb.com.cn/english/index.asp.

NGOs

NGOs and academics work to influence the activities and regulation of Chinese businesses operating overseas. For instance, a group of international NGOs are active in China in promoting timber legality and sustainable forest management. To this end, some of them have worked on China-Africa links, including the World Wide Fund for Nature (WWF) China and International Union for the Conservation of Nature (IUCN) China. Both WWF China and IUCN China have worked with SFA to pilot test the *Guidelines for Chinese Overseas Forest Operations*. The IUCN China office hosted a study tour of a Chinese forest delegation to West and Central Africa in 2008, with the aim of engaging China, as a major consumer of African forest products, in global discussions on forest law enforcement and governance (IUCN, 2008). WWF's China Forest Trade Network (CFTN) also works closely with the industry on sourcing timber certified by the Forest Stewardship Council (FSC) from Africa. In early 2013, WWF China together with the Chinese Academy of Forestry (CAF) also started a joint research programme on developing new guidelines for sustainable Chinese forest product trade and forest investment overseas, which it is hoped will be adopted as national policy.

The Global Environmental Institute (GEI), a Beijing-based environmental NGO, has actively participated in initiatives related to Europe and North Asia Forest Law Enforcement and Governance (ENA FLEG), starting with participation in the St. Petersburg declaration in 2005. GEI has also cooperated with Chinese governmental and financial departments to strengthen the regulation and management of Chinese enterprises investing and operating overseas to mitigate environmental impacts. In particular, GEI supported the SFA in drafting guidelines for Chinese enterprises on sustainable forestry management abroad. To this end, GEI has provided research support and has developed pilot projects to demonstrate the *Guidelines*. GEI has cooperated with the Ministry of Environmental Protection (MEP) to provide support in drafting environmental guidelines that encourage Chinese enterprises to improve their environmental and social performance, and which promote cooperation between China and host countries to strengthen environmental governance and management. In February 2013, the *Guidelines* were formally issued jointly by MOFCOM and MEP.

1.2.2 Investment-related policies and initiatives

The growth of China's direct investment in Africa has been triggered by a series of Chinese policies and initiatives that have been introduced to encourage outward direct investment, both in general and in Africa specifically. In this section, the key relevant policies and initiatives are presented.

China's Going Global strategy

In the past, China tightly restricted capital outflows. The Going Global strategy (also referred to as the Going Out policy) was an effort initiated by the Chinese government in 2000 to encourage Chinese companies to invest overseas in developing resources deemed as being in short supply within the country, such as oil, natural gas, copper and other minerals. The policy was made official in the

10th Five-Year Plan (2001-2005) and spurred the trend for multinationalisation of Chinese companies. The call for enterprises to 'Go Global' includes going to Africa. China now considers Africa not only an important source of energy and other crucial natural resources required for its fast growing economy, but also a rapidly expanding market for Chinese products.

The Going Global strategy offers Chinese enterprises financial and non-financial incentive schemes to engage in OFDI. However, as there is no centralised government body driving China's globalisation efforts, OFDI policies (including Going Global) and their implementation have not been well synchronised and the administration of OFDI projects has remained fragmented, with different government bodies exercising independent power over different projects.

The administration of OFDI more generally has undergone recent reform, including the streamlining of approval procedures and the relaxation of foreign exchange controls for outward investment. Approval authority has been decentralised from the central level to the local level. The application requirement for OFDI proposals has also been simplified, with fewer items to submit to the authority, and a specific time limit for each application step has been imposed on the authority. Lastly, online application procedures have been introduced to improve transparency.

Financial incentives provided by the government are the most powerful tools in promoting OFDI. Chinese enterprises are eligible for government financial support in the form of access to below-market rate loans, direct capital contributions and subsidies associated with official aid programmes. Furthermore, the government has started to provide information and guidance to Chinese enterprises planning OFDI projects. For example, MOFCOM offers information useful to Chinese enterprises planning OFDI projects (such as investment demand in host countries, foreign direct investment (FDI) policies and regulations in host countries, and opportunities for participation in business fairs). MOFCOM has also started collecting information on problems and obstacles faced by Chinese investors, which is used to inform other Chinese investors and to react to problems. This information is mostly collected by commercial consulates in their respective countries and made available to investors.

Despite its current shortcomings, there is evidence that the Going Global strategy has been successful. Some have pointed to the policy's effectiveness during the global financial crisis, citing the continuing Chinese acquisition of foreign firms when other countries were reducing their overseas investments. One Chinese news article cited a source at the United Nations Conference on Trade and Development (UNCTAD) stating that China ranks 12th out of all countries investing abroad, and second amongst developing countries.[9]

9. http://news.xinhuanet.com/english/2010-01/11/content_12791299.htm (published 11 January 2010, accessed 18 July 2012).

The International Institute for Strategic Studies anticipates that future effects of the strategy might include easier access for Chinese firms to global credit markets (Yueh, 2012), which are more developed and have fewer credit controls than China's. This could help to increase the outward investment by private firms, which currently lags behind that of state-owned enterprises (SOEs), and so contribute to the possibility of China becoming a net exporter of capital. Yueh notes the potential for conflict between the state-directed and commercially oriented motives of emerging Chinese multinationals and warns that this could determine their ultimate success, with effects that span from Europe to Africa.

The Going Global strategy serves as an umbrella policy to encourage Chinese enterprises to invest abroad, including in African forests. Growing investment in the African forest sector and imports of timber products from Africa indicate the impact of the strategy. As both investment in African forests and trade in African forest products are small compared to those in other sectors, particularly mining, specific assessments of the impact of the Going Global strategy are lacking. Nonetheless, it represents a green light on the Chinese side for Chinese forest enterprises to invest in Africa. A growing number of forest enterprises can be expected to go to Africa, given the financial incentives provided by the government and the simplification of administrative procedures for applying for outward investment.

Guidelines on Investment Overseas 2011[10]

Specific guidelines have been developed for the overseas investments encouraged by the Going Global strategy, published jointly by MOFCOM, the NDRC and the Ministry of Foreign Affairs. They aim to encourage China's enterprises to adopt the approaches of mutual benefit, win-win and mutual development, and to combine their own multinational operation needs with development priorities of their host countries. The *Guidelines* are in line with China's national policies for engagement with Africa, described below.

The first edition of the *Guidelines* was published in 2004, covering 68 host destinations. Since 2009, MOFCOM has issued an annual update of the *Guidelines*, which now include 165 host countries and regions. The *Guidelines* explain the major industrial goals of these countries and identify their preferential development industries. They also provide relevant information about bilateral investment protection agreements and treaties for the avoidance of double taxation.

In addition to this information, the *Guidelines* offer guidance and references to help enterprises plan their overseas investments. Enterprises are expected to evaluate their own strengths and to conduct in-depth research on the investment climate of the proposed host countries. This should include laws, regulations and policies relating to industrial development.

10. http://english.mofcom.gov.cn/aarticle/subject/fifthcifit/lanmuc/201109/20110907735244.html (published 9 September 2011, accessed 4 July 2012).

The *Guidelines* also address the environmental and social dimensions of investment, particularly in the 'Country trade and investment environment report' and the 'Country (region) guide for outward investment and cooperation'. For example, the 'Country (region) guide' for the Democratic Republic of Congo outlines the country's environmental laws and provides tips for establishing good relationships with the recipient country (Huang and Wilkes, 2011b).

These *Guidelines* have the potential to contribute to sustainable management of forest governance and livelihoods in Africa, as they address the environmental and social dimensions of investment by Chinese enterprises. However, there is limited empirical evidence on the extent to which forest enterprises follow the *Guidelines*.

Guidelines for overseas forest operations

To promote Chinese enterprises' responsible forest activities in other countries, MOFCOM and SFA jointly issued two guidelines: a *Guide on Sustainable Overseas Silviculture by Chinese Enterprises* in 2007 (SFA, 2008), and a *Guide on Overseas Sustainable Forest Management and Use by Chinese Enterprises* in 2009 (SFA and MOFCOM, 2009).

The *Guide on Sustainable Overseas Silviculture by Chinese Enterprises* prescribes the fundamental principles to observe in sustainable silviculture, as well as basic requirements for Chinese enterprises engaged in realising sustainable silviculture. It addresses everything from regulating and evaluating Chinese enterprises' overseas activities in silviculture, to guiding Chinese enterprises in providing non-timber products and other services, to enabling them to protect and develop global forest resources in a rational, efficient and sustainable way. For instance, the *Guide* recommends Chinese overseas enterprises to formulate measures to protect biodiversity, consider the environmental impact of silviculture activities, and establish forest monitoring systems and resource records. Community development is also highlighted in the *Guide*, which recommends that Chinese enterprises engage local communities from the outset to safeguard the legal rights and interests of the employees and communities, and that they 'establish a consultative mechanism with the local community', among other community services.

The *Guide on Overseas Sustainable Forest Management and Use by Chinese Enterprises* covers all aspects of Chinese forestry enterprises overseas, including forest resources management, timber harvesting and wood processing, ecological and environmental protection, and local community development. The purpose of this second guide is to contribute to the sustainable development of global forest resources by guiding the activities of Chinese enterprises in overseas forest management, utilisation and protection. It aims to further standardise the management of forest resources as well as the wood processing and utilisation activities of Chinese enterprises in foreign countries. Its intent is to enhance self-regulation of the industries, to promote legal and sustainable utilisation of global forest resources and related trade activities.

While the potential positive impacts of these guides on the governance of African forests and livelihoods are clear, neither guide is legally binding for Chinese enterprises. The clauses in both guides are general, and implementation details are needed to make them operational. SFA aims to form a new mandatory set of guidelines, referring to these two guides. In the meantime, pilots implementing both guides are underway. With support from GEI, a pilot of the first guideline was initiated in Cambodia (but was later suspended due to the withdrawal of the company involved), and with support from WWF China a Chinese enterprise operating in Russia was chosen for the pilot of the second guideline (Han, 2010 personal communication). SFA has extended pilots to Chinese operations in African countries, such as Gabon and Mozambique. The piloting process is also serving as an education process, to enable Chinese forest operations overseas to understand the guidelines and use them to guide their activities.

In early June 2013, SFA and MOFCOM announced plans to develop new voluntary guidelines on 'sustainable forest products trade and investment for Chinese overseas enterprises', to complement the existing two guides. Stakeholder consultations are underway, including with some African experts facilitated by IIED through the China-Africa Forest Governance Learning Platform (Tran-Thanh *et al.*, 2013). SFA and MOFCOM anticipate that these guidelines will be published during 2014.

Guidelines for Environmental Protection in Foreign Investment and Cooperation[11]

To encourage Chinese enterprises to improve their environmental and social performance, and to promote cooperation between China and host countries in strengthening environmental governance and management, MOFCOM and China's Ministry of Environmental Protection (MEP) jointly issued the *Guidelines for Environmental Protection in Foreign Investment and Cooperation* in February 2013. The *Guidelines* consist of 22 articles covering the following key issues: legal compliance, environmental policies, environmental management plans, mitigation measures, disaster management plans, community relations, waste management and international standards. It is important to recognise that these *Guidelines* are non-binding, with 'should' being the strongest expression used and 'could' being the weakest.

The Chinese government has sent a strong signal to Chinese companies that it expects them to act responsibly and lawfully when operating overseas. As the *Guidelines* were recently issued, it is not clear how they will be implemented and their impacts on Chinese investment in Africa are yet to be seen. Nevertheless, as the *Guidelines* are still government policy, they can be a useful tool for civil society seeking to hold Chinese companies responsible for their environmental and social impacts overseas.

11. http://english.mofcom.gov.cn/article/policyrelease/bbb/201303/20130300043226.shtml.

Forum on China-Africa Cooperation and China's African Policy

The Forum on China-Africa Cooperation (FOCAC)[12] was set up in 2000, and its members are the government agencies of China and numerous African countries. The fifth Ministerial Conference of FOCAC took place in Beijing in July 2012, with the previous four held alternately in China and African member countries every three years since 2000. The main areas addressed were trade, aid, political relations, and academic and cultural exchanges.

The conference reached a consensus on how to jointly protect and promote the interests of common development, and coordinated policy to further realise common development in the next few years. The conference also issued the Beijing Declaration of the Fifth Ministerial Conference of FOCAC and the Beijing Action Plan (2013-2015).[13] The Declaration stated that the development of the new type of strategic partnership between China and Africa is of great significance for the peace, stability and development of the world. The Action Plan highlighted more cooperation in fields such as people-to-people exchanges and African integration.

According to the Declaration, China and the involved African countries pledged to fully explore and utilise each other's comparative advantages and expand mutually beneficial economic cooperation and balanced trade. They also agreed to adopt innovative ways to boost cooperation, improve the environment for cooperation, and properly handle problems and difficulties arising in cooperation.

In terms of investment, the Chinese government continues to offer preferential loans to Chinese firms investing in Africa. It also intends to continue to formulate and improve relevant policies, provide guidance, and explore new ways of promoting investment cooperation with Africa. The Chinese and involved African governments are expected to negotiate, conclude and implement agreements on bilateral facilitation and protection of investment, as well as agreements on the avoidance of double taxation, in order to create a favourable environment for investment and cooperation that protects the legitimate rights and interests of investors from both sides.

