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Chinese investment in Africa's forests — scale, trends and future policies

An infographic presentation for the China-Africa Forest Governance Learning Platform

October 2016

Author information

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About the China-Africa Forest Governance Learning Platform

The China-Africa Forest Governance Learning Platform was launched in 2013 and thus far brings together forest governance players, including heads of government forest departments, from eight African countries, representatives from the Chinese Academy of Forestry, the Global Environmental Institute, IIED, WWF and some other international organisations. By October 2016 the Platform has held three major international learning events – two in China, one in Cameroon. Participants have recognised its success to date in creating an open dialogue space for Chinese, African and the international community to come together.

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.

For more information visit www.iied.org/china-africa-forest-governance-project or contact:
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http://pubs.iied.org/G04095

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SECTORS THAT AFFECT AFRICA'S FORESTS

Forestry

Illegal and unsustainable logging and **industrial forestry operations** such as **plantations** → are major causes of African **deforestation and forest degradation**

Logging is responsible for 33% of forest degradation

Fuelwood and charcoal use is responsible for 50% of forest degradation

Mining

mineral mining

In addition to a mine's footprint, access roads open up the forest to further exploitation

causes 10% of deforestation

In 2005, the Chinese State Council ordered banks to withdraw credit from companies that do not meet national industry environmental standards

but there is an increasing amount of undocumented investment in small scale, artisanal mining operations

Infrastructure

regional aviation

ports

causes 10% of deforestation

railways

roads

telecommunications

electricity

Agriculture

livestock

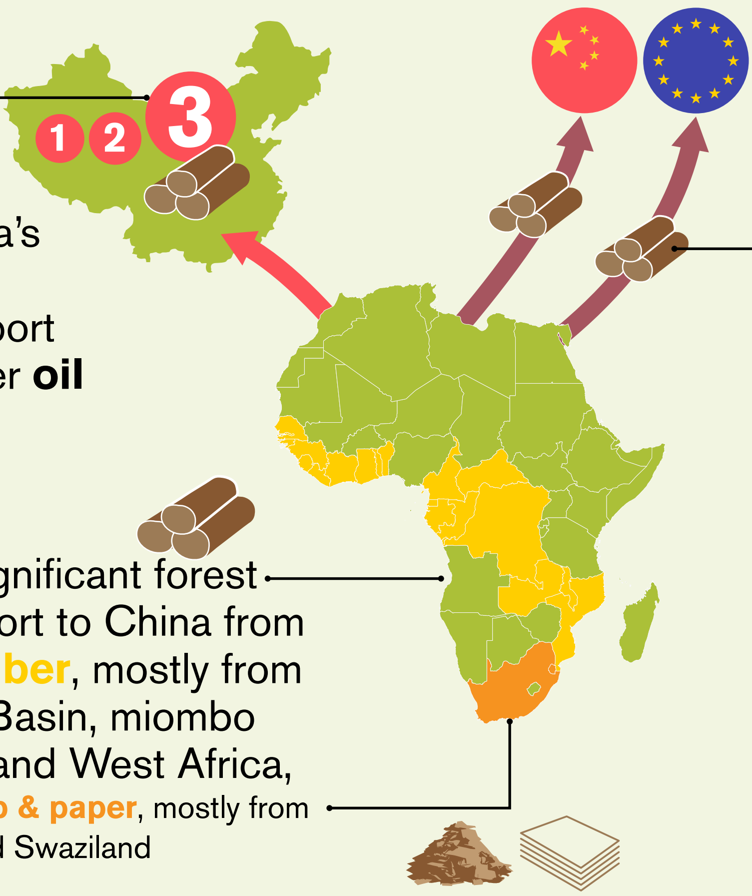
causes 75% of deforestation

45% of this is commercial

55% local and subsistence

Data Sources: Kissinger, G *et al*. (2012) Drivers of Deforestation and Forest Degradation: A Synthesis Report for REDD+ Policymakers. Lexeme Consulting.

