

Africa Biodiversity Collaborative Group

Biodiversity Impacts of Chinese Investment in Africa and Opportunities for Conservation 5 May 2010

Summary

On 5 May 2010, the Africa Biodiversity Collaborative Group convened a meeting on **Biodiversity Impacts of Chinese Investment in Africa and Opportunities for Conservation**, hosted by [World Resources Institute](#) and chaired by [Peter Viet](#), WRI's Regional Director for Africa, Institutions and Governance Program. The meeting was held to investigate how best to engage with new actors affecting conservation and biodiversity in sub-Saharan Africa. Chinese engagement in Africa has grown rapidly over the past decade and Chinese companies are now investing heavily in natural resources extraction, infrastructure construction and daily life in African nations.

The objectives of the meeting were to investigate the following questions:

- What is the scope of Chinese investment in African countries, and what is the impact on biodiversity?
- Who are the key actors and stakeholders? How are Chinese companies and the Chinese government linked to extractive industries and impacts on biodiversity?
- What challenges (including transparency and non-interference) are faced by conservation groups working with new actors in the region?
- How can conservationists leverage opportunities for biodiversity conservation with non-traditional partners, including growing interest in corporate social responsibility?

Major conclusions of meeting:

- Understand how various actors engage – we must speak the same language, literally and figuratively
- Support capacity building in Chinese and African nations' civil society institutions
- Growing interest in corporate social responsibility (CSR) within Chinese finance mechanisms but mostly voluntary and little capacity to monitor implementation on the ground
- Important to engage with key actors at multiple levels, from top decision makers to implementers on the ground
- China has principles of non-interference and mutual benefit, and looks to governmental actors for negotiation and regulations. NGOs are not generally seen as important actors to engage, but working to build capacity of governments and local actors is an important role that NGOs can play.
- Leverage points for conservation groups to engage with Chinese actors in Africa include: national government regulations and agreements, international and Chinese finance mechanisms' standards for CSR, press and public relations, civil society demands and engagement.

Key Points from Presentations:

1. [China Goes Global: New Actors and New Challenges in Africa](#) (click for presentation) [Deborah Brautigam, Ph.D.](#), Associate Professor, School of International Service, American University, and author of [The Dragon's Gift: The Real Story of China in Africa](#)

China has a different foreign policy framework from the U.S. and many Western countries, including a principle of non-interference in affairs of other countries and a principle of mutual benefit. China places a high priority on agriculture, industry and, in particular, infrastructure. There is a Chinese saying: “*If you want to become wealthy, first build a road.*” This approach is very welcome by many African governments. China is still a developing country with areas of great poverty inside its own borders and brings its own developmental experience in its endeavors overseas. China is also an East Asian Developmental State, like Japan, Korea and Taiwan. The Chinese government supports a “Go out” policy, encouraging its citizens to establish businesses and residence internationally through support of financial institutions such as the [China Export-Import \(EXIM\) Bank](#), the [China Development Bank \(CDB\)](#) and the [Ministry of Commerce \(MOFCOM\)](#).

China’s total global Foreign Development Investment (FDI) is roughly \$50 billion, which is much smaller than that of the US, which is roughly \$300 billion. For all of Africa, Chinese trade increased from \$10 billion in 2000 to about \$100 billion in 2008. China is increasing its investment in Africa to diversify their own export markets, expand outward investment generally, developing corporate national champions in a variety of countries, securing energy and raw materials and moving the bottom of its resource chain offshore.

Dr. Brautigam dispelled the myth that there is such a thing as “China, Inc.” – there is no one entity directing all of China’s investments and actions overseas. Various actors play different roles, including the China EXIM Bank, China Development Bank, MOFCOM, and others. Companies are all different as well, whether they be national, provincial or state-controlled, or private. Many other companies may appear to be Chinese to outside observers, but may actually be based in other Asian countries.

Corporate social responsibility (CSR) is a new, currently weak, but rapidly changing field. More than 200 Chinese companies are part of the [UN Global Compact](#), with its global norms and voluntary guidelines. The [Equator Principles](#) and [IFC Standards](#) are also something to watch regarding Chinese investment. Chinese financial institutions are starting to develop and revise their environmental and social guidelines. In 2007, Guidelines on Sustainable Forestry Management for Chinese Companies Overseas were developed. However, all of these measures are currently weak.

In terms of biodiversity impact of Chinese investment, key sectors include infrastructure, timber/forestry and agriculture. One-fifth of all Chinese projects in Africa have been agriculture projects. 44 African countries have received agriculture aid from China. This sector also has its own set of myths: a recent article in *The Atlantic* claimed that there was a \$5 billion fund for agriculture in Africa; the reality is that only 1/5 of that total is available for all projects in Africa, not just agriculture. There are also misconceptions regarding the amount of land that Chinese operations have available in Africa, with several recent articles mentioning large-scale “land grabs” by Chinese parties in Africa. One real project is an oil palm plantation of 100,000 – 1 million ha² in DRC.

