Patterns of Chinese Investment, Aid and Trade in Central Africa (Cameroon, the DRC and Gabon)

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A briefing paper by the Centre for Chinese Studies
Prepared for World Wide Fund for Nature (WWF), August 2009

WWF

中國研究中心 CENTRE FOR CHINESE STUDIES

The findings, interpretations, and conclusions expressed therein are those of the author and do not necessarily reflect the views of the World Wide Fund for Nature (WWF)

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Acknowledgements

This briefing paper draws on field research kindly funded by the Extractive Industries Transparency Initiative (EITI), Revenue Watch Institute (RWI) and Rockefeller Foundation.

The author wishes to thank:

Dr. Wenran Jiang, Hayley Herman, Agnese Formica, Anneke Kamphuis, Herman Wiid, Dr. Kathryn Sturman and Mari-Lise du Preez.

The World Trade Atlas data is kindly provided by the Trade Law Centre for Southern Africa (Tralac).

Cover picture by the author: Chinese processing plant outside of Lubumbashi, DRC, September 2008.

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List of Acronyms

ACGT	Congolese Agency for Major Construction Works
AFD	Agence Française de Développement (French Development Agency)
AfDB	African Development Bank
ADS	Approved Destination Status
AU	African Union
BCPSC	Bureau for Coordination and Monitoring of the Sino-Congolese Programme
BOT	Build Operate Transfer
CCCC	China Communications Construction Company
CCS	Centre for Chinese Studies
CDB	China Development Bank
CGCD	China Guangdong Provincial Changda Highway Engineering Corporation
CICMH	Compagnie Industrielle et Commerciale des Mines de Huazhou
CITCC	China International Telecommunication Construction Corporation
CMEC	China National Machinery and Equipment Import and Export Corporation
CNONGD	National Council of Congolese Development NGOs
CNPC	China National Petroleum Corporation
Comibel	Compagnie Minière de Bélinga (Mining Company of Bélinga)
CPC	Communist Party of China
CREC	China Railway Engineering Corporation
CVRD	Companhia Rio do Vale Doce
CWE	China International Water and Electric Corporation
DRC	Democratic Republic of Congo
EIA	Environmental Impact Assessment
EITI	Extractive Industries Transparency Initiative
EXIM	Export-Import
FAO	UN Food and Agriculture Organisation
FEC	Fédération des Entreprises Congolaises
FOCAC	Forum on China-Africa Cooperation
HIPC	Highly Indebted Poor Country
ICBC	Industrial and Commercial Bank of China
IMF	International Monetary Fund
JV	Joint venture
MONUC	UN Mission in the Democratic Republic of Congo
MOU	Memorandum of Understanding
MPTT	Congolese Ministry of Post, Telephones and Telecommunications

NGO	Non-governmental organisation
PRC	People's Republic of China
PRGF	Poverty Reduction and Growth Facility
SIPSC	Sinopec International Petroleum Service
SNBG	National Timber Company of Gabon
SNH	Société Nationale des Hydrocarbures (Cameroon's national oil company)
Tralac	Trade Law Centre for Southern Africa
WWF	World Wide Fund for Nature
ZTE	Zhong Xing Telecommunication Equipment Company

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1. Introduction

This briefing paper has been compiled for the World Wide Fund for Nature (WWF). It provides the background for recommendations formulated by the CCS for WWF's China in Africa work, available in a separate document.

The paper seeks to outline patterns of Chinese investment, aid and trade in three Central African countries, namely Cameroon, the Democratic Republic of Congo (DRC) and Gabon. It draws on field research undertaken by the author in Cameroon (June 2009), the DRC (September-October 2008 and February-March 2009) and Gabon (September 2008), telephonic interviews with relevant stakeholders and a large body of secondary data: newspaper articles, books and academic articles.

The aims of the paper are as follows:

- To provide a short overview of the history of the relationship between China and the three respective Central African countries, highlighting key agreements and commitments over the past 40 years;
- To provide an overview of China's aid and investment strategy in the three countries;
- To outline the key sectors in which China is currently investing in the three countries, areas for future investment, and the nature of these investments;
- To outline any China-Africa related events or meetings taking place over the coming 24 months involving government, private sector and/or civil society;
- To outline the views of Chinese investments held by representatives of governments, civil society (e.g. NGO, media, trade unions) and private sector; and
- To outline existing evidence of the impact (positive and negative) of Chinese aid and investment on the economy, environment and people's livelihoods and wellbeing.

1.1 Structure of the report

This paper is composed of five sections. An introductory section is followed by three sections where China's engagement with Cameroon, the DRC and Gabon is outlined. In a concluding fifth section, impact and perceptions of China's engagement with the three countries are discussed.

The reader will note that the sections on Gabon and the DRC are more extensive than the section on Cameroon. This is a result of the fact that the CCS has carried out considerably more field research in the DRC and Gabon and consequently has a more in-depth understanding of the situation in those two countries.

1.2 Common features for the three countries

1.2.1 Forum for engagement over the next 24 months

The main forum for engagement over the next 24 months with the three countries is the fourth Ministerial Meeting of the Forum for China Africa Cooperation (FOCAC) which will take place in Sharm El Sheikh, Egypt in November 2009. Suggestions for engagement at the Forum are provided in the separate recommendations paper.