Under FOCAC, the China Africa Development Fund (CADF) was set up to encourage and support Chinese enterprises to invest in Africa. Total funding will eventually reach US$5 billion, with the first phase provided by CDB. CADF is independently operated based on market economy principles; it bears sole responsibility for its profits or losses. The CADF website lists the following key investment sectors: agriculture, manufacturing, infrastructure, natural resources and industrial zones/parks.

Although no specific formal targets for China's engagement in African forestry were proposed in either the Declaration or the Beijing Action Plan, pledges under 'economic cooperation' and 'cooperation in the field of development' are applicable to China-Africa forest cooperation. In the Beijing Action Plan, China proposed to

12. http://www.focac.org/eng/.
13. http://www.focac.org/eng/ltda/dwjbzjjhys/hywj/t954620.htm.

encourage and promote knowledge sharing and people-to-people exchange with African countries. There has been a lack of well-established communication and information sharing among the China-Africa forestry community. In the field, there is evidence of Chinese enterprises failing to mesh well with local communities in Africa.

In an academic evaluation of China's African Policy (Cheng and Shi, 2009), a positive effect is suggested by the observation that many African governments perceive political and economic ties with China to be an important asset. However, some reflective evaluations on Chinese overseas enterprises by the China Council for International Cooperation on Environment and Development (CCICED) found that while African government officials tend to have good relations with Chinese actors, relations on the ground can be more complicated because Chinese companies tend not to invest in local African communities to the same extent as enterprises from other countries do (CCICED, 2011).

Financial sector initiatives

Chinese financial institutions have become key investors at home and abroad, providing loans to Chinese companies investing overseas. This trend is set to continue and even increase in the future. To address the environmental and social effects of such investments, the Chinese government and leading financial institutions have begun to develop guidelines for responsible lending.

The Ministry of Environmental Protection (MEP) is currently cooperating with the International Finance Corporation (IFC) – the private sector arm of the World Bank Group – to work on green credit policies and to introduce the Equator Principles (EPs) more broadly in China. These moves support China's 'green loan' policy, implemented in 2006. Under this policy, many plants were blacklisted from receiving loans due to poor pollution records. At the time of its introduction, the concept was lauded as a shift in the banking industry's recognition of environmental and social issues as a business risk. In 2009, the China Banking Industry Association also developed the *Guidelines on Corporate Social Responsibility of Banking Institutions* (Sun and Canby, 2010). These stressed the need for the banks to support sustainable development of the environment, economy and society (Huang and Wilkes, 2011b). Most recently, the China Banking Regulatory Commission issued green lending guidelines in February 2012. Based on these guidelines, banks will publicly commit to adopting international best practices or standards for overseas projects; effectively identifying, assessing, monitoring, controlling and mitigating environmental and social risks; and disclosing information as required by laws and regulations.

Banks: Under the 'green loan' policy, Chinese banking regulatory agencies are expected to apply green criteria to applications for credit to be used in overseas investments. Exim Bank, for instance, has environmental and social impact assessment requirements for loans, while CDB also has a pollution-reducing and energy-saving work plan (Huang and Wilkes, 2011b).

Exim Bank adopted its environmental protection policy in August 2007. *The Guidelines for Environmental and Social Impact Assessments of the China Export and Import Bank's Loan Projects* were developed after International Rivers, Environmental Defense and other NGOs collaborated to issue recommended improvements to the bank's 2004 environmental policy, which were released to the public in April 2007.[14] The key aims of the policy are to enhance environmental impact monitoring and management before, during and after funded project implementation. Funded projects must undertake environmental impact studies and obtain approval from the host country's environmental administration. Moreover, companies must 'take immediate remedial or preventive measures' should 'any unacceptable negative environmental impacts result during the project implementation', in the absence of which financial support will be discontinued (Bosshard, 2008). Exim Bank has also signed a Memorandum of Understanding with the IFC to provide 'capacity building on environmental and social risk management policy and practices for overseas investment, particularly in the Africa region' (IFC, 2008).

Beyond Exim Bank, which has an African branch in South Africa,[15] Chinese overseas investors also have access to local branches of the state-owned Bank of China (BOC), including BOC's two African branches established in South Africa and Zambia in 1997. BOC's commitments regarding environmental conduct differ from those of Exim Bank: rather than emphasising environmental impact studies of funded projects, it subscribes to a green credit policy, restricting the credit available to highly polluting or energy-intensive industries. BOC is also currently 'studying guidelines such as the Equator Principles for sustainable development in the financial industry' (BOC, 2008).

CDB's green credit policies mainly involve loan access review, pre-loan environmental review and post-loan environmental supervision. In addition, CDB has incorporated some international environmental and social conventions into its system and designed its environmental impact assessment and social impact assessment procedures following international practice.

CDB and SFA signed a Cooperative Agreement on Finance Support to Forestry Development in September 2012. In this agreement, supporting the Going Global strategy within forestry is one of six key areas of cooperation. To date, CDB has implemented a loan commitment of US$320 million in overseas forest resources exploitation and utilisation, and Africa is one of the major investment destinations.[16]

NGOs play an important role in pushing Chinese banks to develop standards for environmental conduct. For example, WWF China has worked closely with Chinese financial institutions in promoting the development of green loan policies. Green Watershed, in conjunction with several other NGOs, including Friends of the Earth

14. http://www.internationalrivers.org/campaigns/china-exim-bank.
15. http://english.eximbank.gov.cn/profile/overseas.shtml.
16. http://www.greentimes.com/green/news/yaowen/szyw/content/2013-05/02/content_218282.htm (in Chinese).

and the Institute of Public and Environmental Affairs led by Ma Jun, has published the report *Environmental Record of Chinese Banks*.[17] The report ranks the green credit performance of China's 14 listed banks, encouraging environmental transparency and accountability among the banks.[18]

The Equator Principles in China: In addition to the green loan policy, there are international green lending guidelines and best practices available for Chinese investors to follow. The Equator Principles, a set of environmental and social standards for project financing subscribed to by 70 banks worldwide, is one of them. Launched by IFC in 2003, the EPs are the most widely recognised sustainable banking principles. This voluntary set of standards, based on the IFC performance standards, helps financial institutions to assess and manage social and environmental risk in project financing. Currently, the banks which have announced that they will accept the EPs are estimated to arrange about 85 per cent of project financing worldwide (Sun and Canby, 2010). The EPs apply to project finance with a minimum threshold of US$10 million. Large-scale mining activities often reach this threshold, but most forest sector investments – with the exception of new pulp and paper mill operations – will not meet this threshold.

In China, as across Asia, few banks are signatories of the EPs. The Industrial Bank Company was the first and only Chinese financial institution to adopt the EPs in 2008 (Sun and Canby, 2010). Local banks are willing to lend without significant environmental due diligence. Consequently, the playing field is not level for manufacturers or their lenders.

By adopting policies or standards to assess and manage environmental and social risk in project financing, the financial sector ensures that investment projects are implemented with a high standard, both environmentally and socially. No data is available on forest-related projects in Africa that either are financed by Exim Bank or CDB under green loan policy, or have adopted EPs. It is assumed, however, that adopting such policies or standards would have positive impacts on African forest governance and livelihoods. Table 1 summarises all potentially relevant initiatives discussed above.

17. http://www.eu-china.net/web/cms/upload/pdf/materialien/Yunnan-2011-environmental_records_of_chinese_banks_2010_eng_11-07-07.pdf.
18. http://www.chinadialogue.net/article/show/single/en/4434-Hard-slog-to-greener-banks.

Table 1. Summary of potentially relevant initiatives

Initiative	Scope	Scale	Implementation and effects in practice
Going Global strategy	The Going Global strategy was initiated to promote China's OFDI, signifying the change in the scope of the government's engagement with outbound investment from tightly restricting capital outflows to encouraging Chinese enterprises to invest abroad. The call for enterprises to 'Go Global' includes going to Africa.	In the absence of a defined budget or growth target, it is difficult to identify the scale of the policy. However, MOFCOM's Guidelines for Investments in Overseas Countries' Industries are indicative of its ambitions. Its catalogue lists recommended industry sectors for China's OFDI for each of 68 host destinations.	Successful; serving as an umbrella policy to encourage Chinese enterprises to invest abroad, including in African forests. Growing investment in Africa as a whole and the African forest sector.
Guidelines on Investment Overseas 2011	An explanation of the major industrial goals and identification of preferential development industries; relevant information about bilateral investment protection agreements and treaties for the avoidance of double taxation.	Since 2009, MOFCOM has issued an annual update of the Guidelines. They currently include 165 host countries and regions.	Offers guidance to help enterprises plan their overseas investments.
FOCAC and China's African Policy	FOCAC was set up in 2000 and has held a ministerial conference every three years, alternately in China and African member countries. It serves as a political mechanism for China-Africa cooperation. The main areas addressed are trade, aid, political relations, and academic and cultural exchanges.	It proposes cooperation in various fields, with a view to promoting the steady growth of China-Africa relations in the long term and bringing mutually beneficial cooperation to a new level.	The Chinese government continues to offer preferential loans to Chinese firms investing in Africa. The CADF was set up to encourage and support Chinese enterprises to invest in African agriculture, manufacturing, infrastructure, natural resources and industrial zones/parks. It has led to better communication and information sharing among the China-Africa forestry community.

Guidelines for overseas forest operations	Two guidelines: a Guide on Sustainable Overseas Silviculture by Chinese Enterprises, and a Guide on Overseas Sustainable Forest Management and Use by Chinese Enterprises. They apply to sustainable silviculture, all aspects of Chinese forestry enterprises overseas including forest resources management, timber harvesting and wood processing, ecological and environmental protection, and local community development.	For all enterprises involved in forest investment overseas, including in Africa.	Potentially positive effects on African forest governance, but not legally binding. SFA has been using the guidelines to train forest enterprises in Africa for better performance.
Guidelines for Environmental Protection in Foreign Investment and Cooperation	To encourage Chinese enterprises to improve their environmental performance, and promote cooperation between China and host countries to strengthen environmental governance and management.	For all enterprises involved in investment overseas, including in Africa.	Non-binding, effects to be seen.
Banks' green loan policy	Initiated in 2006. The China Banking Regulatory Commission issued green lending guidelines in February 2012, requiring banks to publicly commit to adopting international best practices or standards for overseas projects; effectively identifying, assessing, monitoring, controlling and mitigating environmental and social risks; and disclosing information as required by laws and regulations.	Exim Bank has environmental and social impact assessment requirements for loans, while CDB also has a pollution-reducing and energy-saving work plan. BOC's commitment regarding environmental conduct is to restrict the credit available to highly polluting or energy-intensive industries.	No data is available on forest-related projects in Africa that either are financed by Exim Bank and/or CDB under green loan policy, or have adopted EPs. It is clear, however, that adopting such policies or standards would have positive impacts on African forest governance and livelihoods.

1.2.3 Trade-related policies and initiatives

No trade policies or initiatives specific to China-Africa timber trade have yet been put in place. Instead, all policies and initiatives governing imports and exports of commodities – including forest products – apply to China-Africa timber trade. Trade policies and initiatives related to timber imports are reviewed in this section, as they are the most relevant to impacts on African forests and livelihoods.

Several existing laws and regulations related to forest products trade in China apply to China-Africa timber trade, including the following: the Customs Law, Foreign Trade Law, Inspection of Import and Export Commodities Law and associated Implementation Regulations, Flora and Fauna Entry and Exit Quarantine Law and associated Implementation Regulations, Territorial Health Quarantine Law and associated Implementation Regulations, Wild Plant Conservation Regulation, and Plant Quarantine Regulation with associated Implementation Regulations. The two key laws are the Foreign Trade Law and the Customs Law.

The Foreign Trade Law of the People's Republic of China (or Foreign Trade Law) was first adopted in 1994, and then amended in 2004 (Standing Committee of the National People's Congress, 2004). The law was promulgated 'to support the Opening Up policy,[19] develop foreign trade, maintain foreign trade order and protect the lawful rights and interests of foreign trade administration so as to promote the healthy development of the socialist market economy'.

The law is applied to foreign trade and intellectual property protection related to foreign trade. The foreign trade mentioned in this law includes the import and export of commodities, the import and export of technologies, and international service trade. Trade in forest-related and forest-impacted products (such as minerals and agricultural products) is governed by this law.

The Customs Law of the People's Republic of China (Standing Committee of the National People's Congress, 2000) consists of 13 legal provisions. These cover the basic content of customs managerial activities, for example, the nature, main tasks, management system, structural establishment, and basis of law enforcement and authority. In addition, they stipulate the regulations on the qualifications and basic liabilities of the units and persons handling the customs formalities.