Deborah Brautigam had several key points for engaging with Chinese operations in Africa:

1. Get your facts straight – identify what is true and what is rumor; verify reports with field visits
2. Use the right language – literally (Mandarin) as well as figuratively (language of cooperation with an understanding of Chinese foreign policy). Hire field staff that speak Mandarin and translate documents
3. Engage national governments and local actors in Africa, as Chinese practice does not recognize the legitimacy of the US engaging on behalf of Africa, and does not see NGOs as key partners

2. [China for a Global SHIFT](#) (click for presentation)

Andrew Murphy, Director, [Strategy and Research & Development, Markets Department](#), World Wildlife Fund-US

Andrew Murphy provided an overview of WWF's Market Transformation program and the ways that the organization approaches the sourcing and transportation of commodities that are traded internationally. If everyone in the world lived at the same level of consumption as does the US, we would need 11 planets to sustain all of us. Current projections indicate that the planet will have a population of more than 9 billion by 2050, and that consumption will double as well. Agriculture and ranching currently occupies 55% of the habitable land area on the planet, and protected areas make up 12% of all global land.

China currently consumes 30% of the world's output of rice, 40% of its cotton, and more than 25% of the world's rubber. China is a net importer of many goods: 6.4 million tons of palm oil and 54.5 million tons of soy beans (40% of global output) were imported in 2009. When a country imports agricultural products from other nations, it is also importing water, soil, efficiency and reduced pollution from that nation. The trade chain is a leverage point where we have more influence over a limited number of companies that source a seemingly infinite number of goods to all of the planet's consumers.

Officially, China's Africa policy holds principles of strategic partnership, sincere friendship and equality, mutual benefit and shared prosperity, mutual support and close coordination, and learning from each other and developing together. This cooperation is characterized by historical comparability and friendship (including similar experience on national development) and political and diplomatic support are important (resources are not the only important issue). No strings are attached to aid or investment.

At the 2009 [Forum on China-Africa Cooperation \(FOCAC\)](#) in Sharm el-Sheik, Chinese Premier Wen Jibao announced several commitments to Africa from 2010-2012. These include:

1. Climate change and energy: establishing a China-Africa partnership to address climate change
2. Capacity building: enhancing cooperation in science and technology, agriculture, human resources development and education
3. Trade and aid: further open China's market to African products, and increasing concession loans and debt forgiveness
4. Public well-being: deepening cooperation in medical care and health, including providing equipment and preventing epidemics

WWF uses the following major strategies and activities in its "China for a Global Shift" program:

- ◆ **Build political support to address China's global footprint:** Engage the National Development and Reform Commission to build the 'footprint' concept into national Five-Year plans
- ◆ **Support sustainable finance:** Work with Chinese banks to create the first Chinese-led development of green lending policy
- ◆ **Drive responsible trade:** Work with Ministry of Environmental Protection to develop environmental guidelines for Chinese companies investing overseas
- ◆ **Establish low carbon development models:** Work with Shanghai and Baoding to pilot low carbon city model

3. [The Africa/China Connection: Ivory, CITES and More](#) (click for presentation)
[Crawford Allan, TRAFFIC-North America](#)

Crawford Allan gave an overview of the commercial pressures that African wildlife face, from demand for food to medicines to ornaments such as jewelry and luxury goods, referring to the continent as a “wildlife shopping mall.” The growing trade in wildlife from Africa is not necessarily a bad thing, and can be a positive force for change, but it must be done in a sustainable manner, protecting habitats and species. Illicit trade and corruption draw benefits away from places where they are greatly needed.

Demand for wildlife product from China is enormous. While some species can sustain a large volume of demand and trade, others cannot. Some of the species currently affected by the trade include turtles and tortoises, rhinos, and elephants. Turtles and tortoises are traded daily in China for meats and tonic medicines, and massive areas of Southeast Asia have already been cleared out of these species to fill the demand. As it is no longer commercially viable to continue to harvest from these areas, traders are now sourcing turtles and tortoises from new areas around the globe. Recently, there have been several seizures of turtles and tortoises from Tanzania.

At the recent [Convention in International Trade in Endangered Species of Flora & Fauna \(CITES\)](#) Conference of Parties (CoP) in Doha, Qatar, several noteworthy resolutions were addressed. First, new protections for rhinos were adopted, in response to the increase in demand for rhino horn as a medicinal treatment for cancer. Organized crime groups have been poaching rhinos in South Africa and shipping them to Bangkok through sophisticated communications and transport systems.