1.2.2 Export tariff agreements

In terms of export tariff agreements, the only agreement currently in place is the general Sino-African zero tariff agreement incorporated in the Beijing Action Plan, implemented following the FOCAC 2006 Summit. By means of this agreement, 466 African export products are exempt from Chinese import duties.[1] However, as a result of weak African manufacturing and supply capacity, the agreement is however generally seen to have had little impact in terms of boosting African exports.[2]

1.3 Model of Chinese engagement in Africa

This paper was first presented at a WWF workshop in Yaoundé, Cameroon in June 2009 for which the author prepared an analytical model aiming to facilitate the formulation of adequate engagement strategies for WWF in the China-Africa field. China's engagement with Africa is highly diverse and takes place at a variety of levels, thus when seeking to engage in the field, it is crucial to take these dynamics into consideration.

The model draws on field research experience[3] and differentiates between three main levels of engagement namely government level, larger company level and small-scale economic activity level engagement. The categories are defined by proximity to government, not by size or impact, and are to be seen as mere analytical tools between which boundaries are not clear cut. For a more in-depth discussion around private and state-owned companies investing in Africa, refer for example to Gu and Kaplinsky & Morris.[4]

Table 1: Three levels of Chinese engagement in Africa

Level 1: Government level engagement	**Actors:** Chinese and African governments and embassies, government departments, banks (EXIM, CDB) and other financial institutions	**Activities:** Bilateral relations & official visits, FOCAC, party-to-party relations, policy bank-financed concessional finance agreements, donations (stadiums, parliament buildings, hospitals), development aid.
Level 2: Larger company level engagement	**Actors:** Chinese state-owned enterprises (SOEs) and larger private Chinese companies. These actors mostly have close relations with the Chinese Embassy in the respective African country, but they do not always work on projects financed by the Chinese government.	**Activities:** - Large scale infrastructure undertakings financed either by Chinese concessional loans, the AfDB, the World Bank, the African government or other financial institutions. - Extractive industries: oil, minerals, timber. - Larger manufacturing/assembly plants.
Level 3: Small-scale economic activity level	**Actors:** Small-scale traders, owners of processing plants, 'fast-moving' businessmen. Entered into African countries independently. Between these actors and the Chinese Embassy there is often very little interaction, assistance and/or control.	**Activities:** Import and trade in consumer goods, mineral processing, timber export, other small-scale economic activities.

It is anticipated that for an actor such as the WWF, engagement could for example commence at the first level and subsequently filter down to the second level. Whilst constructive engagement with level three-actors certainly is possible, it is anticipated to represent a greater challenge given the disaggregated nature of the activities in level three. For further recommendations relating to this model, please refer to the separate recommendations paper.

2. Cameroon

2.1 Historical overview: Sino-Cameroonian relations

As Cameroon gained its independence in 1960, it established diplomatic relations with the Republic of China (Taiwan). On the 26th March 1971 these ties were severed as the country recognised the People's Republic of China (PRC). The first official high level meeting between Cameroon and China took place in August 1972 as the Cameroonian Foreign Minister Vincent Efon visited China. The first Chinese visit to Cameroon took place in August 1978 as Chen Muhua, Vice-premier of the State Council, visited the country. The inaugural FOCAC meeting in Beijing in October 2000 was attended by a Cameroonian delegation led by the Minister for State Affairs in charge of Foreign Relations, Augustin Kontchou Kouomegni.[5] The latest high-level Chinese visit to Cameroon took place in January 2007 as President Hu Jintao visited Yaoundé.[6]

Cameroon was granted Approved Destination Status (ADS) for Chinese tourism in November 2006 following the FOCAC Summit in Beijing.[7]

A senior representative for the Chinese Embassy in Yaoundé estimated in an interview with the CCS that there are about 1500 Chinese residing in Douala and 2000-3000 in Yaoundé, largely from Fujian and Zhejiang provinces, although there are no exact numbers. They are largely active in commercial activities such as wholesale and retail. There is a Chinese chamber of commerce in Douala (*Chambre d'Industrie et du Commerce des Chinois d'Outre-Mer au Cameroun*) with a branch in Yaoundé. There are also expatriate organisations for different Chinese provinces.[8]