Although preventing and combating smuggling has become one of the main tasks of customs today, neither the Foreign Trade Law nor the Customs Law stipulates controls over the legality and/or sustainability of imported timber, and therefore they have played little role in supporting better forest governance and livelihoods in timber-supplying countries. However, according to the Foreign Trade Law, the Chinese government can limit or prohibit the import or export of goods and technologies under certain situations, one of which is to protect the environment. Although little detailed guidance is given in the law, it does provide the legal basis to reduce or stop imports that might cause environmental concerns.

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19. The Opening Up policy refers to a series of economic reforms introduced in China by Deng Xiaoping, starting in 1978. These reforms opened China to foreign investment and shifted the country towards a market economy.

Public procurement policies

China has a green procurement policy, or so-called eco-labelling policy, under which wood-based panels, wood flooring and wood furniture are covered. This voluntary certification programme was initiated in 1993 by the State Environmental Protection Administration of China (SEPA, now MEP), and practised thereafter. In order to fully adopt this programme, SEPA approved the establishment of the China Environmental United Certification Center (CEC) in December 2002, which was authorised to undertake the certification and issuing of environmental labels to qualified products.

In October 2006, the Ministry of Finance and SEPA published a 'government procurement list for environmental labelling products'. The list consisted of 14 categories and 856 model types of products made by 81 enterprises. The list has been revised each year and so far, the Chinese government has issued a total of eight lists for environmental labelling products, covering 24 product categories, over 550 participating companies and more than 18,000 product models (Zhang, 2012).

In the technical requirements for eco-labelling certification of wood based products, there are two clauses on wood material sourcing: (1) wood material should meet the requirements of CITES; (2) imported wood material should come from sustainable forests, and wood material from domestic forests should comply with forestry-related laws and regulations in China (MEP, 2010). It is expected that by 2015, certified timber products will be included in the procurement list under the eco-labelling policy (Lu, 2010). WWF China, jointly with China Timber and the Wood Products Distribution Association (CTWPDA), is currently conducting a study on Chinese public procurement policy for wood products (Liu, 2012).

Private sector purchasing policies

Industry association codes of conduct: There are hundreds of industry associations in the Chinese wood product sector. However, only a few associations at the national level have recently considered adopting codes of conduct regarding the legality of imported timber products. Adoption has been partially driven by requirements from export markets, such as the US Lacey Act, EU Timber Regulation (EUTR), and recently enforced Australian timber regulation. It is expected that industry associations will play more important roles in ensuring that the Chinese wood industry uses raw wood materials from legal and sustainable sources. In fact, the industry is working in this direction, as evidenced by the China National Forest Products Industry Association's (CNFPIA) recent launch of a pilot legality verification standard. Agreements were signed between CNFPIA and eight association members who committed to using the new standard. This marks an important step forward by China to verify the legality of the timber material used in the industry (ITTO, 2013).

Retailers' purchasing policies: A small group of retailers has voluntarily established and implemented responsible purchasing policies (RPPs), driven mainly by Greenpeace East Asia (China Office). The majority of these retailers are Chinese branches of international companies, including B&Q China and Home Depot China. The only domestic retailer with an RPP is Orient Home.

In June 2007, B&Q launched their RPP in China, becoming the first of all retailers to do so. Their RPP has clear procurement goals and an action plan. B&Q China set a goal of selling 100 per cent sustainable timber by 2010. It has also committed to stop selling merbau wood[20] from unknown sources (Liu, 2009). However, B&Q China admitted that the goal has not been met, due largely to consumers' low willingness to pay a premium for timber from legal and sustainable sources, a shortage in the available supply of timber from legal and sustainable sources, and the difficulty in tracking timber supplying chains. Nonetheless, they set a new goal of selling only timber from legal and known sources by 2017.[21] Home Depot stopped selling merbau in April 2007, and at the same time started to implement its environmental programme, Eco Options. Eco Options includes an endangered tree species list for the group to refuse. Following this list, Home Depot has taken significant positive actions to drop these species in China, putting it ahead of other retailers in opposing the use of endangered species. However, there is no integrated and robust RPP scheme encompassing all actions taken by Home Depot. It is also not clear how Home Depot will implement its global purchasing policy, which has environmental requirements, in China (Liu, 2009).

Orient Home, the domestic home furnishing retailer, made their written commitment on RPP to Greenpeace in July 2007 and planned to stop selling merbau by the beginning of 2008. However, the retailer did not take sufficient actions to put its commitment into practice (Liu, 2009). Lack of incentives and of market demand for such a commitment could be two of the main reasons for the failure.

Due to the factors of population and economic growth, the Chinese domestic market for wood products is large and growing. Large volumes of wood products made from African timber – such as wood flooring, plywood and furniture – are purchased by Chinese consumers each year. Both public procurement and responsible purchasing policies adopted by the private sector stress the need to source wood products from legal and sustainably managed forests, which promotes better governance of forests in the countries of origin, including those in Africa.

Certification and legality verification

Driven by global trends of increasing demand, forest certification and timber legality verification in China have developed rapidly since 2004. There are three forest certification/verification schemes or systems operating in China: the Forest Stewardship Council (FSC), the Programme for Endorsement of Forest Certification (PEFC), and the national scheme run by the China Forest Certification Council (CFCC). As a Chinese national scheme, CFCC has so far focused on certifying domestic forest operations, which has little impact on African forests. In addition, a Chinese national timber legality verification system covering domestic and imported timber is under development.

20. Merbau is a tropical wood species that is very popular for flooring in China.
21. Author's personal communication with key project staff in the Greenpeace China office and B&Q China, September 2013.

Forest Stewardship Council:[22] The FSC China National Initiative was launched in March 2006 to develop forest certification standards compatible with forest conditions in China. FSC has also set up its China office. To date, a total of 2.5 million hectares of forests have been certified by FSC. COC certification has grown even faster: according to FSC, there are 2269 FSC COC-certified manufacturers in China,[23] including a large number of pulp and paper mills, furniture manufacturers and panel producers.

Programme for Endorsement of Forest Certification:[24] PEFC has also been active in promoting forest certification in China since 2007, when the PEFC China Initiative was started in Beijing. Although there is no PEFC certification for forest management, to date 172 Chinese mills have been certified by PEFC COC.[25] Over 70 per cent of these PEFC certificates were issued to mills in the paper sector, including paper trading and printing firms.

All of these certification schemes have standards for both forest management and COC. The FSC issues three different types of certificates: Forest Management, Chain of Custody and Controlled Wood. The different certificates relate to different stages of production and subsequent progress of forest products through the value chain. Forest Management certification is awarded to forest managers or owners whose management practices meet the requirements of the FSC Principles and Criteria. Chain of Custody certification applies to manufacturers, processors and traders of FSC-certified forest products. It verifies FSC-certified material and products along the production chain. Controlled Wood certification is designed to allow organisations to avoid the categories of wood considered unacceptable. FSC Controlled Wood can only be mixed with FSC-certified wood in labelled FSC Mix products. The 10 FSC Principles and Criteria clearly require forest owners or managers to define, document and legally establish long-term tenure and use rights, to identify and uphold indigenous peoples' rights of ownership and use of land and resources.

In order to obtain PEFC Sustainable Forest Management certificates, forest managers need to demonstrate that their management practices meet the requirements for best practice in sustainable forest management. Protecting workers' rights and welfare, encouraging local employment, and respecting indigenous people's rights are among these requirements.

For COC certification, timber sourcing from sustainably managed forests is required. This should have an increasingly positive impact on African forests by promoting their sustainable management.

22. http://www.fscchina.org (in Chinese).
23. http://www.fsc.org/facts-figures.html.
24. http://www.pefcchina.org.
25. www.pefcchina.org (accessed 7 October 2012).

Chinese National Timber Legality Verification system: The project of developing the Chinese National Timber Legality Verification scheme was launched by the Chinese Academy of Forestry (CAF) in December 2009. It was sponsored by the UK Department for International Development (DFID), connecting China with UK and EU experience. It aims to develop a cost-efficient legality verification system that is adapted to the Chinese context, and could possibly be developed to endorse wood products labelled under robust legality or certification standards from other importing countries, for example, Voluntary Partnership Agreement (VPA) licenses[26] and FSC certificates of forest certification or timber legality verification (Zhang, 2010).

The proposed scheme has two main aims. One is to link China's own management system of timber legality with counterpart systems implemented worldwide, and to establish a joint timber legality verification system in cooperation with forestry authorities of other countries. The second aim is to safeguard the benefits of timber-producing and timber-consuming countries by signing bilateral framework agreements, and through the provision of legality documentation by timber producing and other countries. This is geared towards promoting organised international trade in forest products and resolving the problem of illegal logging and associated trade (Chen, 2010).

The framework of the legality verification scheme has been developed. There are two options in the proposed framework: (1) a government-led approach, in which China will sign an agreement with timber-producing countries covering the definition of legality and the identification of laws and regulations that must be complied with, with an agreed format to demonstrate legality; and (2) an industry-led approach, which describes a responsible sourcing policy and risk assessment procedure to be carried out by industry association members. Although many technical details and requirements need to be developed in order to implement the scheme, this framework is an important step by the Chinese government in addressing the issues of illegal logging and associated trade. Its impact on China-Africa timber trade would be significant in terms of ensuring that timber from Africa is legally sourced and has a positive impact on forest governance and local livelihoods.

1.3 Chinese investment and trade in African forests

Having reviewed the Chinese policies and initiatives governing investment and trade in African forests, we turn now to the status and trends of that investment and trade. These statistics on investment flows and stocks, as well as trade volumes and values, indicate the size and importance of forestry activities in or with Africa relative to China's investment in and trade with other countries. These in turn provide the backdrop for the impacts of Chinese investment and trade on the governance of African forests and livelihoods.

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26. VPAs are a key element of the Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan of the European Union. A VPA is a bilateral agreement between a country and the EU, in which both parties commit to ending illegal timber trade and introduce a license scheme to verify the legality of timber exports to the EU. More information can be found at http://ec.europa.eu/environment/forests/flegt.htm.

1.3.1 Chinese actors involved in investment and trade

In Section 1.2, key actors governing Chinese investment and trade in African forests were introduced, including Chinese government and financial institutions, as well as both international and domestic NGOs. Now we turn to the trade and investment activities themselves, in which the main actors include SOEs, private companies and individuals (Jasson, 2009).

SOEs are generally large firms that benefit from state links and access to long-term finance and aid offered to developing countries (Kaplinksy *et al*., 2007). Provincially owned SOEs are similar, but may have more autonomy than the central SOEs, which are accountable to the central government in Beijing. Large privately owned firms operate in a similar manner to transnational corporations from the Northern hemisphere, as they are primarily market-driven, but they often have access to cheaper and longer-term finance. Small- and medium-sized firms (SMEs) are frequently local companies that cannot compete in China and are looking to succeed outside China (Kaplinksy, 2012). Lastly, individuals play an important role as well. These individuals are migrants who either move overseas independently or branch off after working for a Chinese SOE or private company in Africa.

Official Chinese statistics give an idea of the mix of sizes and operating locations of these Chinese business operations. According to Exim Bank, 100 of the approximately 800 companies that have invested in Africa are medium-to-large SOEs, and the rest are private companies (Asche and Schuller, 2008).[27] SFA also keeps records of Chinese forestry enterprises registered in Africa. According to their statistics, 14 Chinese forestry enterprises had registered in Africa as of 2011, with a total investment of about US$124 million. Gabon was the major destination for this investment: eight of the 14 forestry enterprises had invested in Gabon, with a total investment of US$99.5 million. Two large SOEs, China Forestry Group Corporation and Sunly,[28] together accounted for 68 per cent of the total investment.[29]

China's customs data also shows that a growing number of private firms have engaged in the timber import business (though they do not necessarily have operations in Africa). The majority of imports, however, are highly concentrated among a relatively small number of firms. SOEs still account for the majority of the largest importers, though some large private firms have also emerged.[30] In 2009, for example, 321 companies imported logs from Africa, with the top 10 of these

27. While these figures are indicative of trends, they may not accurately reflect the actual number of private companies and individuals (and therefore the total amount of investment), as many do not register with the relevant authorities.
28. Sunly is a subsidiary of China Timbers (H.K.) Ltd, itself a subsidiary of the state-owned China National Native Produce & Animal By-Products Import & Export Corporation (CHINA TUHSU). In 2004, CHINA TUHSU merged with the state-owned China National Cereals, Oils and Foodstuffs.
29. Source of data: personal communication by author with SFA personnel, compiled and calculated by author.
30. These importers are concentrated in or near a small number of industrial clusters, mainly in eastern coastal regions such as Jiangsu, Zhejiang, Guangdong, Shanghai and Shandong provinces. Implementation of the foreign trade reforms and other local government policies have supported the development of these clusters, as have geographical endowments, such as proximity to ports and land transport networks (Huang *et al*., 2013).

collectively accounting for over 60 per cent of total log imports. Wenzhou Wood Group and Shanghai Tuxu, two large SOEs, each had a 14 per cent share.[31]

These actors may be involved in a variety of different roles within investment and trade in African forests. Within forest-related investments, for instance, there is a wide range of types of arrangements – from direct investment in logging, through forest concessions, to indirect investments approaching pure trade – involving innumerable permutations of different types of actors (Putzel *et al*., 2011). It is important to remember that the situation is dynamic. The mix of investments and actors is changing as Chinese investment develops and African countries learn new strategies to take advantage of the opportunities China is providing (Kaplinksy, 2012).