Ivory and elephants continue to be an issue of great passion and debate. At the CITES CoP, proposals by Tanzania and Zambia to downlist their populations of African elephants to Appendix II were rejected, and a Kenyan proposal for a 20-year moratorium on ivory trade was withdrawn. TRAFFIC works with CITES to maintain and manage the [Elephant Trade Information System](#) (ETIS), a database on seizures of elephant specimens that have occurred anywhere in the world since 1989. ETIS data show that previous one-off sales of ivory stockpiles resulted in a steep decline in illicit trade. However, the one-off sale in 2008 was followed by a spike in seizures of illegal ivory, much of which was destined for China. Major markets according to the ETIS data include Thailand and China, with Tanzania as a major transit point on the origin side. Recently, 6 tons of ivory were seized in Vietnam, and other countries have unregulated markets where ivory is easy to transport without law enforcement detection. Organized crime operations connect Chinese demand with African supply; Crawford Allan cited a Chinese family operating in Douala, Cameroon, as a particularly bad example of how efficiently these networks can function. There have been approximately 15 containers detected in China that included a secret panel where up to 4 tons of ivory was stored. In the ETIS data, China scored the highest value for any country, including 1800 seizures of ivory, nearly all of which involved African – and not Asian – elephants. On the positive side, China has a good law enforcement score in ETIS, but as the volume of trade is very high, it is challenging to catch everything.

4. [Pioneering Partnership with Chinese Extractive Industries: WCS, WWF, USFWS, the Government of Gabon, and Sinopec in Loango National Park](#) (click for presentation)
James Deutsch, [Wildlife Conservation Society](#)

James Deutsch provided details regarding a partnership between conservation organizations, the government of Gabon and a Chinese oil company (SINOPEC) to establish and monitor environmental and social standards in Loango National Park, Gabon, where [the oil company was carrying out seismic explorations](#). Concessionary rights to the area were granted to SINOPEC before the national park was established, and the Gabonese government maintains the right to drill in national parks if sizeable oil deposits were discovered. In 2006, an Environmental Impact Assessment in the park was carried out by a Dutch company, but the findings and recommendations were never implemented. In addition, local communities were not consulted as part of the EIA, though required by Gabonese law. When SINOPEC established their operations in Loango, they reopened park roads, laid seismic lines with dynamite, cleared trails, and conducted blasting in prime wildlife areas and in view of tourist locations. Following these activities, there was a great deal of international press covering the events. In 2007, Gabonese law established Gabon's National Park Authority (ANPN), which asked SINOPEC to work with the NGOs to improve their practices inside the national park.

The Wildlife Conservation Society, World Wildlife Fund, and the Gabonese Ministry of Environment received funding from U.S. Fish and Wildlife Service to work with SINOPEC to establish environmental and social standards in Loango. Problems discovered included unnecessarily wide seismic lines, excessive tree cutting, lack of food provisions to staff which resulted in hunting, transporting and consuming bushmeat, seismic blasting in tourist areas, not closing roads when work was complete, poor hygiene, poor staff contracting and no monitoring of the impact of blasting and explorations on wildlife, habitat or tourism. In 2007, the audit team moved into the SINOPEC camp.

Standards were established regarding air, noise and soil pollution, vegetation, bushmeat hunting and trade, wildlife impact, removal of cables and closing of roads as well as staff regulations (no drinking, waste disposal, access control) and appropriate provision of food. Teams worked together well, and SINOPEC was very open with the audit team and was interested in identifying ways to work better in the future. Communication between all parties was particularly important, and identifying team members who were able to communicate well (both in terms of language as well as clarity and concepts) was critical to the success of the project.

Lessons learned include:

- Constructive partnership with Chinese extractive industry is possible
- Civil society pressure and media pressure works
- Host government support is key
- Engagement with teams on the ground is critical

Ways forward include:

- Strengthen national parks authority oversight in all parks
- Bolster civil society, especially local NGOs
- Engage with SINOPEC globally
- Seek further partnerships on the ground
- Seek support through CBFP, State, USAID, USFWS

Respondents

Several respondents working on related issues were invited to share their perspectives on the presentations given, and provided some additional context for the meeting's themes. [Athena Ronquillo-Ballesteros](#) of World Resources Institute briefly discussed a project on state-owned financial

mechanisms and corporations, which would include Chinese investments in Africa. Six major state-owned institutions are to be examined in the study, including the China EXIM Bank and the Chinese Development Bank. The project will benchmark environmental and social standards for international financial institutions and leverage standards that are already in place. In addition, they are investigating the role of civil society in influencing actions of international partners and identifying guidelines that can be shared with civil society in countries where actions are taking place.