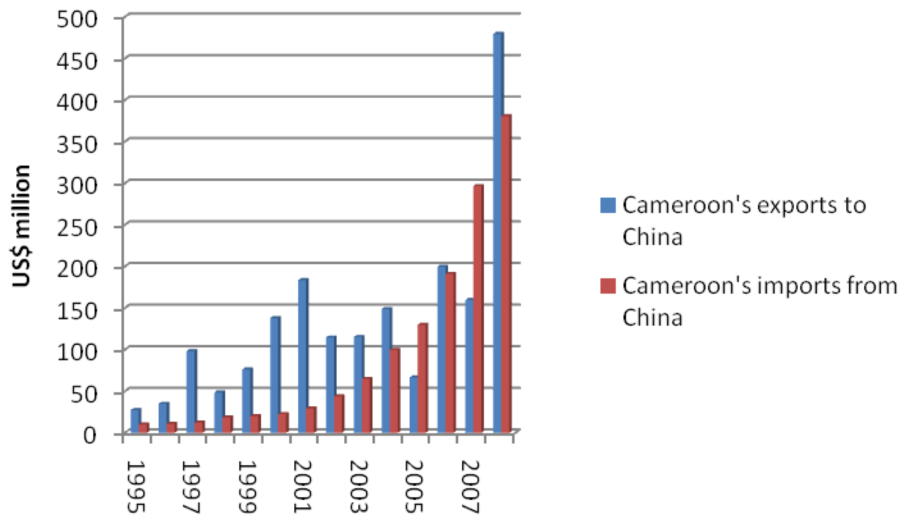
2.1.1 Key agreements signed since 1971[9]

- 1971: Establishment of diplomatic relations between the People's Republic of China and the Republic of Cameroon
- 1972: Trade agreement
- 1997: Agreement for the reciprocal protection and promotion of investments
- 2002: Agreement for Economic and Commercial Cooperation

2.2 Trade between China and Cameroon

Trade between Cameroon and China has increased remarkably over the last 15 years as can be noted in the graph below. A spike in Chinese imports from Cameroon can be noted in 2008, due largely to a sharp increase in imports of Cameroonian oil to China.

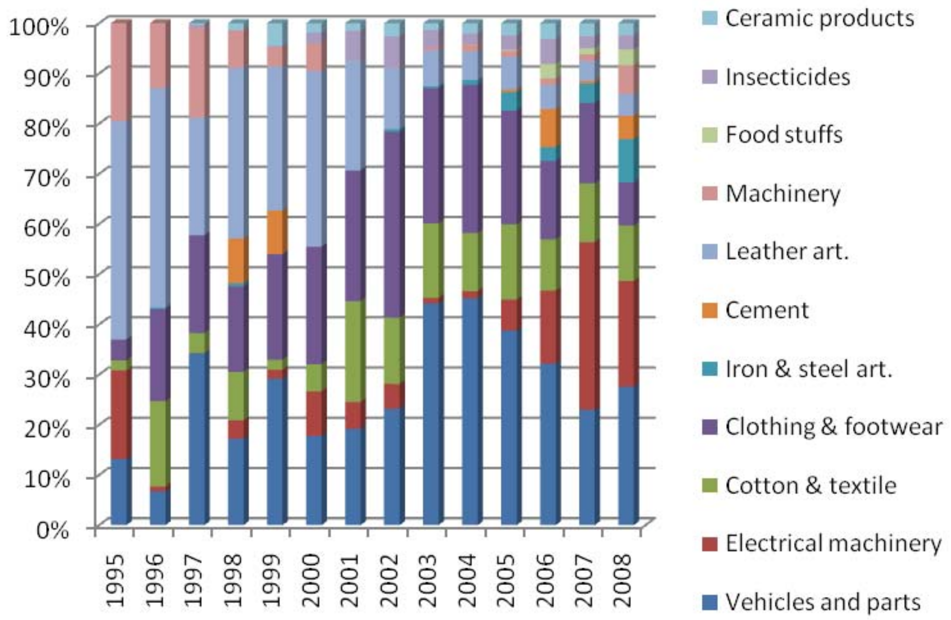
Figure 1: Cameroon's trade with China 1995-2008



Source: World Trade Atlas

As the graph below indicates, the share of vehicles and electrical appliances imported to Cameroon from China has grown along with the trade volumes between the two countries.

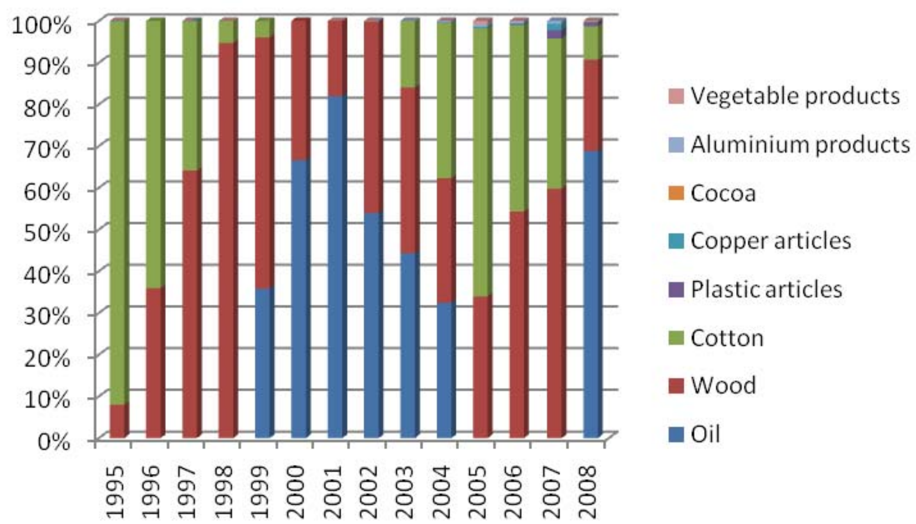
Figure 2: Composition of Cameroon's top-20 imports (HS4 level) from China 1995-2008



Source: World Trade Atlas, CCS analysis[10]

China's imports from Cameroon comprise largely of oil, wood and cotton products. In 2008, the share of Cameroonian oil in the import profile grew significantly.