CHINA IN AFRICA'S FORESTRY SECTOR



Timber is China's **3rd largest** commodity import from Africa after **oil** & **minerals**

In the past few years, China has **competed with the EU** to be the principal **destination for tropical timber from Africa**

The most significant forest product export to China from Africa is **timber**, mostly from the Congo Basin, miombo woodlands and West Africa, followed by **pulp & paper**, mostly from South Africa and Swaziland

Precious woods in the China-Africa timber trade

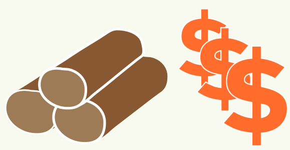
Africa's forest product exports to China have a higher share of total imports by

value 5.2%

than by

volume 2.8%

This suggests China's relative importance when it comes to **higher value timber** exports...



especially for **tropical hardwoods**, where Africa's share of China's imports by

value 13.6%

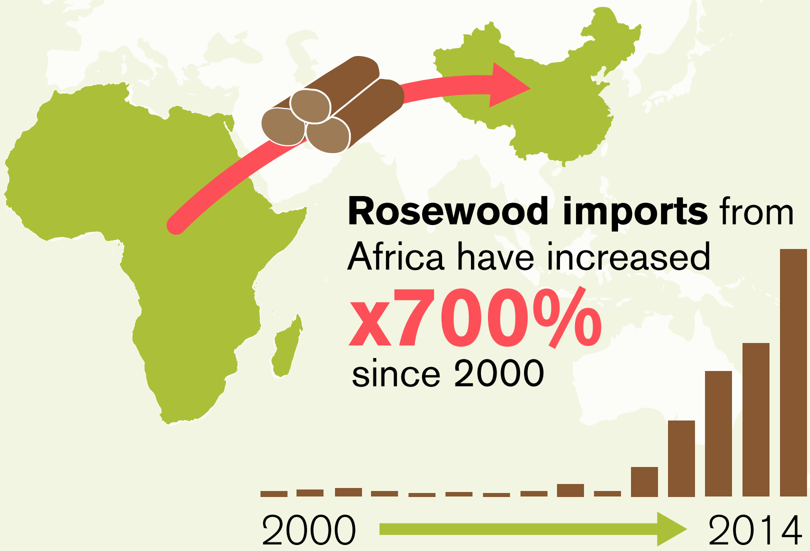
is more than double its share by

volume 6.5%

Data Sources: Finlayson, R (14 January 2013) Who is importing African timber to China and what might this mean for sustainability? / Exports by, and imports from, Africa. GlobalTimber.org / Sun, X (2014) Forest products trade between China and Africa: An analysis of import and export statistics. Forest Trends Report Series: Forest Trade and Finance.

CHINA IN AFRICA'S FORESTRY SECTOR

Rosewood (hongmu): key commodity in the trade



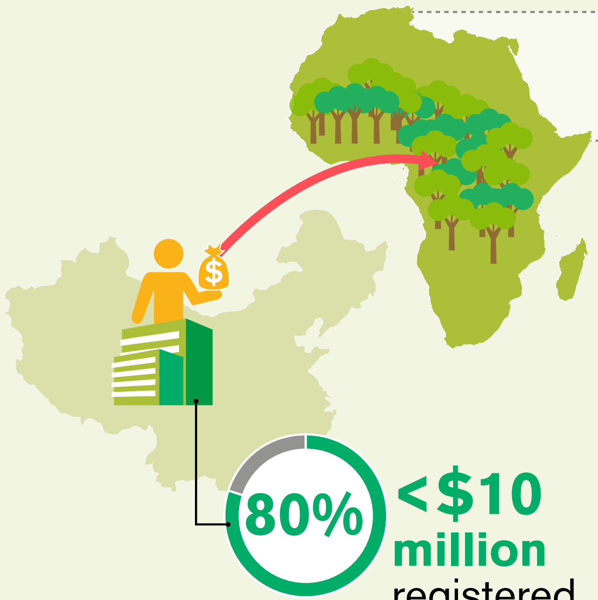
Rosewood imports from Africa have increased **x700%** since 2000

Rosewood (*hongmu* species) is valued as the traditional material for antique furniture and decor.