In general, Chinese forestry enterprises in Africa are dominated by large SOEs. Examples include Jilin Forest Industrial Group in Equatorial Guinea, which is engaged in forest harvesting and lumber processing, and China Forestry Group Corporation in Gabon, which is engaged in sawn timber and veneer production. Investment by private enterprises, however, has been growing over the years, and they have become a key force in Chinese direct investment in forestry in Africa. Yihua Timber Industry, a private business from Guangdong Province that acquired 350,000 hectares of forest land in Gabon in 2012, is representative of this trend. Statistics also show that 32 per cent of China's SMEs preferred African countries as a destination for foreign direct investment. This figure is significantly higher than that for Southeast Asia (20 per cent) and for Latin America (18 per cent) (Gao and Song, 2010). Joint ventures are the most common form of cooperation, as Chinese companies tend to minimise their operational risks and take advantage of local partners familiar with legal restrictions on foreign capital inflows. It is expected that the number of joint ventures will continue to rise.

1.3.2 Investment status and trends

As we have seen, China's search for resources in Africa has expanded in the past decade to include forest resources. Investment has been channelled into forestry operations in African countries, with significant impacts on African forest governance and livelihoods. Investment in other non-forestry activities, such as mining and agriculture, also impact African forests, expanding the number of affected countries. Having examined the key Chinese actors involved in African forests in the previous section, this section takes a closer look at their investment-related trends and activities impacting African forests.

Investment flows and stocks

China's investment in Africa has expanded rapidly over the last two decades. In the first half of the 1990s, OFDI flows from China to Africa were estimated at US$14 million, but jumped to US$107 million in the second half of the decade (OECD, 2008). The upward trend continued in the 2000s at a pace commensurate with the rate of China's OFDI increases worldwide. By the end of 2011, China's OFDI

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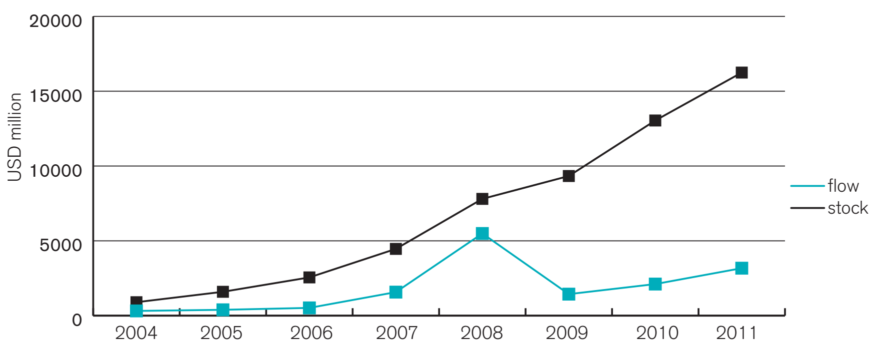
31. Source of data: calculations based on import data from China Customs 'list of African log importers 2009'.

stock in Africa totalled over US$16 billion. FDI flows to Africa peaked in 2008 at US$5.5 billion; in 2010 they totalled US$2.1 billion (MOFCOM, 2011b)[32] and recent MOFCOM statistics show that China's direct investment flow to Africa reached US$3.17 billion in 2011 (MOFCOM, 2012). By the end of 2012, China's cumulative direct investment in Africa totalled nearly US$20 billion, with 75 per cent going to sectors such as finance, processing and manufacturing, trade-related services, agriculture and transportation.[33]

Figure 1. China's direct investment in Africa



Source: MOFCOM (2012).

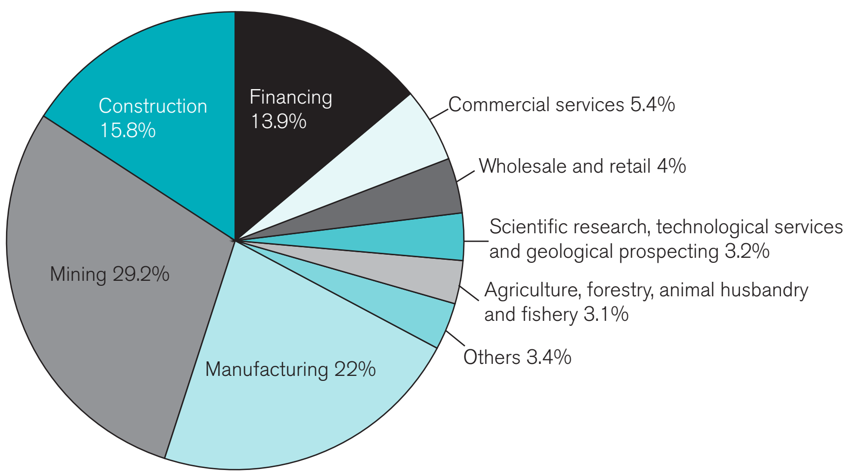
That said, while China's investment in Africa has grown substantially since the 1990s, it remains a minor investor relative to European and North American players on the continent (OECD, 2008; Kaplinksy, 2012). China's OFDI stock of US$2.6 billion in 2006 amounted to less than 1 per cent of total FDI stock in Africa as a whole, whereas the UK share of FDI stock was 16.6 per cent, the US share was 9.2 per cent, and France's share was 7.7 per cent (OECD, 2008). Relative to the total amount of Chinese outward investment, Africa's share is also low: at the end of 2010, Africa's share of China's FDI stocks was 4.1 per cent, while its share of FDI flows was 3 per cent. This is in contrast to Asia's share of China's total outward investment, which reached 71.92 per cent of China's FDI stocks and 65.24 per cent of its FDI flows (OECD, 2008).

China's OFDI in Africa is currently characterised by a number of key traits. The average size of investment is relatively small (OECD, 2008). Geographically, investments are spread over 49 countries on the continent (MOFCOM, 2011a). It is estimated that flows of Chinese investment to sub-Saharan Africa (SSA) now exceed those from western countries, but the stock of Chinese FDI is still a small percentage of the overall stock in SSA (Kaplinsky, 2012).

32. As with much research on China, statistics like these can be difficult to verify and often differ depending on the source of the data. For instance, the UNCTAD estimated the stock of Chinese FDI at US$1.595 billion by the end of 2005, while the Chinese government's figure was US$6.27 billion, and the Chinese press quoted numbers of up to US$30 billion (Asche and Schüller, 2008). Furthermore, it is difficult to distinguish between FDI linked to aid, FDI that flows to integrated activity between Chinese and SSA firms, and FDI comprised of Chinese activity alone (Kaplinksy et al., 2007).
33. http://news.xinhuanet.com/english/africa/2013-03/24/c_124496942.htm.

Figure 2 shows the distribution of China's direct investment in African industries in 2009, using the classification in the Chinese National Economy Industry Classification and Code (GB/T4754-2002). Among all industry sectors, mining attracted the largest share of investment, accounting for 29.2 per cent. It should be noted that, under this method of classification, mining includes only mineral extraction activities, such as extraction of natural gas, oil, metal and non-metal ores. Other mining-related activities are classified into other categories, such as manufacturing, technical services and geological prospecting. Taking this into consideration, actual investment in the mining sector could be higher. Direct investment in the forestry, agriculture, fishery and animal husbandry sectors together accounted for 3.1 per cent of China's total FDI in Africa by the end of 2009.

Figure 2. Distribution of China's direct investment in African industries (by the end of 2009)



Source: MOFCOM (2011b).

Forest-related investments

Data from MOFCOM's Chinese Companies Overseas Investment Database is used to examine trends in intended investment by Chinese forestry companies. The database consists of a list of Chinese companies that received approval to make overseas investments. According to the database and reclassification by the International Council for Research in Agroforestry (ICRAF),[34] investment approvals for the forestry, agriculture, and animal husbandry sectors between 1988 and 2010

34. ICRAF created a reclassification scheme that separates out investment approvals related to forestry, mining and agriculture that were classified as other categories under the Chinese National Economy Industry Classification and Code.

accounted for 4.2 per cent of all investment approvals[35] for Chinese companies in Africa (MOFCOM, 2011b; Huang and Wilkes, 2011a). Forestry-specific investment approvals (covering logging, wood processing, paper, wood flooring, furniture and forest management) numbered 34 in the same time period, or 2.6 per cent of the 278 total investment approvals for Africa (Huang and Wilkes, 2011a).

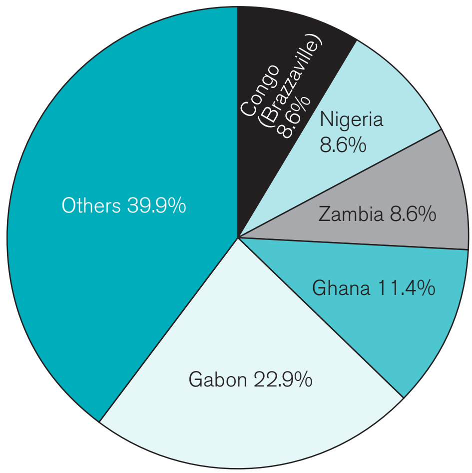
Gabon, Zambia, Ghana, Nigeria, and the Republic of Congo are the primary destinations for these investments. Gabon is the largest recipient of this investment, with 22.9 per cent of all Chinese forest-related investment approvals in Africa (see Figure 3) (Huang and Wilkes, 2011a).

In terms of the sectoral distribution of investments, nearly half (45.7 per cent) of the approvals were for resource extraction, including logging, followed by timber processing at 22.9 per cent. Paper product (20 per cent) and furniture (11.4 per cent) manufacturing accounted for the remaining investments (see Figure 4) (Huang and Wilkes, 2011a). When the approval records are reclassified into primary (logging and sawn wood[36]) and secondary (all other) processing, there is an almost even split between the two types of activities, with 52.9 per cent of investments accounting for the former, and 47.1 per cent accounting for the latter (Huang and Wilkes, 2011a).

The picture changes when the focus is shifted to the Congo Basin (Cameroon, Central African Republic, Democratic Republic of the Congo, Republic of the Congo, Equatorial Guinea and Gabon)[37] and the Southern Miombo Woodlands (Malawi, Mozambique, Zambia and Zimbabwe)[38] eco-regions. Chinese investments in African forests are concentrated in these two areas, with 53 per cent of forestry approvals and 70 per cent of log exports from Africa to China occurring there (Huang and Wilkes, 2011a; Putzel *et al.*, 2011). In these two eco-regions, investments in primary processing jump to 84 per cent of the total (Huang and Wilkes, 2011a). While investment approvals do not necessarily translate directly to actual investments, or accurately reflect the amount of investment taking place given the high level of unregistered investment and illegal activity, they do provide some insight into general trends.

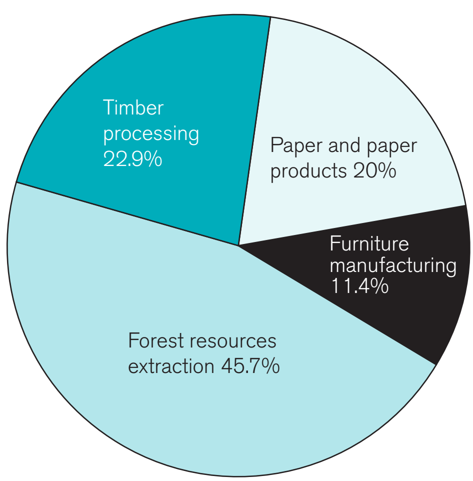
35. All outward investments by Chinese firms must be approved by the Chinese authorities. The approval process includes MOFCOM, the State Administration of Foreign Exchange (SAFE), and the National Development and Reform Commission. Companies receiving approval may ultimately not make an actual investment in Africa, or in the sectors under which they applied, so the listing of approvals should be taken as an indication of a company's intent only.
36. Sawn wood is a minimally processed wood product. The primary conversion of logs into sawn wood is the lowest value-added processing step in the wood products value chain (Kozak and Canby, 2008).
37. http://worldwildlife.org/places/congo-basin.
38 http://worldwildlife.org/ecoregions/at0719.

Figure 3. Top five destinations in Africa for intended forestry investments by Chinese companies



Source: Huang and Wilkes (2011a).

Figure 4. Sectoral distribution of China's forestry investment approvals in Africa



Source: Huang and Wilkes (2011a).

As evidenced by the data above, Chinese forest-related investments in Africa can take a number of forms, split primarily between logging efforts and processing activities (Jansson, 2009; Huang and Wilkes, 2011a). Logging activities in Africa can be further split into those that take place through forest concessions, and those that are done through smaller-scale operations under logging licenses.[39] The mix of licenses and concessions depends on the host country's laws, but the number of forest concessions (and Chinese involvement in them) is growing, as many countries implement a concessions system in an attempt to control deforestation and increase tax revenues from logging.