Figure 3: Composition of Cameroon's top-20 exports (HS4 level) from China 1995-2008



Source: World Trade Atlas data, CCS analysis

2.3 Chinese Aid to Cameroon

Major Chinese donations to Cameroon include the Cameroonian congress building, the Yaoundé Conference Centre, the 200-bed Yaoundé Hospital of Gynaecology, Obstetrics and Paediatrics and most recently a sports stadium worth 200 million RMB, inaugurated in June 2009.[11] Other donations from China include a sewing workshop and well-sinking and road-building projects undertaken by China Geological Engineering Group and China Hydropower Foreign Project.[12]

Since 1975, China has regularly sent medical teams to Cameroon. In June 2009, a total of 45 medical personnel were stationed in Cameroon, working at Yaoundé's gyneco-obstetric hospital, the Ngousso clinic in Yaoundé, the hospital of Mbalmayo and the hospital of Guider.[13]

China also provides educational support to Cameroon. Lab equipment has been donated to Yaoundé University and China provides scholarships annually for Cameroonian students to study in China. In 2008, 40 scholarships were awarded and in 2009 the number was 32.[14]

In 1997, a Mandarin language teaching centre was established in Yaoundé, managed jointly by Zhejiang University and the International Relations Institute of Cameroon. The Centre was given the status of Confucius Institute in 2007 and currently teaches Mandarin Chinese as well as Chinese language and culture. It has a branch in Douala, and branches in Maroua and Buéa are opening shortly.[15] A representative for the Confucius Institute noted in an interview with the CCS that the interest for studying Mandarin Chinese is growing exponentially in Cameroon. The students range from university students to government officials and private sector representatives from both large and small companies. According to the respondent, the interest is mostly pragmatic: China is simply seen as the emerging commercial power. In fact, a number of Cameroonian former students are now fluent in Mandarin and work for Chinese companies in Cameroon and with the Chinese medical team.[16]

During the Chinese President Hu Jintao's visit in January 2007, US$ 54 million in concessional finance was extended to Cameroon of which US$ 45 million was earmarked for a mobile network project. It was implemented by Huawei and Camtel and has been in operation since 2008.[17] The remaining US$ 9 million was directed towards a China EXIM Bank financed water production and distribution project in Douala worth US$ 24 million in total. China CGC Overseas Construction Company signed an agreement in December 2007 to carry out the project, which includes the construction of pipe networks, a potable water treatment plant and well digging. The aim of the project, scheduled to be completed at the end of 2009, is to increase the water production capacity of the city from 115,000 to 260,000 cubic meters per year.[18]

Furthermore, during President Hu's visit in January 2007, US$ 32 million of Cameroonian debt to China was also cancelled.[19] Previously, after FOCAC 2000, China cancelled US$ 34 million worth of Cameroonian debt.

In terms of the commitments made at the 2006 FOCAC Summit,[20] China has donated an agricultural demonstration centre to Cameroon (outlined further in section 2.4.3), built two schools (in Nanga and Guider), is planning to build a 200 million RMB hospital in Douala and has donated a malaria research centre housed by Yaoundé's Hospital of Gynaecology, Obstetrics and Paediatrics. The cost for the construction of the malaria research centre, which was inaugurated in March 2009, was US$ 0.4 million.[21]

Other Chinese donations to Cameroon include the construction of personnel accommodation at Yaoundé's Hospital of Gynaecology, Obstetrics and Paediatrics in 2007 worth US$ 3 million, the construction of a primary school in Mvoméka in 2007 and the donation of medication which has taken place several times since 2007.[22]

2.4 Chinese investments in Cameroon

There is little data available on the exact value of Chinese investments in Cameroon. Khan and Baye note that "[t]here are apparently no official records tracking the activities of Chinese in the private sector of the economy. However, there are many Chinese working in the private sector in Cameroon. They are involved in diverse activities, which range from road construction, fishing and poultry farming, confectioneries, catering, medical care, forest exploitation and retailing of a wide variety of cheap goods imported from China. These are essentially small scale activities".[23] There is thus a substantial group of Chinese small-scale traders and health practitioners active in Cameroon.[24]

In terms of large scale investments, the key sectors in which China is currently active in Cameroon, besides small scale trade activities, are oil, infrastructure, forestry and agriculture.