It was traditionally found in Southeast Asia, but these forests have already been depleted.

Who are the investors?

SMEs and private companies play a major role in the African forest sector



<$10 million registered capital

More than 80% of the Chinese companies that have invested since **2007** have **less than $10 million** in registered capital

These companies have very **few ties with the government** or commercial banks, which makes it **more difficult for the government to oversee** their environmental and social impacts through regulations and guidelines.

Data Sources: Treanor, N (2015) China's Hongmu Consumption Boom. Forest Trends. / Li, B and Yan, Y (11 February 2016) "How Does China's Growing Overseas Investment Affect Africa's Forests? Five Things to Know".

CHINA IN AFRICA'S MINING SECTOR

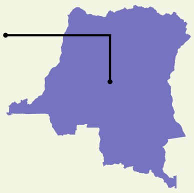
Africa's mining sector is primarily **driven by demand** from the **world's 2nd largest economy**

The sector is diverse, ranging from **large-scale operations** to **artisanal mining**

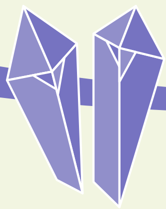
Chinese players range from **multinational companies** to **SMEs**

China's imports of ore and minerals in Africa grew from **$350 million** in 2000 → **$7 billion** in 2009

More than **40%** of this came from the **DRC** alone



In **2012** China had the **largest mineral import bill** of all countries. It purchased **US$100 billion** worth of minerals from **100 countries** including **23 in Africa**



Purchases from Africa were dominated by **base and precious metals** & **precious and semi-precious stones**

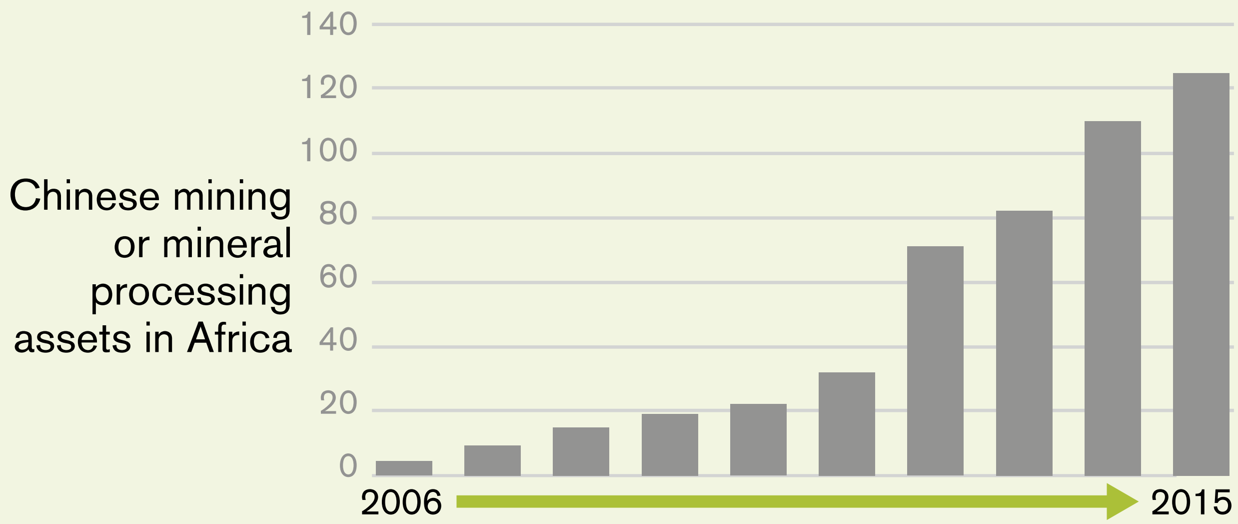
African mining accounted for nearly **3/4** of China's total foreign mining investment in 2011