The Chinese presence in concessions in Gabon is significant, with approximately 30 out of a total of 80 Chinese companies collectively owning over 120 permits to operate in concessions covering 2.67 hectares of forested land (over 10 per cent of the country's forested area), and one third of all logging companies in Gabon having Chinese ownership (Jansson, 2009; Putzel *et al.*, 2011). In Cameroon, only one Chinese company is operating in concessions, but with six concessions, the company has access to 570,000 hectares of forested land, or over 10 per cent of concession land in the country (Putzel *et al.*, 2011). In contrast, Chinese involvement in forest concessions in the DRC is minimal, with no Chinese companies currently owning concessions (Jansson, 2009). In some cases, Chinese companies have been unable to obtain concessions because they have failed to meet either environmental or capacity requirements, or both (German *et al.*, 2011; Putzel *et al.*, 2011).

Small-scale operations can also be split further into direct and indirect operations, with indirect activities having become more common (German *et al.*, 2011). In one example of the latter, Chinese buyers in Mozambique provide forward financing to small African pit-saw operators[40] who would not otherwise be able to purchase a logging license, and in return these operators provide the buyers with logs (Mackenzie, 2006; German *et al.*, 2011). This method provides Chinese companies with a convenient way of circumventing regulations, as the number of small African operators means they are difficult to regulate, and Chinese companies are no longer directly responsible for over-extraction (Mackenzie, 2006). On the flip side, this indirect investment via subcontracting appears to support many small-scale African forest operations; the conditions and results of these relationships need to be researched further (Putzel *et al.* 2011).

In cases like this where the minimum level of investment needed to enter the sector is low, trade data may reflect the significance of the Chinese presence more accurately than the percentage of total FDI coming from China – in Mozambique, the proportion of timber exports going to China grew to 82 per cent of its total timber exports in 2010, from just 10 per cent in 2001 (German *et al.*, 2011).

39. Whereas a concession is a business operated under a contract or license associated with a degree of exclusivity within a certain geographical area, a logging license is a permit to harvest timber.
40. A pit-saw operator is a person who cuts timber with a pit-saw – a handsaw operated by two people, one of whom stands on or above the log being sawed into planks and the other below it, usually in a pit.

The timber processing industry is the second major element of forestry that Chinese companies invest in. This investment can fall anywhere on the spectrum between direct and indirect investments, where direct investment might take the form of Chinese-built processing plants, and indirect investment might be funds for subcontractors to carry out the processing. In most cases, Chinese companies prefer to segment production into several steps, each of which is subcontracted or performed by an independent African company (Roda, 2008). Many African countries have implemented regulations and laws requiring the processing of logs prior to export, in order to boost revenues from forestry and spur in-country development of forest-related industries. Chinese companies, however, can often complete the processing more efficiently and profitably in China, where the timber processing industry is already highly developed and where they can support local Chinese companies instead of African ones. Chinese companies may therefore attempt to circumvent these laws and regulations (Kozak and Canby, 2007).

This kind of illegal activity means that African countries lose out on economic development, specifically industrial capacity-building and jobs (Kozak and Canby, 2007). In Zambia, the Forestry Department has accused Chinese traders of hiding unprocessed logs underneath sawn timber on trucks at checkpoints and in shipping containers for export (German *et al.*, 2011). The Chinese processing industries are direct competition, due to low labour and production costs, economies of scale, lax environmental regulations, and government subsidies and tax incentives.[41] Additionally, there is demand in China from the pulp, paper and reconstituted wood sectors for the by-products of primary log conversion, such as wood chips, shavings and sawdust (Kozak and Canby, 2007). Wood waste is also used to produce fuel, which is cleaner than coal in terms of both inputs and outputs (Kozak and Canby, 2007). Thus, the wood processing industry is in fact seen as a way of creating jobs in China:

> The need to capture as much employment as possible throughout the entire wood products value chain is particularly salient in China, where residential markets are robust and production overcapacity is necessitating aggressive export programs. Efforts to increase domestic processing of raw wood supplies are seen as [a] mitigation strategy for job losses that are occurring as a result of urbanization, demographic shifts, and increased agricultural efficiencies. Wood processing, especially wood furniture production, is seen as labor intensive and creates an estimated 12 to 15 million jobs per year. (Kozak and Canby 2007: 3)

African companies may in fact prefer to sell logs to Chinese companies, due to the greater profitability of logs (Kozak and Canby, 2007). In Gabon, the lack of Chinese quality standards means industrial capacity-building is not increasing (Kaplinsky *et al.*, 2010). Interestingly, because the processing industry is inefficient, sawn wood processing is actually a money-losing activity and the companies that run processing plants must support themselves with profits from logging (Kaplinsky *et al.*, 2010). It is unclear, however, whether long-term benefits of processing have the

41. See, for example Brady (2004), Kaplinksy *et al.* (2010: 25), and Kozak and Canby (2007: 2).

potential to outweigh short-term losses, or to what extent this situation holds for other African companies in other countries.

1.3.3 Trade status and trends

We have started to build a picture of the China-Africa links that shape forest governance and livelihoods around Chinese investments in African forests. As we have seen, the line between investment and trade can be blurred in the context of China's involvement in African forests. A review of the status and trends of Chinese forest-product trade with Africa will help to round out this picture.

China's imports of African forest products[42]

China has become one of the largest importers of forest products in the world. In 2012, China imported 159 million cubic metres of roundwood equivalent (RWE),[43] valued at US$31 billion. Russia has been the largest exporter of forest products to China every year since 2002, except for 2011 when imports from Canada experienced a growth spurt, based on import value. Still, Russia's share of China's total forest products imports in 2011 was nearly 14 per cent, while Canada accounted for 16 per cent. Looking at timber products alone (excluding pulp and paper products), Russia's dominant position is clear, with a share of around 24 per cent in 2012 and a peak share of 36 per cent in 2007.

Overall, imports from Africa accounted for only 2.8 per cent by volume and 5.2 per cent by value of China's total imports of forest products in 2012. African countries' export volumes have been variable over the past 10 years. In 2012, exports of forest products from Africa to China reached a historical high of 4.5 million cubic metres of RWE, with a total value of US$1.6 billion.[44]

The actual values may be even higher. Tax revenues from forest concessions and exports in particular lost through illegal logging have become a major economic issue for all of the countries that China operates in and imports timber products from (Milledge *et al*., 2007). There are multiple cases where export statistics produced by the host country do not match Chinese government statistics, which are usually higher; these discrepancies indicate a significant loss of potential tax revenue for the host countries (Milledge *et al*., 2007). The discrepancies arise when Chinese companies circumvent the laws and regulations of African countries through illegal logging practices, including logging outside of formal concessions or without a license, and by smuggling illegal timber out of the country.

Products mix: In line with the above discussion on timber processing trends, the majority of forest products China imports from Africa are raw logs, accounting for 60 per cent in 2012 according to China's customs statistics (the actual figure may

42. Forest products include all timber products under customs HS code 44, wooden furniture, wood pulp, paper and paperboard.
43. Roundwood equivalent is the volume of round wood (wood in log form) that is required to produce a given volume of processed timber or manufactured product. The difference between this and the output volume of processed wood comprises residual material and waste, some of which can be used in other timber products.
44. China Customs cited in Sun (forthcoming).

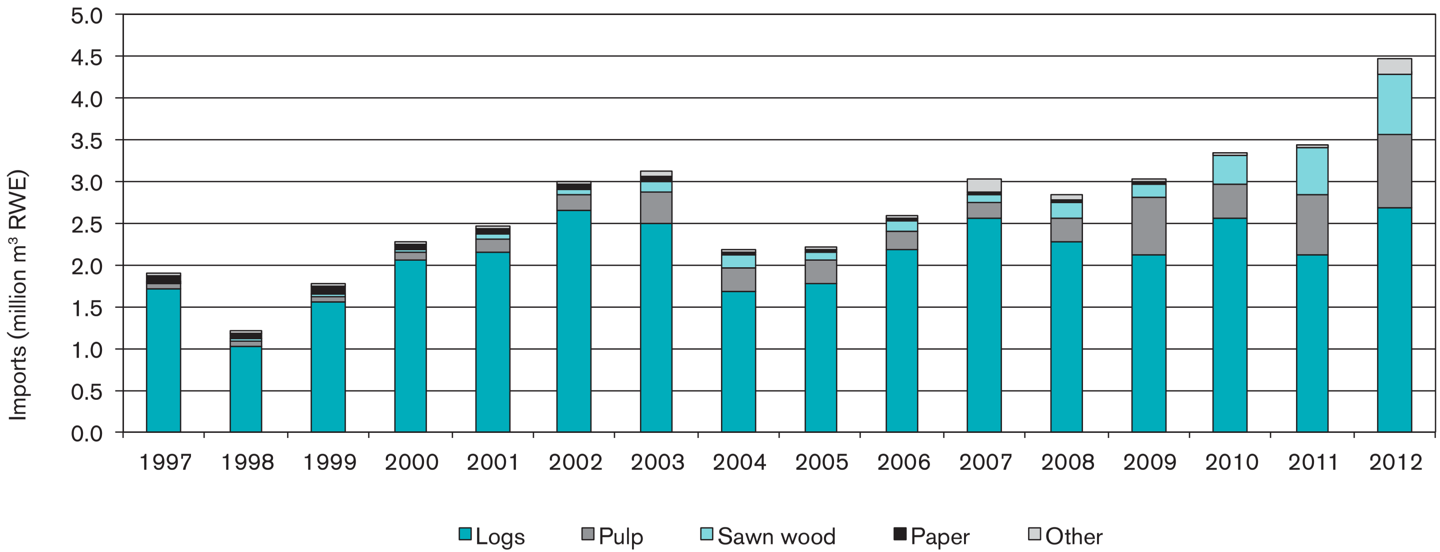
be significantly higher, as this number does not take illegal trade into account). Wood pulp, sawn wood and veneer account for most of the remainder of China's forest product imports from Africa. South Africa and Swaziland exported 100 per cent of all African pulp and paper going to China. Exports such as fibreboard and wood chips have been limited over the past 10 years. While log volumes have been relatively unstable, sawn wood and pulp volumes have increased – albeit from a very small base – and paper exports have fallen steadily (Figure 5).

The dominance of logs in the products mix has declined slightly, but remains conspicuous in Africa's exports to China relative to China's forest product imports as a whole. Logs made up 60 per cent of China's forest product imports from Africa in 2012, while this figure was 84 per cent in 2007. Limited exports of logs from Gabon contributed largely to the drop. Imports of sawn wood grew rapidly, in both relative and absolute terms, in 2011 and 2012, representing 16 per cent of total imports from Africa respectively, compared to 3 per cent in 2007. The larger proportion of the total could be attributed to the drop in the proportion of log imports. Sawn wood exports from Gabon in 2011 increased significantly, for example, which is indicative of the country's shift away from exporting logs. This is potentially an effect of the implementation of a log export ban in 2010.

Major exporting countries: Gabon has historically been the most important African supplier of forest products to China and the only African country that occasionally ranks within the top five supplying countries to China. In 2008, it was China's fifth largest log supplier, and ranked ninth in 2010. Gabon's share of China's total forest-product imports dropped significantly in 2011 due to the implementation of its log export ban. The Republic of Congo, Cameroon, South Africa (dominated by wood pulp) and Mozambique are the other top African countries sending substantial volumes of forest products to China (Figure 6).

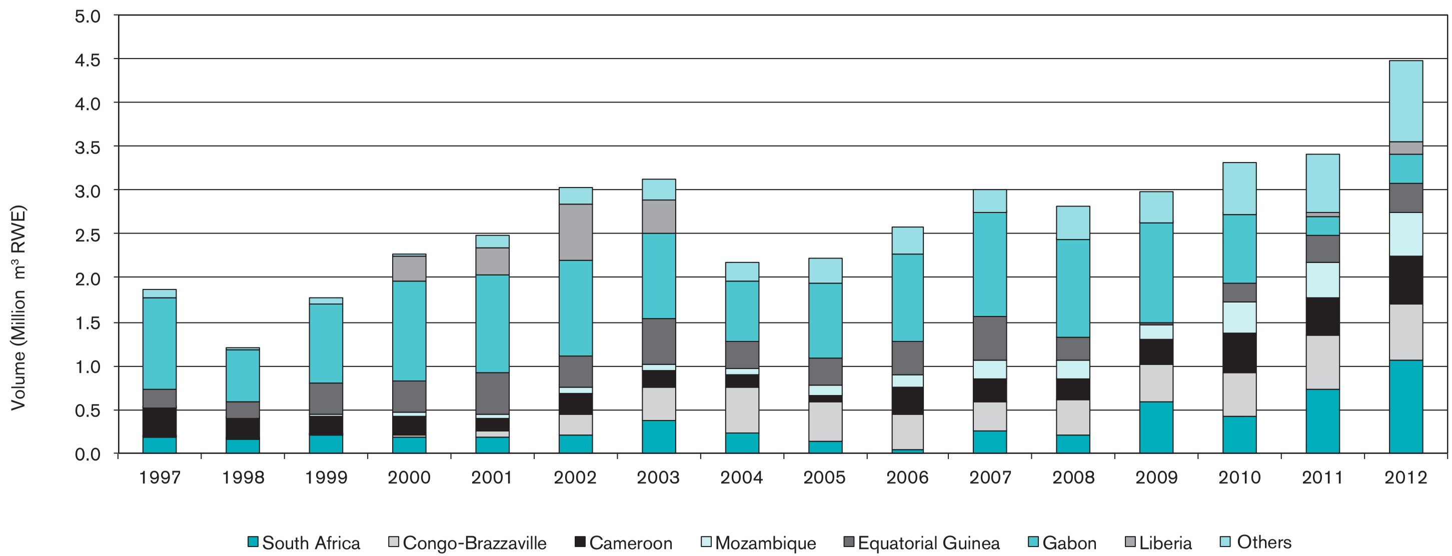
While China's volume of imports from Africa is marginal relative to the country's total imports of forest products, this trade has become increasingly important within particular African countries such as the Republic of the Congo, Equatorial Guinea, and Mozambique. Many African countries depend increasingly on timber exports, and this dependence tends to reinforce unsustainable forest management and illegality (Canby *et al*., 2008).