2.4.1 Oil

The Chinese oil company Yan Chang from Shaanxi province signed an agreement in April 2009 with the Cameroonian national oil company SNH (Société Nationale des Hydrocarbures) to start a four-year exploration undertaking on two previously untouched onshore blocks, Zina and Makari in northern Cameroon, at a cost of US$ 18 million. The contract is renewable for two 2-year periods. Yan Chang would own 75 percent of the blocks and SNH 25 percent. Prior to signature, negotiations had reportedly been ongoing since 2007. This would be Yan Chang's second venture outside of China as they have previously signed up for exploration blocks in Madagascar.[25] It is Cameroon's first onshore oil drilling project, and the only oil venture in the country where a Chinese company is involved.[26]

2.4.2 Infrastructure

The earliest dam construction project to be realised by a Chinese company in Cameroon was the Lagdo Dam in northern Cameroon, built between 1977 and 1982 by China International Water and Electric Corporation (CWE) for irrigation and electricity generation purposes. The dam, which has a total capacity of 84 MW, is today managed by the North American company AES SONEL. At present, only one out of Lagdo's four turbines is working.[27]

Many private Chinese companies active in Cameroon's infrastructure sector are tendering for projects that are not funded by the Chinese government but by the Cameroonian government or by lenders such as AfDB or the World Bank. For example, Zhejiang Geophysical Prospecting specialises in well-digging and is currently implementing a project on behalf of the World Bank and the Cameroonian government.[28]

Moreover, China Harbour Engineering Corporation was one out of 16 prospective contractors to be shortlisted in September 2008 for a US$ 655 million contract to build a new deep seaport in southern Cameroon as part of the new Kribi Ports Complex. The new Grand Batanga port 2 km south of Kribi will be tailored to build larger ships than the port in Doala, which currently handles 95 percent of transport of goods to Cameroon, Chad and the Central African Republic. The selection process for the Build-Operate-Transfer (BOT) contract was due to be finished in December 2008, the contract to be signed in January 2009 and construction commence in September or October 2009.[29] However, the decision making process has taken longer than anticipated.[30]

In connection with the planned construction of the Lom Pangar Dam, it has been mentioned that China may be one of the financiers for the US$ 200 million project. The African Development Bank (AfDB), the World Bank and the French Development Agency (l'Agence Française de Développement, AFD) are other donors that have been mentioned.[31]

2.4.3 Agriculture

In 2006, the state farm of China's Shanxi province announced that they would establish a 5,000 hectare rice- and cassava plantation in Cameroon, financed by FOCAC funds via China EXIM Bank at a project cost of US$ 62 million. Inko, a Sino-Cameroonian joint venture, is currently running the 200 hectare farm located in Nanga Eboko in the Centre region. The farm is looking to produce rice, manioc and maize and is also set to house one of the agricultural demonstration centres pledged to Cameroon after the FOCAC Summit in 2006.[32] The agricultural demonstration centre will be used for technical training, experimental research and sustainable development studies. In January 2008, a protocol agreement was signed marking the start of construction of the Centre. According to a senior representative for the Chinese Embassy in Yaoundé, the decision to build the agricultural demonstration centre in the vicinity of Inko's farm is a measure intended to integrate the agricultural demonstration centre into existing activities and make it sustainable.[33]

2.4.4 Forestry

In Cameroon, there are a total of 23 logging concessions exploited by nine companies. Only one of these has Chinese involvement, the Hong Kong based Sino-French joint venture Vicwood with a total of 532,537 hectares of concessions.[34] A number of independent Chinese economic actors (level 3 actors, refer to table 1, section 1.2) are active in Douala as timber traders,[35] however, this matter is not yet well documented and needs more research.

In addition, China has significance for Cameroon's forestry sector as an importer of Cameroonian timber. Timber and wood products represented 21.9 percent of China's overall imports from Cameroon in 2008, of which 82 percent was raw wood.[36] It has been argued that Cameroonian timber exported to China is to a greater extent non-certified, illegal timber, compared to Cameroon's timber exports to the EU and the US. The main argument is that lacking procurement policies in the Chinese market has an influence on the quality of logging operations in Cameroon.[37] These claims, however, still have to be validated through structured research.

2.4.5 Mining

In terms of Cameroon's mining sector, the only registered Chinese company is Sinosteel's subsidiary Sinosteelcam S.A., which is exploring for iron at the Lobe concession close to Kribi.

3. The Democratic Republic of Congo (DRC)

3.1 Historical overview: Sino-Congolese relations

Between independence on the 30th June 1960 and 1972, Republic of the Congo-Leopoldville[38] and the People's Republic of China (PRC) established and subsequently severed diplomatic ties twice.[39] During the periods where the country recognised the Republic of China (Taiwan), the Mao Zedong-led Chinese government made limited material support available to Congolese rebels fighting to overthrow the US-backed Congolese government.[40]

Since 1972, when bilateral relations between the PRC and the then Republic of Zaire were restored, relations have remained intact. The long-term Congolese President Mobutu visited China five times (1973, 1974, 1980, 1982 and 1994) and during his period in power (1965-1997), eight Chinese leaders paid official visits to the country. President Laurent Kabila visited China during his first year in power (1997). In 2000, as the first Ministerial Meeting of the Forum for China-Africa Cooperation was held in Beijing, it was attended by a Congolese delegation. As Laurent Kabila was assassinated in 2001, he was succeeded by his son Joseph who subsequently paid his first visit to China in 2002. He also attended the opening ceremony of the Beijing Olympics in August 2008. The latest official Chinese visit to the DRC was on the 23rd March 2009 when Deputy Foreign Minister Zhai Jun visited Kinshasa.[41]