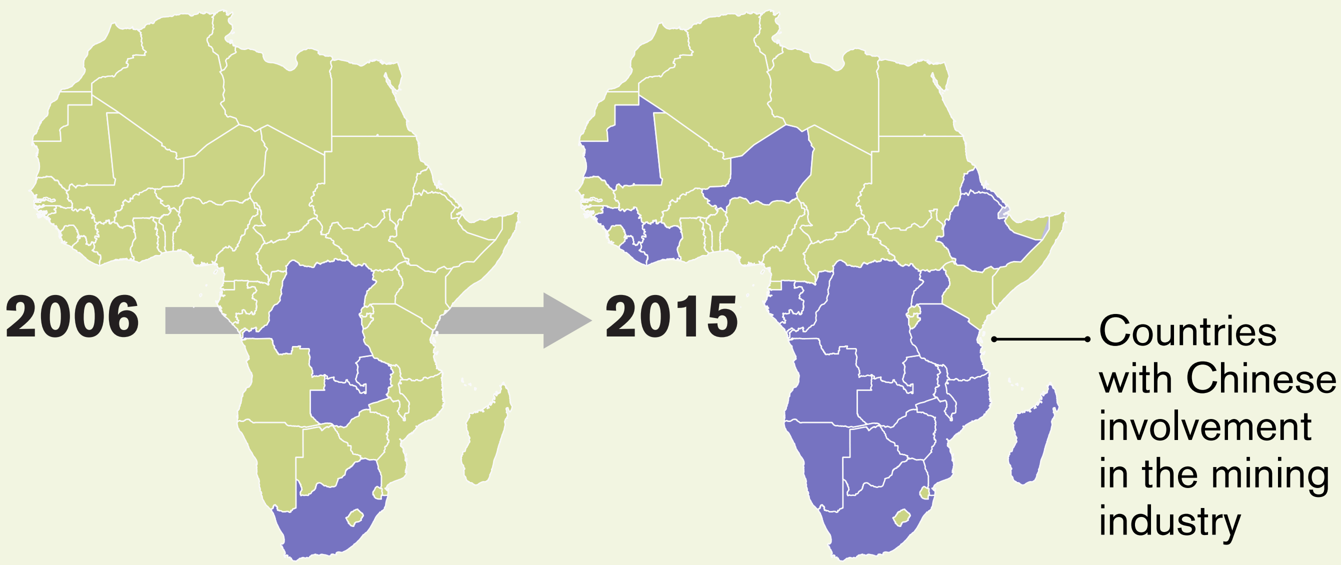
From 2010-2011 investment grew from **$15** to **$155 billion**

Data Sources: KPMG (2013) Mining in Africa Towards 2020. / Kaye, M (16 Jul 2012) Deforestation from mining in the Congo more than 'a hole in the canopy'. / Commodity Discovery Fund (2012) Chinese mining investments in Africa increased by $140 billion last year.

CHINA IN AFRICA'S MINING SECTOR

Since the government began to encourage diversification of its sources of mineral imports, the **number of major mineral processors in Africa** with Chinese involvement has risen significantly





'Involvement' includes mineral and metallurgical processing or manufacturing, power generation, and/or infrastructure development, as well as investment banks, research institutes and even individuals. **Data Sources:** Basov, V (15 December 2015) The Chinese Scramble to Mine in Africa. Mining.com.

CHINA IN AFRICA'S INFRASTRUCTURE SECTOR

As of 2014

China is:

the **owner** of **1 project**

funding 13 projects (4%)

