

Status and next steps in China for sustainable trade and investment in Africa

China



Credit: Simon Lim

Why it is important

Both China and the forest-rich African countries would gain from sustainable and economically beneficial trade and investment in Africa's forestry and other land-use sectors. China can play an important role in helping African countries improve their forest governance.

Chinese companies in Africa would also benefit from capacity building and improved awareness on environmental and social issues, so that they can contribute to sustainable development of the forestry and other land-use sectors in African countries.

Legal and policy frameworks that apply to Chinese investments

China has a series of laws, regulations, and policies pertaining to foreign investment and trade conducted by Chinese companies, although none specifically addressing the forestry and other land-use sectors. China has also issued several voluntary guidelines to guide and regulate the behaviour of Chinese firms operating overseas: the Guidelines for Environmental Protection in Foreign Investment and Cooperation (jointly issued by the Ministry of Commerce and the Ministry of Environmental Protection in 2013). In addition, two forest specific guidelines have been issued by the State Forestry Administration (SFA): a Guide on Sustainable Overseas Silviculture by Chinese Enterprises (2007), and a Guide on Overseas Sustainable Forest Management and Use by Chinese Enterprises (2009). A third guideline, the Guidelines for Overseas Sustainable Forest Products Trade and Investment by Chinese Enterprises is currently under review. In the mining sector, the Guidelines for Social Responsibility in Outbound Mining Investments was issued by China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters in 2014. In addition, China has been a signatory to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) since 1981; the CITES Management Office is hosted by SFA.

Current status of Chinese trade and investment that impacts Africa's forests

The Chinese market is extremely important to Africa's forestry sector as it is the largest export destination for many forest-rich countries. On the other hand, African timber accounts for only 14.5% of China's tropical hardwood imports, and only 6.5% of its total timber imports. Other producers such as Russia and the USA account for a far larger share of China's timber imports. Hence, China is far more important for the African forest products sector than African timber is for China in terms of overall volume. However, many of the African timber species are high value species important for antique Hongmu furniture making in China.

Chinese forest sector investment in Africa is concentrated in countries such as Republic of Congo, Gabon, Equatorial Guinea, Liberia, Cameroon, Mozambique and DRC. Between 2002 to 2013, the State Forestry Administration of China has recorded 37 investment projects by Chinese companies across 14 African countries, however this statistic likely misses a large number of private investments conducted locally.

Key statistics

China is now Africa's largest trading partner, with the value of trade increasing 20 times in the past 15 years to reach \$200 billion in 2014 (Financial Times, 2014).

In 2012, **China's direct investment in Africa was \$3.4 billion**, an increase of 8.2% from the previous year. Investment in the forest sector accounted for 3.6% of total investment (source: MofCom).

In 2013, **China's timber imports from Africa were worth US\$1.2 billion (logs), US\$ 300,000 (sawn wood) and US\$ 23,000 (other wood and wood products)**. Data source: GEI Timber Flow Study, based on data from UN Comtrade

Between 2011 and 2013, **the top four African exporters of timber to China were: Congo (Brazzaville), Cameroon, Equatorial Guinea and Mozambique**. DRC was among the top ten countries.

Although the economic contributions of Chinese investment and trade are significant, the environmental and social impacts are debated and require more research. Past research indicates illegality in some instances, however Chinese companies may not differ from their local counterparts in their level of law compliance and sustainability practices in countries such as Cameroon and Mozambique. In addition, the diversity of Chinese companies (large and small, state-owned and private, concession-holding and trading) means that specialised policy responses are required to address issues associated with the various types of trade and investment. One clear commonality across the countries is the Chinese market's clear preference for logs, which may present a challenge in encouraging further investment in secondary processing in African countries – although some Chinese companies are making headway in Gabon.

As for other land use sectors, China has mining, agriculture, infrastructure and hydropower investments in Cameroon, DRC, Mozambique and Uganda. However, data on these investments is often spotty and incomplete.