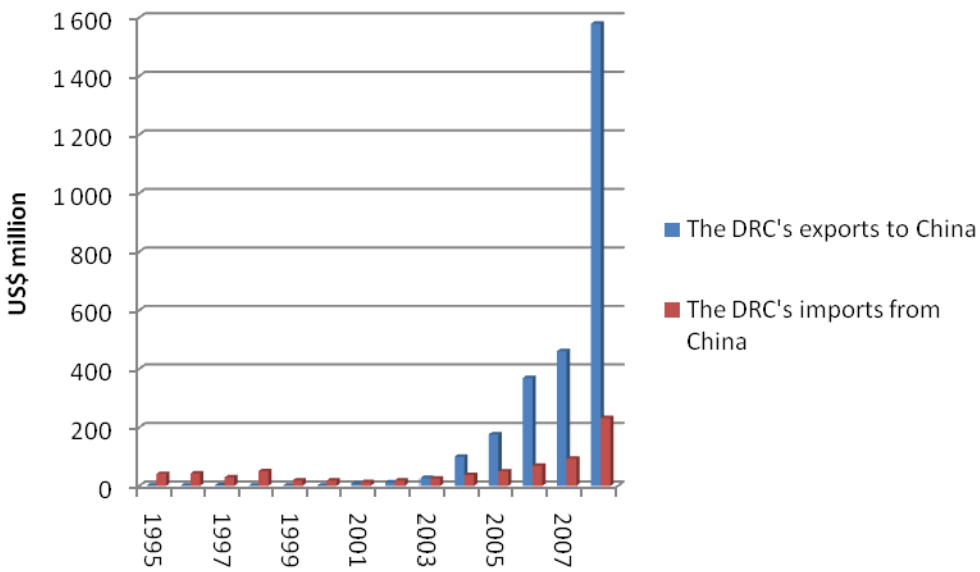
3.1.1 Key bilateral agreements signed since 1960[42]

- 1972: Joint communiqué on the normalization of relations between the People's Republic of China and the Republic of Zaire
- 1973: Trade agreement
- 1980: Agreement on cultural cooperation
- 1988: Trade agreement
- 1989: Agreement for cooperation in higher education and scientific research
- 1997: Agreement on mutual protection and encouragement of investment.
- 2005: Agreement on China-DRC Economic and Technological Cooperation

3.2 Trade between China and the DRC

Trade between the DRC and China has seen exponential increase over the period illustrated in the graph below, particularly since 2004. China's imports from the DRC have seen a particularly rapid expansion, and the spike in imports in 2008 is due to increasing cobalt imports.

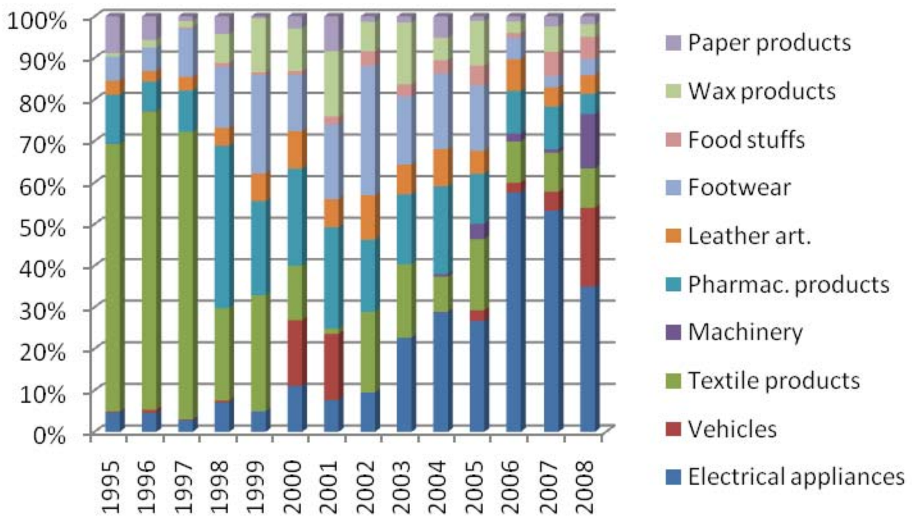
Figure 4: The DRC's trade with China 1995-2008



Source: World Trade Atlas

Chinese exports to the DRC comprise of manufactured products, largely electrical appliances, vehicles, textiles, machinery and pharmaceutical products. As Sino-Congolese trade has grown, the share of vehicles in the DRC's import profile with China has increased.