Figure 5. China's imports from Africa by product type



Source: China Customs cited in Sun (forthcoming).

Figure 6. Major suppliers of China's imports of African forest products



Source: China Customs cited in Sun (forthcoming).

China's exports of wood products to Africa

In the past, the value of China's forest product imports from Africa exceeded its exports to Africa. However, the situation changed in 2011, when China's exports of forest products to Africa reached a historical high of US$1.6 billion, up by 38 per cent from 2010. Imports continued to grow in 2011, but at a slower pace than exports, up by 3 per cent from the previous year to US$1.3 billion. The volume of China's exports to Africa also exceeded the volume of China's imports from Africa in 2011: while imports totalled 3.4 million cubic metres RWE, exports reached over 4.2 million cubic metres RWE.

The composition of China's forest product exports to Africa is heavily weighted towards processed products, in sharp contrast to Africa's log-dominated exports to China (Sun, forthcoming). With the exception of South Africa, none of the top ten exporting countries is a significant importer of manufactured forest products from China. The greatest volume of these exports goes to North African countries such as Egypt (the top African importer of paper and paper board, plywood and other panels), and to Nigeria and South Africa (paper and furniture) (Figures 7 and 8).

Canby *et al.* (2008) noted that 'many have speculated that China's manufacturing industry will be able to send cheap manufactured wood products back to supplier countries, effectively displacing any emerging African manufacturing capabilities'. Given the data above, this now appears to be the case. The focus on the extraction of primary resources is arguably a setback for countries whose goal is to avoid the 'resource curse'[45] and transition to higher-level manufacturing. Ultimately, the impacts could include the disinvestment and relocation of other foreign investors (e.g. furniture makers) and their money (Kaplinsky *et al.*, 2007).

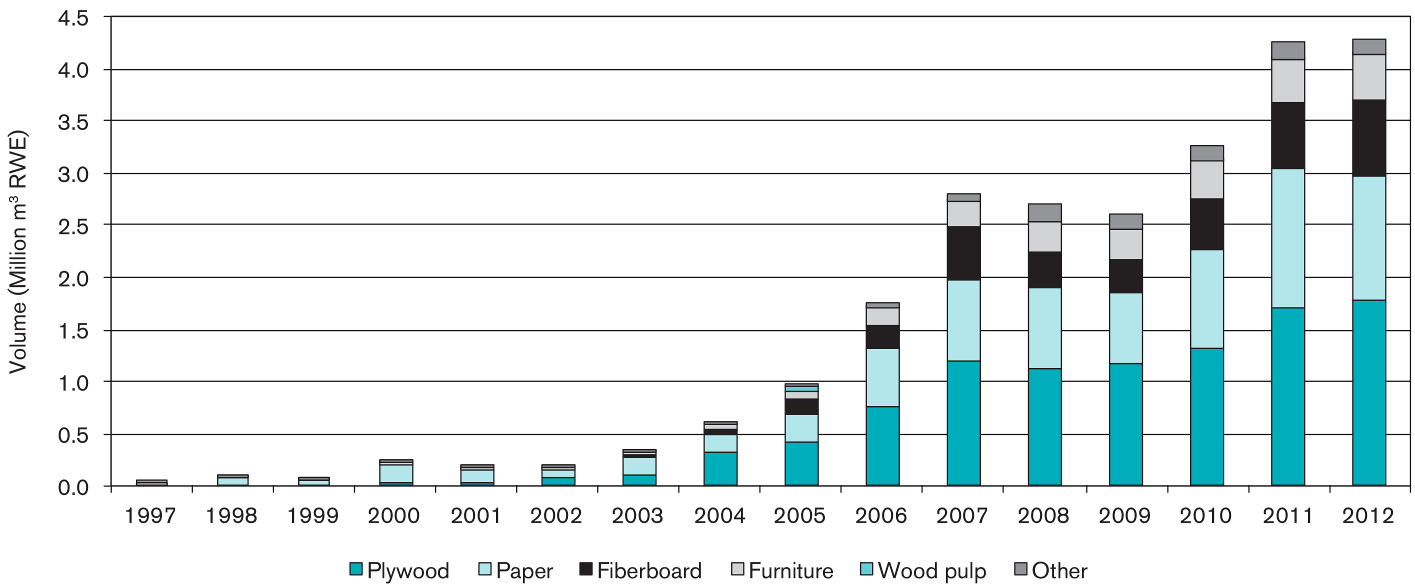
1.3.4 Livelihood and social impacts of forest trade and investment

China's investment and trade activities in African forests impact livelihoods in complex ways. Few have explored the nature of these impacts, as they are among the hardest to assess, and there is currently a need for more thorough research in this area. This section aims to fill this gap by examining the existing evidence on the social impacts of Chinese trade and investment.

There is evidence of both positive and negative impacts on livelihoods.[46] These effects, however, are currently observable primarily at the local level. In the future, as Chinese investments in African forests continue to grow, these impacts may be more readily observable on a larger scale.

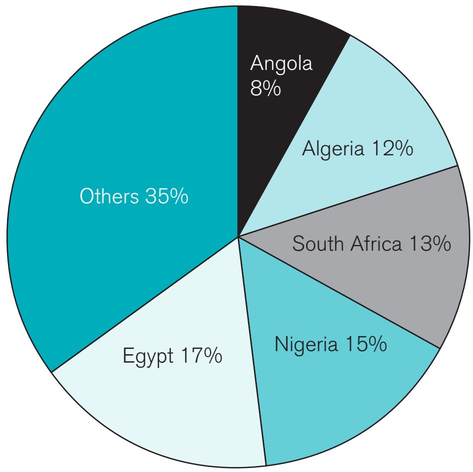
45. The 'resource curse' is the condition whereby an abundance of raw materials leads to an inability to move from raw material exports to secondary industrial processing and beyond.
46. For a table summarising key contributions and threats of the timber trade to the 2005 National Strategy for Growth and Reduction of Poverty in Tanzania, see Milledge *et al.* (2007: 14).

Figure 7. China's forest product exports to Africa by volume and product type



Source: China Customs cited in Sun (forthcoming).

Figure 8. Top five African destinations for Chinese forest product exports in 2012



Source: China Customs cited in Sun (forthcoming).

It has been observed that Chinese companies often import Chinese workers, resulting in missed job opportunities for Africans (Uche, 2009). Factors affecting this decision include local labour laws, the work permit regime, enforcement of work permits, and the availability and cost of skilled labour (Brautigam, 2012b). In reality, the ratios of African to Chinese workers in Chinese companies are highly variable. Data compiled on these ratios reflect a range of hiring practices, from nearly all African to all Chinese employees (Brautigam, 2012b; German *et al.*, 2011). A local in Ikobey village in Gabon also noted that the Chinese 'do everything themselves', in other words, they do not use local African businesses for their needs (Putzel *et al.*, 2011). Unsustainable harvesting practices of forests also risks depriving Africans of potential employment in the long term (White *et al.*, 2006).

In some instances, Chinese companies have upheld CSR or social enterprise requirements, contributing to the development of local communities not only financially but also socially, through the construction of schools and clinics (Putzel *et al.* 2011). In Cameroon, Cerutti *et al.* (2011) note that one Chinese company distributes wood residues to local families for fuel use (an example of 'in-kind engagement'), which is perceived as a positive contribution by local residents. The company is also financing the construction of a rural market and purchasing roofing materials for homes, as well as giving preferential treatment to affected communities during recruitment.

There is also evidence of negative social impacts on local communities, especially indigenous groups. In terms of legal operations, Chinese companies have been accused of failing to transfer a percentage of profits from forest concessions to local communities. In many African countries, however, responsibility appears to lie not with the Chinese companies but with the redistributive system itself, and perhaps with local African officials, who are accused of mismanagement and embezzlement of the funds (Cerutti *et al.*, 2011). There is other evidence of Chinese companies making unfair deals with chiefs of indigenous communities, who are either unaware of the market value of their forests or are coerced into signing an agreement (Vidal, 2007). In these unfair deals, Chinese companies either offer deeply inadequate compensation (e.g. a few bags of salt and sugar) for access to forest tracts, or promise infrastructure that is then never delivered. The resulting abuse and destruction of forests negatively affects those people whose livelihoods depend on forest resources.

That said, the Chinese impact may be no worse than that of other countries whose investment and trade activities impact African forests. Cerutti *et al.* (2011) explored the behaviour of Chinese and European firms in Cameroon's logging sector, assessing the effects of Chinese investment and China-related trade on rural livelihoods and forest conditions. The findings suggested that while the Chinese market shapes the trade patterns and management activities of logging companies, it does so irrespective of companies' nationality. The nationality of firms was also found to have a weak influence on the impacts on local livelihoods.

Outside of indigenous and local community grievances, additional negative impacts stem from a lack of ethical standards, whether related to labour or governance. Although complaints about labour standards have been registered in other industries, such as mining, there is less evidence of such complaints in forestry operations.[47] In Gabon, however, it is apparent that health and safety requirements safeguarding workers' welfare are lacking in some operations (Kaplinsky *et al.*, 2010).

Further research is needed on changing class and race dynamics, as well as other larger sociocultural changes (Mohan and Power, 2008). A Chinese merchant class may be emerging. Whereas Chinese immigrants in the colonial period integrated into African communities through interaction, marriage and even public office, current Chinese workers tend to remain isolated (Mohan and Power, 2008). Some work has also been done on Chinese business networks in Africa, the strength of which may contribute to non-integration, at least in business (Roda, 2008). That said, emigration to Africa is encouraged by some provinces in China, and there is also evidence of Africans learning Chinese, perhaps suggesting cultural integration at a local level (Brautigam, 2012a; Mohan and Power, 2008). It is not clear to what extent these trends apply to actors involved in forest-related investments.

47 See, for example, Sautman and Yan (2009: 8), Asche and Schuller (2008: 60), and Jansson (2009: 31).

Perceptions of governance issues relevant to African forests, livelihoods, trade and investment

Examining existing perceptions is as important for understanding the whole picture of forest governance links between China and Africa as analysing measurable evidence of impact. Only when we understand the landscape of perception and interest across all stakeholders can we begin to engage effectively with the governance issues facing forestry. On the Chinese side, these stakeholders primarily include Chinese government and forestry authorities, private sector enterprises investing in or trading with African countries, civil society and non-profits, and academic and research institutions.

A literature review (particularly of online sources) of Chinese perceptions of China's involvement in African forestry was conducted to understand the views of different stakeholders in China. This includes Chinese perceptions of African views on Chinese involvement in African forestry.

In order to obtain first-hand information on Chinese perceptions of China's investment and trade in African forests and forest-related sectors, IIED and GEI staff also conducted interviews with stakeholders, including representatives from government, industry, civil society, and academic and research institutions. These interviews were carried out primarily through phone and personal communication in Beijing between August 2012 and January 2013.

In addition, a small sample survey was attempted between April and May 2013 to complement the interviews. A semi-structured questionnaire was designed and sent to 80 stakeholders, primarily participants of the China-Africa Forest Governance Platform Launch Event in March 2013. The majority of the 10 respondents were academics and while the private sector remains difficult to actively engage, some preliminary outcomes were gained through informal interviews with executives.

The questionnaire focused on perceptions of governance issues relevant to African forests, livelihoods, and forest products trade and investment, including perceptions of China-Africa forest product flows, impacts of Chinese investments on African forestry, and effects of China-Africa forest links on national economies, local livelihoods and local land rights.

2.1 Perceptions of China-Africa forest product flows

The import and export of forest products between China and Africa is seen as important to Chinese resource security as, with domestic logging restricted, Chinese enterprises rely on importing raw materials from less-regulated developing countries, including many in Africa. It is also seen as important to Chinese economic development because Chinese enterprises export finished products to the growing consumer markets of Africa, among others.