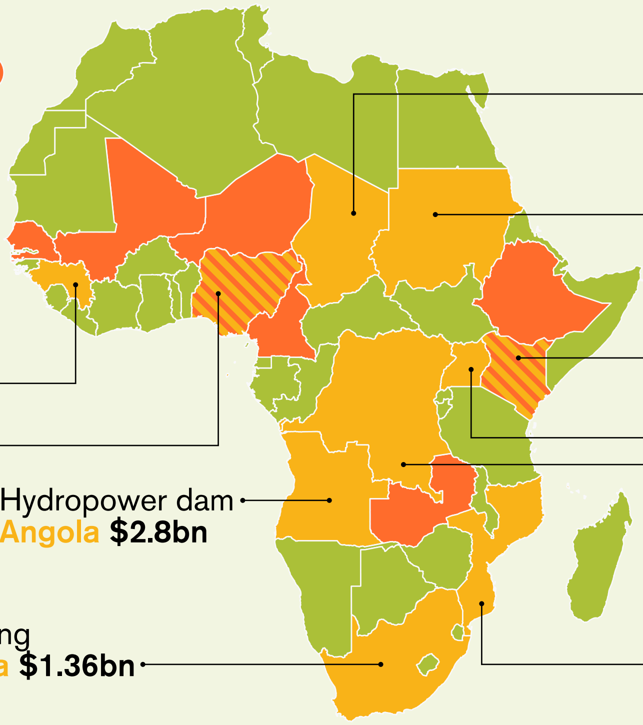
involved in the **construction** of **42 projects** (15%)

President Xi Jinping, FOCAC, Johannesburg, 2015

$60bn funding support, including:

- **+$35bn** concessional loans and export credit
- **+$10bn** China Africa Fund for Production Capacity Cooperation
- **+$5bn** grant and zero-interest loans
- **+$5bn** China-Africa Development Fund
- **+$5bn** Special Loan for the Development of African SMEs

Major African infrastructure projects linked to China by financing, construction, or investment



Cement plants **Cameroon, Ethiopia, Kenya, Mali, Niger, Nigeria, Senegal & Zambia $4.34bn**

Cement plants + other

Hydropower dam **Guinea $1.4bn**

Coastal railway **$12bn**
Oil refinery **$6.4bn**
Nigeria

Hydropower dam **Angola $2.8bn**

Copper mining **South Africa $1.36bn**

Standard-gauge railway **Chad $5.63bn**

Standard-gauge railway **Sudan $1.45bn**

Standard-gauge railway **Kenya $13.8bn**

Standard-gauge railway **Uganda $1.6bn**

Copper mining **DR Congo $2.65bn**

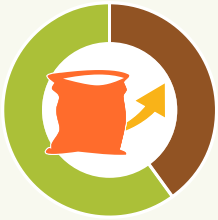
Offshore LNG project **Mozambique $4.21bn**

Data Sources: Deloitte (2015) Africa construction trends report 2015. / American Enterprise Institute (2016) China Global Investment Tracker, June 2016. / Egbula, E and Zheng, Q (2011) China and Nigeria: A powerful south-south alliance, West African Challenges, No.5, OECD. / Qing, KG and Jourdan, A (20 November 2014) China railway construction wins $12 billion Nigeria deal: Xinhua. Reuters. / Reuters Africa (26 August 2015) Dangote, China's Sinoma sign $4.34 bln Africa cement plant deals. / Reuters in Nairobi (31 July 2015) Chinese-built railway line to cut through Nairobi national park in Kenya. / Jewkes, S and Navach, G (14 March 2013) Eni opens Mozambique gas riches to China in $4.2-billion deal. The Globe and Mail.

CHINA IN AFRICA'S AGRICULTURE SECTOR

Agriculture is central to African development

It generates **40%** of GNP



constitutes **40%** of Africa's exports

and **70-80%** of employment.

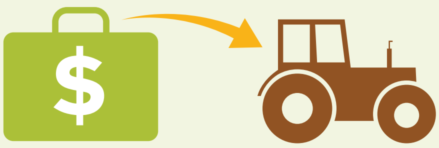
The **share of agriculture in China's investment in Africa** has been relatively small...

...but an increase is **expected** in the near future

In early **2014**, the Chinese government issued guidelines encouraging enterprises to invest in agriculture abroad.

A sample of ~54 projects in Mozambique, Cameroon, Uganda, and DRC ranged from $60,000 to $5.5 million and from 12-20,000 ha. Most proponents were private companies.