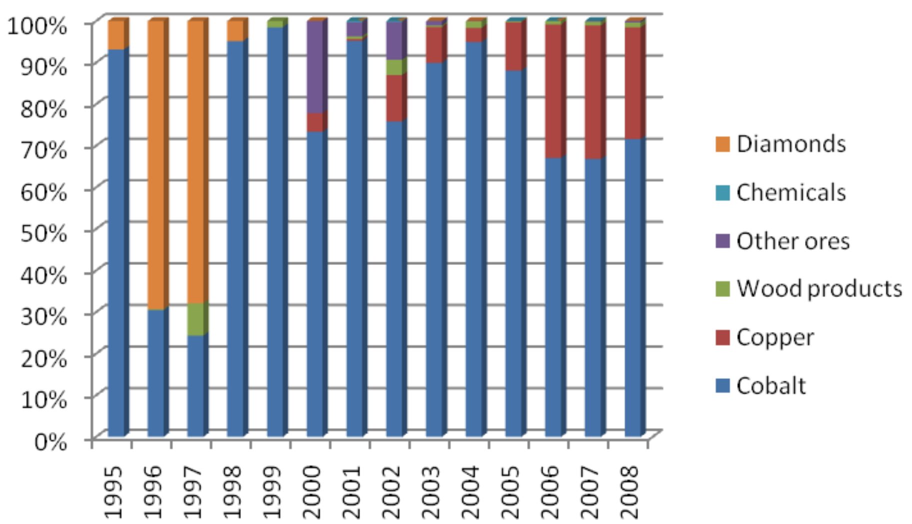
Figure 5: Composition of the DRC's top-20 imports (HS4 level) from China 1995-2008



Source: World Trade Atlas data, CCS analysis[43]

The lion's share of China's imports from the DRC consists of copper and cobalt ores, dominated largely by the latter.

Figure 6: Composition of the DRC's top-20 exports (HS4 level) to China 1995-2008



Source: World Trade Atlas data, CCS analysis

3.3 Chinese aid to the DRC

During the 1970s, the DRC received several donations from the Chinese government. In N'Djili, one of Kinshasa's suburbs, a Chinese farm project was established in the 1970s with the help of an agricultural institute in Hebei province. Chinese experts were at the time sent to the farm which was producing both livestock and crops. During the 1998-2003 war production was scaled down, however not stopped completely. After the end of the war, production picked up again and the farm is currently in operation. It still receives some support from the agricultural institute in Hebei province but mainly sells crops to generate income. The farm has a number of Congolese employees to whom they also provide training.[44]

Moreover, the country's National Assembly was built in Kinshasa between 1975 and 1979 by the Chinese government, a donation worth US$ 42 million.[45] A sugar factory was built in Kisangani during the 1970s, but it was later destroyed. In 1994, another Chinese government donation in Kinshasa was completed – the Martyr's Stadium, a sports facility with capacity for 80,000 spectators.[46]

Also located in the suburb of N'Djili, the Sino-Congolese Friendship Hospital in Kinshasa was a donation from China within the bilateral framework. Construction of the hospital started in 2004 and it was inaugurated and handed over to the Congolese government in 2006.[47] A Chinese medical team operates at the hospital. The team comprises 18 members divided into four sub-teams stationed in the country for a period of two years each. They originate from the Hebei Province, which is paying for all the expenses of the team. The DRC only pays for the team member's plane tickets when they go home for holiday.[48] China first started sending medical teams to the DRC in 1993.[49]

A mineral water factory worth US$ 60 million is to be constructed in Kinshasa as part of the 2008 development projects in the bilateral framework, and the tendering process for the construction of the factory is currently underway. Moreover, the Congolese government has also requested the refurbishment of the port in Kalémie and the airport of Lubumbashi. These projects would be worth US$ 7 million each, and a Chinese mission is currently about to evaluate the costs in more detail. These projects could become a part of the 2009 development projects within the Sino-Congolese bilateral framework which will be announced mid-year.[50]

A number of Congolese students are provided with Chinese government scholarships each year, enabling the students to study for five years in China. From 1985 to 2003, 5-8 students were sent annually. During 2004-2006, 11 Congolese students were sent to China annually, in 2007 the number was 23 and in 2008 it reached 32.[51]

Since 2003, China has contributed personnel to MONUC, the United Nations peacekeeping force in the DRC. The present contingent of 218 personnel arrived in November 2008 to be stationed in Bukavu for eight months.[52]

It can also be noted that the Chinese Embassy in Kinshasa is currently finalising the construction of the new Economic Counsellor's office located next to the Congolese Ministry of Foreign Affairs. The new building includes large representation and office areas as well as accommodation for the Consulate personnel, and the new structure clearly indicates that the Chinese government envisages strong future relations with the DRC.[53]

3.3.1 FOCAC aid projects

The Beijing Action Plan, formulated and adopted at the FOCAC summit in 2006, is a broad policy document encompassing possible areas of collaboration between China and African countries. It also explains that all of these areas are to be furthered by means of bi- and multilateral relations between China and the African countries. Thus, all projects outlined above taking place within the broader Sino-Congolese bilateral framework can be interpreted as fitting into the agenda set out in the Beijing Action Plan. However, a number of development projects in the DRC have been implemented with the help of specific FOCAC funds. Please see a full list of these projects in Annex 1, section 1.

3.4 Chinese investments in the DRC

The key sectors in which China is currently active in the DRC are infrastructure, mining and telecommunications.