From a development perspective, one concern voiced is that the import of raw materials to China and the export of finished products to Africa undermines the development of local processing and manufacturing enterprises in African host countries, stunting their economic development while exploiting their natural resources. This concern is predominant in the development-oriented civil society sector. However, of the 10 NGO and academic stakeholders interviewed in China, only two believed that China-Africa forest links do not have a net positive effect on the national economies of African countries. Those in the private sector emphasised practical and logistical reasoning – for example, they noted that it is cheaper to import unprocessed wood for manufacturing in China, and then re-export it, especially given that only a relatively small proportion of finished forest products are exported to Africa compared to other markets.

Now that many popular African destinations of forest enterprises are developing their own restrictions on logging and over-exploitation of forest resources – including restrictions on exporting unprocessed forest products – to promote development of domestic processing and manufacturing industries, another concern is that Chinese demand for these raw materials is driving the illegal logging and forest trade. While this concern is relatively mainstream in the international media, only 3 out of 10 Chinese civil society stakeholders believed this was the case, whereas 5 disagreed or strongly disagreed.

2.2 Perceptions of Chinese investments in African forestry

As with China's overall investment in Africa, China's investment in African forestry fits into its overarching, top-down, national Going Global economic strategy, paired with its development and aid strategy. The significance of these broader strategies and narratives is demonstrated by the prevalence of the Chinese government's top-down perspective in accounts of Chinese investments in African forests: the official line portrays Chinese investments in Africa as mutually beneficial business partnerships on equal terms, and South-South development cooperation without strings attached (i.e. the conditionality of traditional Western development aid, which is seen to both drive development according to the priorities and ideals of Western nations, undermining the autonomy of receiving nations, and limit the effectiveness of aid given).

Often cited in China-Africa literature, the Chinese government frames Chinese investment and development involvement in Africa in contrast to ineffective traditional Western models of aid and cooperation. The government promotes its activities in Africa as a positive contribution to the continent along three lines: 1) a non-interference policy; 2) mutually beneficial trade policies and agreements, or so called 'win-win' arrangements; and 3) the delivery of development and poverty reduction where Western development organisations and international donor agencies have failed due to overly stringent requirements for sustainability and governance (Mohan and Power, 2008). China is also clear that its interests in Africa are not neo-colonial, and that it is in fact the 'champion of anti-imperialism' (Mohan and Power, 2008). Instead, China's involvement in Africa is framed as 'South-South cooperation', based on solidarity and interests (Mohan and Power, 2008). In the broader international context, this official/top-down narrative defines Chinese investment involvement as an alternative business and development model to traditional Western practices, emphasising equality, non-interference, infrastructure, poverty reduction, and economic development where Western actors have traditionally used aid to try to influence the shape and direction of development in African nations.

A few government bodies and programmes provide examples of this kind of narrative. The brief description of the Overseas Forestry Cooperation Program[48] (which includes Gabon) describes how Chinese enterprises have exploited their comparative advantages to participate in the offshore development of forest resources and forest product processing, ultimately developing into multinational enterprises. SFA uses the terms 'cooperation' and 'participation' to describe its outward FDI, reflecting its intention that commercial relationships be seen as being of mutual benefit, despite China's greater influence.

Informant interviews with employees in SFA and CAF reflect the nature of this thinking as applied to the forest sector. For example, one official at SFA explained the ways that Chinese engagement can address basic gaps in African forestry:

> In Africa, the economy is not developed and biodiversity conservation is not strong. International cooperation with Africa focuses a lot of energy on conservation, but work on development still needs more attention. Chinese aid in the African forest sector tries to address both of these issues. For example, our aid projects have provided materials for forest conservation, such as fire prevention and management tools and four-wheel-drive vehicles to drive in rough terrain. In the Sahara, we work with countries to provide nurseries to combat deforestation and desertification. In the Congo, we are working with government on forest restoration and forest plantations to protect the natural forests of the Congo basin. At the same time that people protect their resources, they also need to improve their lives. China puts great emphasis on this matter, and the results are very good.

Similarly, a researcher at CAF explained:

> African countries face problems around the rational use of forest resources, especially from old-growth forests. It is not realistic to completely protect these forests. What is needed is a more rational and scientific policy framework for the comprehensive sustainable management and use of the resources. Many areas in Africa need to decrease local communities' reliance on forest resources in sensitive natural areas. We are supporting these efforts by providing support for alternative livelihoods, training, and the development of tree nurseries for rare species. We are also supporting the improvement of capacity and quality of forest conservation.

48. http://english.forestry.gov.cn/web/article.do?cid=200911171248595000 (published 21 January 2010, accessed 25 June 2012).

From a government perspective, then, the African forest sector lacks comprehensive management and human capital. Officials feel that China can contribute to addressing these gaps by sharing expertise gained in the development of its own forestry sector, especially in the areas of plantation forests and soil erosion management. This knowledge is shared through a variety of channels, of which capacity-building in the form of personnel training and forest management demonstration projects on the ground in African countries are two examples.

The article 'A new chapter on international cooperation', in the *China Green Times* (the newspaper run by SFA), quoted Qu Guilin of SFA's International Cooperation Division.[49] He characterises China's pre-reform (pre-1978) cooperation with African forestry as technical assistance, in contrast with post-reform activity that has raised China's profile in multilateral fora. South-South cooperation in the 21st century is presented as a way to promote China's scientific and technical achievements, and to increase its international status, influence and competitiveness. The author suggests that China's reasons for cooperating in African forestry have changed over time, and that projecting China's status and influence have become more important than trade or aid. This view is in line with the government's perception of China's involvement in Africa, but also implies the potential for tension between Chinese economic growth and China-Africa cooperation.

SFA promotes evidence of China-Africa government and academic links in forestry, in an online article.[50] This article reports on the opening ceremony of the China-Africa Cooperation Forum High-Level Symposium on Combating Desertification, which took place in Beijing on 17 June 2011. The forum lasted 21 days, during which all participants attended lectures as well as field trips to Chinese sites demonstrating land reclamation through agroforestry. It appears to have been intended as a South-South learning exercise.

Under MOFCOM's foreign aid programme, there have been training programmes offered to African forestry officials on various forest issues. For example, training on forest law enforcement and governance for forest officials from developing countries has been conducted by the State Academy of Forestry Administration on an annual basis, starting in 2009.

Government officials hope that this aid can complement the policy and supply chain management initiatives they are implementing. As one researcher at CAF explained:

> African countries are particularly interested in aid from China. In this, we would like to emphasize improving the management and the systematisation of the forest sector as a whole. For example, we could contribute to increasing the productivity of the forest sector in African countries by sharing our experience in plantation forests. From logging, to transportation, to processing, there are improvements to be made along the entire supply chain, and this requires comprehensive management. We need to work together to improve the transparency of these supply chains.

49. http://www.greentimes.com/green/news/special/30years/2009-01/15/content_31843.htm (in Chinese, published 25 December 2008, accessed 28 June 2012).
50. 'Sharing Experience with African Friends on Combating Desertification', http://english.forestry.gov.cn/web/article.do?action=readnew&id=201001201003405298 (accessed 25 June 2012).

As for Chinese views on African perceptions of Chinese involvement in African forestry, positive perceptions are consistently reported. One official at SFA explained, 'I have been to the Congo and Egypt, and I will soon travel to Mozambique. On these trips I have generally seen that people react positively to China's engagement in the forest sector. We have good practices for ecological conservation, and our efforts focus on helping people, giving local people a living.'

In the Chinese media, it is frequently reported that Chinese involvements in Africa, including in forestry, were welcomed by Africans. These reports adopt a top-down view, emphasising shared development priorities – such as infrastructure, investment and GDP growth – and reporting positive comments on Chinese involvement from African leaders and governments. However, these comments may be more a reflection of the fact that African leaders are in a position to benefit from cooperation with China than of the environmental, social and economic impact of this cooperation at the grassroots level. Of 10 survey respondents, only three believed that Chinese media coverage of China-Africa forest links adequately represents the risks and challenges with regard to the impact on African countries.

Chinese media is relatively homogenous and centralised. However, there is still some variation in types of media. Notably, some media outlets (such as the *China Green Times*, run by SFA) are direct mouthpieces of specific government bodies, while others are general national media. Furthest from the mainstream national narratives are those media organisations with international readership, such as *China Dialogue* (bilingual, non-profit, and based jointly in London and Beijing).

Because positive perceptions are always reported in the Chinese media, international criticism is generally not well received, especially when it exaggerates or misconstrues the facts. For example, in interview, an SFA official pointed to a recent report from the Environmental Investigation Agency (2012): 'The report claimed that 48 per cent of all timber trade is illegal. It is fine for research to look at the issues, and problems do need to be discussed, but publishing such a figure is just not true. There are so many of us working here in this office, we are all working hard every day, you can't just say we are not doing any work to address these issues.' He explained further:

> In recent years, we have made a big effort to help Africa: we have conducted trainings on forest law, the timber industry, etc. We have brought many groups of Africans to China to attend tree disease trainings. We work closely with WWF, for example on assessing the needs of a specific country in the forestry sector, or implementing forest sector guidelines in specific countries. We welcome collaboration with international NGOs and researchers, as well as opportunities for international exchange and conference participation to share challenges and ideas for solutions. All of these efforts need to be expanded and deepened.

From the Chinese government perspective then, African forest governance can be improved through better collaboration and stronger supply chain management. As another informant explained, '[t]hese problems are not just China's problems, they are not just the producer-country problems, and they are not just the consumer country problems. They are problems for everyone to work together to improve. We need to focus our efforts on setting up a more standardised supply chain so that governance at all levels can be improved.' He pointed to 'small steps' in this direction, for example through the US Lacey Act, which has spurred a reduction in the percentage of trade in raw logs. 'This is better for local employment and local economic development,' he emphasised.

2.3 The increasing influence of civil society and academics

While there are hundreds of domestic and international NGOs working in China in a variety of fields, very few have programmes related to forests or China-Africa links. Both NGOs and the government see the role of NGOs in China primarily as one of helping the government do its job better. They are not meant to judge whether the government has formulated and implemented the right policies (IUCN, 2008), as stated by an SFA official. However, in practice, there is room for critiquing while helping the government to do its job better, particularly in the area of environment, as environmental protection is one of the government's publicly stated aims. In addressing China's impacts on African forest governance and livelihoods issues, international NGOs based in China and local Chinese NGOs have largely taken the approaches of bridging, facilitating and/or disseminating information between Chinese and African stakeholders.

GEI is the only domestic NGO that has been actively collaborating with the Chinese government and financial sector to promote responsible stewardship by Chinese enterprises operating overseas. In particular, as mentioned previously, GEI provided support to SFA on issuing and pilot testing the *Guidelines for Sustainable Overseas Silviculture by Chinese Enterprises*. GEI has also been involved in supporting the development of an environmental policy for Chinese overseas enterprises, linking the Chinese government and host country governments in establishing and strengthening environmental policies, thereby encouraging environmental and social best practices by Chinese overseas enterprises.

China Dialogue[51] is an NGO with a bilingual website discussing environmental issues in China. It has bases in London and Beijing, as well as contributors all over the world. The participation of external contributors may explain the more critical tone of some of its articles on China's general involvement in Africa. In 'China probes its Africa model',[52] examples are given of negative Chinese media coverage and public opinion regarding China's investment in Africa. China's 'full service' aid

51. http://www.chinadialogue.net/.
52. http://www.chinadialogue.net/article/show/single/en/4470-China-probes-its-Africa-model-1- and http://www.chinadialogue.net/article/show/single/en/4471-China-probes-its-Africa-model-2- (published 18 August 2011, accessed 27 June 2012).

projects[53] are criticised for serving largely to facilitate the expansion of Chinese firms, and its investments – including in forestry – are faulted for increasing the host countries' reliance on natural resources and Chinese investors. These Chinese concerns about African dependency appear to echo the criticisms more frequently heard from the West. The Chinese author asks 'if China has been unsuccessful in using policy and regulation to prevent the "resource curse" in [the development of] its own Western region, how can we trust investments in Africa will only have positive results?' The article also mentions the missing relationships between Chinese firms and NGOs: 'Chinese firms often ignore civil society and requests for dialogue with NGOs.' This gap is also noted in 'China in Africa: deepening the debate':[54] 'Xiao Yuhua, lecturer at the Institute of African Studies at Zhejiang Normal University, recommends for example that "people-to-people exchanges and civil society cooperation" be added within the economics and trade-focused framework of the Forum on China-Africa Cooperation'.

Another China Dialogue article, 'It's not colonialism',[55] reports on an interview with Peking University academic Li Anshan, an expert in China-Africa relations. Li defends Chinese investors abroad against criticism, citing positive references to two Chinese projects (a dam and an oil refinery) by Sudan's president during his re-election campaign. Li claims that 'many African presidents who have seen the [Chinese oil] refinery in Khartoum have said they want one just the same'. He describes China's entry into Africa as being 'on a foundation of equality and mutual benefit', and supports this with the view of Nigeria's consul-general to Hong Kong that Nigerians and Chinese 'can sit down as equals, to discuss and negotiate, and they [Nigerians] don't have that status when dealing with the West'. Lastly, he claims that African leaders see the Chinese as their friends, stating that China 'can privately provide opinions as friends', as it did when attempting to persuade Sudan's president to allow UN peacekeepers into Darfur.