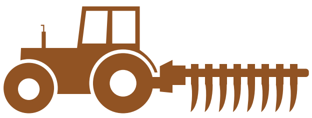
Chinese banks have also been actively engaged in African agriculture. Supported by the **China Development Bank, Zimbabwe** and **China** signed an agreement worth **US$585 million** aimed at **reviving the Southern African country's agriculture**, health and mining industries.



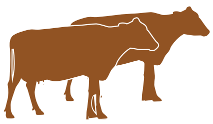
Data Sources: Cassell, D (2013) China's role in African agriculture. *Bridges Africa* 2(6), ICTSD. / Xiong, J *et al.* (16 March 2015) The changing face of Chinese investment in Africa. / IIED (forthcoming 2016) China-Africa forest trade and investment: an overview with analysis for Cameroon, Democratic Republic of Congo, Mozambique, and Uganda. / Sun, H (2011) Understanding China's agricultural investments in Africa. *China in Africa Project*, Occasional Paper No. 102, SAIIA.

CHINA IN AFRICA'S AGRICULTURE SECTOR

Agriculture was one of the 7 priorities of China-Africa aid named in President Xi Jinping's FOCAC 2015 speech.



engagement in large-scale farming



animal husbandry

grain storage and processing to **increase local jobs** and increase **income** for farmers

China is planning to...

- undertake agricultural development projects in **100 African villages**
- send **30 teams** of agricultural experts to Africa & establish a **"10+10" cooperation mechanism** between Chinese & African agricultural research institutes
- provide **US$155 million** of **emergency food aid** to countries suffering from **poor harvests due to El Nino**

As of 2015, the Chinese Ministry of Agriculture has...

signed **31 cooperation agreements** with **17 African government** and **organizations**

Built **22 agriculture demonstration centres**

Dispatched **100s** of **senior agricultural experts**

Trained over **5,000 agricultural, economic and technical personnel** in Africa

Data Sources: Jinping, X (5 December 2015) Open a new era of China-Africa win-win cooperation and common development. / Xiong, J *et al*. (16 March 2015) The changing face of Chinese investment in Africa.

CHINA'S AMBITION OF GREENING ITS INVESTMENTS ABROAD

China's outward investments are increasing rapidly

China is now **3rd** globally in FDI

with investments of **US$123.1 billion** in 2014

a **14.2%** increase from **2013**

Chinese companies' involvement in African construction projects is also growing

~34% by value of signed and completed contracts is in Africa:

$472 billion of **~$1.4 trillion** in signed contracts

$310 billion of **~$935 billion** in completed contracts

President Xi Jinping, FOCAC, 2015

China-Africa cooperation will never be pursued at the expense of Africa's ecosystem and long-term interests

China will launch **100 projects** to...

- develop clean energy
- protect wildlife
- build smart cities in Africa
- promote environmentally friendly agriculture

Data Sources: CAITEC, SASAC, and UNDP China (2015) 2015 Report on the sustainable development of Chinese enterprises overseas. Beijing. / Weng, X and Buckley, L (eds.) (2016) Chinese businesses in Africa: Perspectives on corporate social responsibility and the role of Chinese government policies. IIED. / Jinping, X (5 December 2015) Open a new era of China-Africa win-win cooperation and common development.

CHINA'S AMBITION OF GREENING ITS INVESTMENTS ABROAD

To date, the Chinese government has adopted 33 key policies and guidelines to promote sustainable development through its overseas investments

Some of the more notable policies are:	Issued by:
Green Credit Policy	China Banking Regulatory Commission
Guidelines for Environmental Protection in Foreign Investment	MOFCOM and The Ministry of Environmental Protection

Timber

- The Guidelines on Sustainable Forest Cultivation for Chinese Enterprises Overseas
- The Guidlines on Sustainable Management and Utilization of Overseas Forests by Chinese Enterprises
- Legality certification initiatives such as the China Timber Legality Verification Scheme (CTLVS) and the Legal Timber Verification (TLV) certification
- The China Responsible Forest Product Trade and Investment Alliance