Interaction and cooperation initiatives to date with China of relevance to forest issues (in forestry and in other land-use sectors that impact forests)

Government to government cooperation in the forest sector between China and African countries has continuously expanded in recent years. Since the FOCAC meeting of 2000, forestry MOUs have been signed between China and Egypt, Lesotho, South Africa, Côte d'Ivoire and Congo (Brazzaville). The Chinese Ministry of Commerce and the Ministry of Science and Technology are providing opportunities for training and study to African government officials, researchers and students. Forest sector activities increasingly involve Chinese, African and international NGOs. For instance, WWF has conducted forestry certification trainings for Chinese enterprises operating in Africa.

Chinese companies' investments in African forestry are also growing, including both state owned enterprises and private firms. This investment takes many forms, including wholly owned operations, joint ventures, joint equity as well as mergers and acquisitions. Chinese financial institutions such as the Export-Import Bank of China are also interested in pushing forward the sustainable forest products trade between China and Africa.

Looking ahead

China is a key trade and investment partner for African countries in the forest sector, and its importance is likely to expand in the future. Chinese timber imports from Africa are growing, although they remain a small percentage of China's timber imports overall. To promote sustainable and socially responsible trade between China and African countries, we propose the following efforts for Chinese stakeholders:

Research

- Generate grounded evidence of Chinese companies' social and environmental impacts in Africa by encouraging Chinese researchers to conduct fieldwork in collaboration with local and international experts.
- Conduct research in China to understand the complex value chains of African timber products in order to identify "pressure points" for policy and practice interventions.
- Identify various types of incentives that may encourage better practices of companies and reward those that demonstrate sustainability and legality.
- Conduct legality assessments of Chinese companies in their operations in Africa.

Capacity Building

- Work directly with Chinese companies to implement the guidelines and improve their sustainability practices through trainings, technical support and incentives.
- Raise consumer awareness of sustainability issues associated with timber products.

Policy Engagement

- Establish an incentive system for companies to encourage a legal and sustainable forest products trade between China and other countries.
- Integrate specific measures on the legality and sustainability of the forest products trade into the FOCAC agreements; promote bilateral cooperation between forest departments.
- Improve inter-ministerial/departmental communication and identify specific measures of collaboration to improve the legality and sustainability of China's timber imports among the State Forestry Administration, the Customs and Ministry of Commerce.
- Identify practical measures to strengthen the Customs' ability to combat illegal timber imports at the ports.
- Promote collaboration between the State Forestry Administration and their counterparts in forest-rich African countries through dialogues, regular work group meetings as well as Memorandums of Understanding.

For these efforts to bear fruit, however, improved forest governance as well as fair and stronger enforcement of law within the African countries are fundamental to ensuring the sustainability and legality of forest resources.

"China will continuously strengthen cooperation (with Africa) on biodiversity conservation and the prevention of desertification, so that the goals of a 'beautiful China' and 'green Africa' can be realized."

Chinese Premier Li Keqiang

"China-Africa forestry cooperation touches upon a wide range of topics, and requires the broad participation of government, companies and society in order to be mutually beneficial."

Dr. Chen Shaozhi, Executive Director, Center for International Forest Products Trade, State Forestry Administration

Find out more

The China-Africa Forest Governance project is a multi-country project that seeks to improve forest governance, by promoting sustainable and pro-poor Chinese trade and investment in Africa's forest. Through research, dialogue and joint action with partners in China, Cameroon, Democratic Republic of Congo, Mozambique and Uganda, the project contributes towards improved policy and investment practice in China and Africa, in ways that foster good stewardship of forest resources and benefit local communities.

Find out more about our work on China-Africa Forest Governance project at <http://www.iied.org/china-africa-forest-governance-project>



This research was funded by UK aid from the UK Government, however the views expressed do not necessarily reflect the views of the UK Government.

Contacts

Dr. Li Jianquan, Research Institute of Forestry Policy and Information, Chinese Academy of Forestry (jianquanli163@163.com)

Dr. Seth Cook (seth.cook@iied.org) and Weng Xiaoxue (xiaoxue.weng@iied.org), International Institute for Environment and Development