Limited Chinese academic literature touches on China's involvement in African forests. Guo Shuhong provides an overview of China-Africa timber trade and Chinese involvement in African forests (Guo, 2005). The analysis focuses on facts and gives recommendations for both the Chinese government and forest industry to adjust forest activities in African host countries based on the local situation. Gao Xuefeng and Song Weiming from Beijing Forestry University similarly present a factual account of China's investment and encourage Chinese firms to seek mutual benefit and a win-win situation, in order to refute the international community's misapprehension that Chinese investment in Africa is colonialist (Gao and Song, 2010). The authors acknowledge international criticism, but also suggest a constructive approach to avoiding future criticism that is in keeping with the Chinese government's discourse on its new paradigm. A few other academic

53. 'Full service' aid projects are those in which the aid money is transferred directly to the implementing organisation, a Chinese firm. Equipment used is also imported from China.
54. http://www.chinadialogue.net/article/show/single/en/4468 (published 17 August 2011, accessed 28 June 2012).
55. http://www.chinadialogue.net/article/show/single/en/3908 and http://www.chinadialogue.net/article/show/single/en/3909--It-s-not-colonialism-2- (published 28 October 2010, accessed 28 June 2012).

papers provide similar recommendations on promoting China's involvement in African forests (e.g. Liu, 2010; Zhou and Zhang, 2006).

In an interview, one forest and ecosystems management researcher at an international foundation emphasised the importance of Chinese experience for improving forest governance in Africa and elsewhere: 'China has a lot of experience with forest land tenure reform. We are interested in China's political will to carry out these reforms, rather than the content of the reforms themselves. We believe that this experience can be valuable for other countries to learn from.' In addition to better information on what China is actually doing in Africa, she explained, there is room for sharing what China is doing domestically to address the issues, for example by looking at efforts by CAF to improve timber legalisation:

> These initiatives cannot stand alone. China needs the support and promotion of their efforts by other countries. China also needs to establish stronger timber trade links with the European Union, as the EU timber regulation takes shape. Right now, there is very limited interaction between the two sides. The EU needs to build trust with Chinese traders to develop a green light to support trade with Europe. There is a lot of misunderstanding on both sides. Better dialogue and research can help improve understanding and maybe work together to improve governance.

A senior programme manager at WWF's Beijing office similarly emphasised the need to overcome misunderstandings and collaborate on finding solutions to issues that do exist: 'China is seen as a resource grabber around the world, but the reality is that China is only a major player in mining and minerals. In forestry and timber trade, Europe and North America continue to be the largest consumers.' He explained that WWF was closely involved in the development of the SFA forest guidelines in the early stages and that their work has shifted to focus on the implementation of these guidelines and other policies: 'In forestry the biggest challenge is implementation, many of the policies are relatively good.' WWF are focusing their efforts in Gabon and Mozambique, conducting field studies on forest concessions and the sustainability of existing policies to get the facts right on the ground, conducting policy analysis of current policies and their relationship to international best practices, and working directly with companies to implement these guidelines and demonstrate how they can be applied.

> We believe that change is best effected through demonstration of solutions, such as the implementation of the existing forest guidelines. While the FOCAC meetings are an important moment where all relevant stakeholders come together, and provide an opportunity to discuss trade investment and aid, it is important to note that FOCAC is not a decision-making body. It is difficult to transform the statements from FOCAC into actual action.

2.4 Views of Chinese companies

The views of Chinese companies on their involvement in African forestry are lacking in the literature. In general, the Chinese government and private sector are sceptical of reports alleging misconduct by Chinese companies overseas. They feel that such reports are often biased and inaccurate, and that in many cases China is being singled out because of its competing interests (IUCN, 2008). The private sector in China is segmented into different types of stakeholders – national SOEs, provincial SOEs and a range of SMEs – all with different priorities, interests, advantages and perceptions. Within forest-related investments, there is also a wide range of types of arrangements – from direct investment in logging through forest concessions to indirect investments approaching pure trade – involving innumerable permutations of different types of actors (Putzel *et al.*, 2011).[56]

The level of awareness and understanding of forest governance varies within Chinese industry. Large export-oriented enterprises may care more about their reputation and often have a CSR policy. Common issues faced by forestry-focused SMEs in Africa are often pointed out in media and NGO coverage, although only half of the 10 survey respondents believed this category of enterprises accounts for a disproportionate amount of environmental and social damage compared to larger counterparts. Enterprises have indicated the government should define its stance first, issuing explicit signals to the market, and provide support and guidance to the industry.

In interviews, Chinese enterprises investing in the African forestry industry indicated that they often pay attention to the promotion of good governance and livelihoods in their host countries; for example, they have tried to hire local employees and engage local communities. One informant who now works in an international environmental organisation talked about his four years of experience working in a Chinese state-owned logging company in Gabon:

> The company I worked for began engaging with Gabon in 1998, initially just through timber trade. Ten years later we had about 500 to 600 employees, including 30 to 40 Chinese, about 10 French, and the rest local. The company I worked for was one of the largest Chinese timber companies operating in Gabon and had very high standards for our work. We operated a fully integrated approach, conducting logging, forest management (including selective logging), processing, and trade, and our products were FSC certified. We also implemented a comprehensive labour management system: in Gabon, labour laws are more strict than in China so we followed the local laws.

His current work focuses on providing training to Chinese timber companies operating in select African countries. He suggests that Chinese companies often have trouble adapting to the local context and following local laws and practices, and this can be a source of conflict: 'The lack of strong labour laws in China is a

56. For research on how Chinese companies do sometimes differ (negatively) from companies from other countries in their activities in Africa, see CCICED (2011).

source of real conflict when Chinese companies engage with Africa. Most Chinese companies simply apply Chinese labour management approaches, but these are not readily accepted or appropriate for most local contexts in Africa.'

In addition, communication problems plague many Chinese companies operating in African countries. As this same forester described, '[t]here are a lot of misunderstandings about Chinese companies in Gabon. This is due to a lack of good communication with local media. It is also due to cultural and language differences.' He felt that his own company faired better than most because of their high local hire rate and their efforts to engage local communities in their operations: 'We always obtained permission for logging with the local communities. If there are villages in the region we emphasised building good relations with them, for example through building schools, providing school supplies, or building houses.'

As with government informants, this private sector employee emphasised the need to balance conservation and development demands. Citing a 2010 ban on all export of raw logs from Gabon[57] that led to a steep decline in logging sector activities, he emphasised the importance of a balanced approach to conservation and development policymaking and implementation: 'The policy in Gabon is necessary for the long-term sustainability of the forests, but in implementing it, it would have been better to introduce it slowly and methodically. Because it was introduced all at once, it had a big impact on logging companies who found it too difficult to adapt to the new policy. There needs to be an effort to focus on the methodological application of new laws to protect forests and support African development.'

This informant emphasised that despite challenges in communication and differences in some practices by Chinese timber companies, China has much to offer African countries to support improved forest governance: 'Many African countries have limited capacity for timber processing. If you take a log, in China, you have the ability to use 100 per cent of the material, but in Gabon, you can only use 40 to 60 per cent of the material, so that represents a huge waste.' This, he explains, is why Chinese companies have primarily focused on log trade. 'Another problem in the Gabon forest sector,' he adds, 'is the overabundance of companies filling the same niche. There needs to be more specialisation, and more differentiation of roles in the entire forest sector. This is something that China could help with based on our own experience.' With support, he suggests, 'Chinese timber companies can help Gabon by making an effort to increase the efficiency of timber processing, and also focusing on improving cost analysis, so that local communities can benefit more'. 'Another important area where we can help,' he adds, 'is by building roads so the vehicles would be able to access remote villages in forests. It is very natural for Chinese companies to give aid to local communities, and this can really benefit local development and employment opportunities.'

57. 'Gabon Bans Log Exports', http://news.mongabay.com/2010/0607-hance_gabon.html.

Conclusions

Through a review of China's investment in African forests and trade of forest products with Africa, its existing related regulations, policies, and initiatives, and an exploration of impressions of these trends held by different stakeholders, this report has explored the existing evidence and perceptions of China-Africa links that shape forest governance and livelihoods.

A series of policies, notably the Going Global strategy, encourage Chinese involvement in African forestry. As a result, both investment in African forestry and trade of forest products with Africa have been growing. The Chinese government and banks play an important role in encouraging investment in Africa, at the same time attempting to regulate and supervise Chinese enterprises' activities in host countries. To this end, MOFCOM has developed a series of guidance reports to help Chinese companies navigate overseas investment, including one on environmental compliance (Huang and Wilkes, 2011b; Bosshard, 2008). Some Chinese banks also apply green criteria to applications for credit to be used in overseas investments; Exim Bank and CDB are two banks that have adopted green loan policies. While these guides and policies demonstrate the intent to commit to environmental regulation of investment and trade, specific implementation guidelines, legally binding requirements, enforcement and transparency are all needed to make them effective tools for positively influencing the impact of these activities on the governance of African forests and livelihoods.

Although China has put in place a number of laws and regulations relevant to its imports of forest products from Africa, there are no legislative measures to verify imported timber in terms of its legality and/or sustainability, or the impacts on sourcing countries. Nonetheless, there is growing evidence that China is increasingly concerned about forest sustainability, both in China and in its timber-supplying countries. This is demonstrated by its issuance of guidelines, the establishment of its own forest certification scheme (CFCC), forest certification progress made by FSC and PEFC, and current efforts to develop the framework for a timber legality verification scheme for imported timber and timber products.

The act of issuing guidelines, particularly the *Guidelines on Overseas Sustainable Forest Management and Use by Chinese Enterprises*, is an indication of demonstrated commitment by Chinese authorities to regulate Chinese overseas operations. Although it is voluntary, the potential of this guidance for positive impacts on Chinese investment activities in the African forest sector is promising.

For many Chinese companies importing and/or processing African forest products, sourcing legally and sustainably harvested timber has not been part of their corporate social and environmental responsibility approaches. Nevertheless, a number of wood processing mills have already received or are preparing to obtain forest certification (COC) and manage their supply chain responsibly. Several international NGOs have played important roles in supporting both the Chinese government and industry to invest in and import from Africa responsibly. Further work in this direction is needed, as is the emergence of approaches which engage with Chinese investments in other land use sectors – such as agribusiness, infrastructure and mining – that are having increasing impacts on forests and local livelihoods in Africa.

Amongst a range of African and international stakeholders, there appears to be a perception that the environmental performance of Chinese companies is poor, and that many Chinese companies are only interested in Africa's natural resources. Whilst in some cases the evidence for these perceptions seems clear, in other cases they seem to be based on hearsay or recycled assumptions. On the Chinese side, perceptions of China's involvement in African forestry are dominated by voices from government, and many of these talk of win-win outcomes. Responses from those in government and industry to criticism – which tends to be simplistically characterised as coming from outside China – can generally be described as defensive. They tend to be dismissive of reports alleging resource over-exploitation or misconduct by Chinese companies overseas, claiming that such reports are biased and inaccurate, and that China is being singled out because it provides strong competition to established interests.

Difficulties encountered in obtaining stakeholders' perceptions through the email survey imply that China-Africa forest governance links have not been well documented, and awareness of such links in China is low, indicating a need for more in-depth research, communication and capacity-building among stakeholders. The increasing influence of NGOs and academics was evident, and it is predicted that they will continue to play important roles in shaping forest governance links between China and Africa.

Better evidence, communication and understanding of the performance and impacts of Chinese forest involvement in Africa is needed by all. While the formal relationship between officials in China and Africa is evident, particularly under FOCAC, communication and information sharing among Chinese forest companies and NGOs and their counterparts in Africa is weak, indicating much room for improvement. The identification of key Chinese stakeholders and their engagement in dialogue with African forest officials, NGOs and local communities is essential to strengthening the China-Africa links that shape forest governance and livelihoods in Africa.

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Chinese views of African forests

Evidence and perception of China-Africa links that impact the governance of forests and livelihoods

Chinese activities in African forests have a wide range of impacts. In some places, Chinese firms appear to comply with corporate social responsibility requirements and contribute to the welfare of local communities, and there is some evidence of increasing concern over forest sustainability. However, for the majority of Chinese timber companies, responsible purchasing policies have yet to be implemented. And while China's investment in African forests remains a small share of its total investment in the continent, and accounts for a relatively small proportion of its total forest product imports each year, China has become the key destination for timber exported from many African countries.

Through literature review and interviews with a sample of stakeholders, this report offers a range of Chinese perceptions on China's involvement in African forestry. While the Chinese government often perceives China's investment as 'win-win' cooperation, NGOs, academics and other stakeholders within and outside of China point to the sometimes negative social and environmental impacts and missed opportunities to improve local benefits. A range of organisations in China would welcome better information and relationships with organisations in Africa to explore how Chinese investments can support forest livelihoods and sustainability. It is hoped that this report can contribute to establishing and developing such relationships.

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