Mining

Chinese Due Diligence Guidelines for Responsible Mineral Supply Chain

Infrastructure

Guide on Social Responsibility for Chinese International Contractors

In 2010 **471** public companies published CSR reports

By 2011 **181** Chinese companies had joined the **UN Global Compact**, which encourages businesses to adopt sustainable and socially responsible policies

4 Chinese banks had joined **UNEP-FI's initiative on sustainable banking**

Data Sources: Zhen H (1 June 2016), Environmental and social impacts of Chinese investment overseas. *The Asia Foundation*. / CAITEC, SASAC, and UNDP China (2015) 2015 Report on the sustainable development of Chinese enterprises overseas. Beijing. / Hu, T and Wang, H (2016) A look at China's new environmental guidelines on overseas investments.

WHAT MORE CAN BE DONE?

China's policies and Chinese companies' awareness are moving in the right direction, but there is still much to do

In 2013, a survey measuring African perceptions of Chinese business was conducted in **15** African countries

1,056 people completed an online questionnaire

The **environmental responsibility** of Chinese companies in Africa was perceived

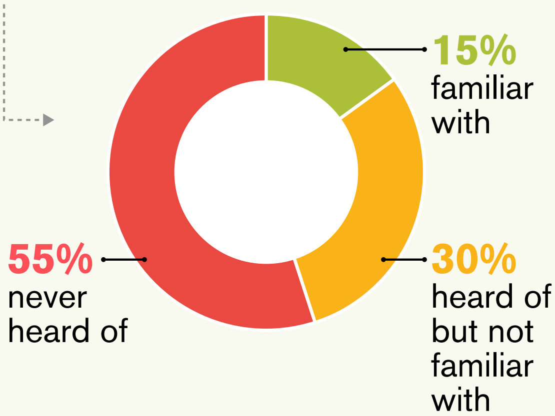
negatively by 53.9%

positively by 11.1%

Although Chinese regulations for environmental and social safeguards exist, there is a low level of awareness on the ground

Existing initiatives are mostly voluntary, with **limited evidence for implementation.** Awareness of regulations and policies among operational staff - who must handle trade-offs between development and environment - is low.

Awareness of Chinese overseas business policies and guidelines among 60 respondents based in Africa



Countries for this survey were selected based on the domestic presence of Chinese companies. **Data Sources:** Geerts, S *et al.* (2014) Africans' perception of Chinese business in Africa: a survey. *Globethics.net* Focus No. 18, Ethics Institute of South Africa. / Weng, X and Buckley, L (eds.) (2016) Chinese businesses in Africa: Perspectives on corporate social responsibility and the role of Chinese government policies. IIED.

WHAT MORE CAN BE DONE?

Action 1: Chinese government policies can use carrots and sticks

Carrots Market incentives for companies following best practices

e.g. The government can increase market demand for legal and sustainable timber through public procurement

e.g. The government, industry and civil society can increase consumer awareness of products with high deforestation risks through initiatives such as the Round Table on Sustainable Palm Oil

Sticks Many policies are voluntary or do not apply penalties. Make sure regulations are strong, with a clear enforcement and accountability system

Action 2: Chinese companies can decrease investment risks by understanding governance challenges

There are numerous risks in African natural resources investments:

- land rights complexity
- weak governance
- strict environmental regulations
- traditional rights of communities

Companies can understand and control these challenges and risks by:

- conducting due diligence
- reading and following voluntary guidelines
- working with local NGOs/ development partners

Action 3: Chinese stakeholders can support better policy and practice in Africa

Good governance in Africa is necessary for progress across the board. Chinese stakeholders can call for and support policy and practice improvements via funding, technical training and capacity building.

Notes

This set of infographics illustrates the scale and trends of Chinese investment in sectors that affect Africa's forests: forestry, infrastructure, mining and agriculture. It also highlights existing Chinese efforts in greening its investments abroad and points toward future steps for government actors, the private sector and civil society in ensuring pro-poor and green investments in Africa's forests that benefit forest-dependent communities.

Project Materials

Forests, Governance

Keywords:
China-Africa Forest Governance Learning Platform

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