Rose Niu of [World Wildlife Fund](#) noted that she was one of only a few Chinese nationals in the room, and encouraged everyone to reach out to Chinese and African leaders for future meetings. She noted that China ecological deficit began in the 1970s, and that the government and companies will continue to reach out to additional sites for resources. In Africa, easily accessible sites have already been claimed by Western companies, so Chinese operations have to go farther distances for access to resources. Positive roles for international NGOs regarding China and Africa include 1) finding success stories that demonstrate how China can play the role of a global leader on conservation and sustainability and encourage more engagement at that level; 2) share information and lead tours for Chinese financial mechanisms, government officials and company staff to target key stakeholders at multiple levels of engagement; 3) work with Chinese embassies to share information on protected areas and biodiversity; and 4) support growth and development of Chinese and African civil society as messages from internal, domestic NGOs are more effective than those from international NGOs.

Rowena Smuts of [Conservation International](#) observed that success stories can be found if you take the time to look for them, and that they can be leveraged to support future opportunities. In her work with mining companies in sub-Saharan Africa, she noted that there is a decentralized management approach among Chinese companies. Corporate social responsibility pledges at corporate levels in China do not always translate to adoption of the same principles on the ground overseas. It took a long time for Western companies to come around to top-to-bottom approaches for CSR, and we must work on the ground with Chinese field staff as well. Finally, she emphasized the importance of building trust and partnerships at all levels.

Ellen Shaw of the [U.S. Department of State](#) shared that the U.S. Government was working to engage China on several issues related to Africa, biodiversity and development, and that the State Department hoped to have fruitful discussions with China during the upcoming July 2010 US/China subdialogue on Africa. China has an open invitation from the U.S. and other partner countries to join the Congo Basin Forest Partnership. The U.S. is encouraging all extractive industry operators to follow international best practices and standards, and emphasizes the importance of Africans deciding the fate of biodiversity in Africa.

Key Points from Q&A and Discussion

- African leadership, policy and law is critically important, as is strong support from civil society
- Motivating factors for African nations to conserve biodiversity include economic incentives (such as in countries with strong tourism) and national pride, among others.
- **Get your facts straight** – we must know what is actually happening in order to best engage with Chinese and other actors. Checking reports and media coverage with field visits is very important.
- **Use the right language**, including understanding Chinese foreign investment strategies and foreign policy, as well as speaking and writing Mandarin.

- Understanding **criminal networks' role** and enforcement of laws can be strengthened with better training and improved communication. Cross-pollinating staff from China and Africa helps to build relationships and trust. Need additional support from higher political levels, particularly where corruption is high.
- Identify most critical leverage points. In China, WCS found that 90% of wildlife trade flows through Guangzhou Province, so that is where they are focusing their work, rather than spreading limited resources over a larger area.
- Partnerships with development, human rights and civil society organizations will help to improve both environmental and social standards and practices.
- Different stories can be told about Africa: a desperate continent of poor people ravaged by war, or a continent full of incredible opportunity, nearly unlimited resources and millions of consumers. China's approach targets the latter viewpoint.
- Local NGOs and CBOs (community-based organizations) are on the rise in many areas, and can be supported to play a greater role with a stronger voice for human welfare, conservation and development.
- US-based international NGOs have a great deal of experience in working with US and Western companies, but have a great deal to learn about working with Chinese companies. Good option is to **build capacity of African governments and stakeholders to better play their roles**. This may include training on Equator Principles, and contracts and negotiations.
- Anticipate a shift in the global commodities and trade chain in the future. Half of the top companies are US-based currently, but we will see a rise from China, India and African countries. African telecom will be an interesting industry to watch.
- Investment in Africa is just a small part (about 4%) of China's investment portfolio, but it is the area that the media and others are paying attention to.
- China's principle of non-interference does not mean that environmental standards are not important. China's EXIM Bank has been working on environmental standards, but we do not yet know much about how these will be applied in the field.
- **Need additional information on impact of Chinese investments and activities on biodiversity. Current information available is inadequate to understand how extensive their activities are and what their impact on biodiversity is.**
- Companies that are listed on US and other countries' stock exchanges are subject to market pressure and will want to act to minimize risk.
- It is not a common practice in China for Chinese companies to engage in community participation, and these approaches are seen as being very experimental at this point. Chinese actors generally see engagement with communities as a local government responsibility, not that of the company.
- Some Chinese stakeholders and actors are working on increasing **voluntary standards for environment and social impact**, including the Chinese NGO Global Environmental Initiative (GEI). Look for additional developments on standards being established by groups such as GEI as well as EXIM Bank, China Development Bank, and others.



ABCG's members are U.S.-based international conservation NGOs with field activities in Africa. ABCG's mission is to tackle complex and changing conservation challenges by catalyzing and strengthening collaboration, and bringing the best resources

from across a continuum of conservation organizations to effectively and efficiently work toward a vision of an African continent where natural resources and biodiversity are securely conserved in balance with sustained human livelihoods.