3.4.1 Mining – the Sicomines barter deal

Undoubtedly, one of the most well known deals struck between China and an African country during 2008 was the barter deal signed on the 22nd April between the Congolese government and the Chinese companies China Railway Engineering Corporation (CREC) and Sinohydro. According to the deal it was agreed that a Sino-Congolese joint venture named Sicomines would provide the DRC with extensive China Export-Import (EXIM) Bank financed infrastructure investments (mainly road, railway and mining infrastructure) to a value of US$ 9 billion in exchange for mining concessions from Katanga province.[54]

The Sicomines deal has been the subject of a great deal of controversy. Congolese opposition and observers have along with Western actors, particularly the International Monetary Fund (IMF) criticised the deal for being skewed in favour of the Chinese parties in the deal. While none of the critics deny that the agreement with its unforeseen, ambitious infrastructure refurbishment program would be of great benefit for the DRC, various objections have been voiced in terms of the legal and technical competency of the delegation that initially negotiated the contract, the transparency of the process, the pricing in the contract and how the quality and real value of the Chinese infrastructure developments are to be measured.[55]

Second, concerns have been raised by the IMF with regards to debt sustainability and the obstacles that the Sicomines contract may pose to the granting of debt relief to the DRC within the World Bank Group's Highly Indebted Poor Country (HIPC) debt relief program. At the time of writing, negotiations between the DRC and the IMF to start a new three-year Poverty Reduction and Growth Facility (PRGF) program are ongoing. For more detail, please see Annex 1, section 2.

3.4.2 Private Chinese investments in the DRC's mining sector

The attention around the Sicomines deal has somewhat overshadowed the complexities of the Chinese involvement in the DRC's mining sector. In actual fact, besides the Sicomines deal, there is a great deal of private Chinese investment in the country taking place on a smaller scale. Prior to the global economic downturn, many Chinese entrepreneurs and employees were active in the DRC's mining sector – around 5000 Chinese resided in the Katanga province, running processing plants, small scale mining ventures and logistics companies.[56] The global economic downturn and the falling prices of raw material affected these stakeholders severely. At the time of writing in May 2009 only around 1000 or less of them remain, although operations have slowly begun to recover with several Chinese processing plants resuming operations on a small scale.[57] For more details, please refer to Annex 1, section 3.

3.4.3 Infrastructure

Besides the infrastructure investments being carried out through the framework of the Sicomines agreement, Chinese government and companies are involved in several other infrastructure projects in the DRC at present. Refurbishment of the road between Bukavu and the Kavumu Airport in the South Kivu province is currently being carried out, partially financed by a Chinese government donation. The contractor is China Communications Construction Company (CCCC).[58]

The Sino-Congolese Program managed by the Congolese Agency for Major Construction Works (ACGT) (see further in Annex 1, section 2) is also to include at least two other infrastructure projects that will be structured according to similar barter principles as the Sicomines agreement. First, the ACGT and the Bureau for Coordination and Monitoring of the Sino-Congolese Programme (BCPSC) are currently negotiating with Sinosure to fund the refurbishment of Kinshasa's *Avenue de l'Université*. The prospective contractor for the project is China Guangdong Provincial ChangDa Highway Engineering Corporation (CGCD) and the investment would be paid back in nickel and chrome concessions.[59]

Second, the ACGT and the BCPSC are also currently negotiating with China Development Bank (CDB) to fund the construction of a highway from Kinshasa's central station to N'Djili Kinshasa Airport and the modernisation of the airport. The investment would be paid back through copper and cobalt extracted from concessions in Kolwezi and Potopoto in the Katanga province, and the contractor for the project would be CCCC.[60]

A less well-known feature of Sino-Congolese relations is that Sinohydro and CREC are currently active in the DRC as contractors also for African and Western funding agencies. Sinohydro has implemented a large number of road projects funded by the World Bank; a road between Matadi and Kimpesi (construction in 2002, refurbishment in 2004), a road between Beni and Niania (in 2004, the road is now being upgraded as part of the Sicomines agreement), a road in Kikwit, Bandundu province (2005) and a bridge in Bandundu province (2008). Furthermore, Sinohydro signed a contract with the African Development Bank (AfDB) in 2008 for two road projects in the Bandundu province to be completed in 2010.[61] CREC is currently carrying out road refurbishment on the Kinshasa's artery, *le Boulevard du 30 Juin*, infrastructure works worth US$ 12 million funded by the City of Kinshasa and the Congolese government.[62]

3.4.4 Telecommunications

In 2000, the Chinese telecoms equipment provider ZTE Corporation established China-Congo Telecommunications Corporation in collaboration with the Congolese Ministry of Post and Telecommunications (MPTT). The joint venture has benefited from RMB 80 million in concessional finance from China EXIM Bank.[63] However, ZTE is now looking to sell its 51 percent stake in the company. It has been reported that South African MTN is currently leading the bidding, proposing around US$ 200 million for the stake.[64]

Moreover, the Chinese companies Huawei and China International Telecommunication Construction Corporation (CITCC) are currently implementing the first phases of two ambitious ICT projects on behalf of the MPTT. Both projects are funded by concessional loans from China EXIM Bank. For more detail, please see Annex 1, section 4.

3.4.5 Chinese presence in other sectors

Forestry, a sector in which many Chinese companies are active in other countries covered by the Congo Basin rainforest, notably Gabon and the Republic of Congo, is interestingly not an important feature of the Sino-Congolese relationship. In terms of trade, the DRC's share of China's timber imports is very low (see section 3.2). Moreover, although the share is expected to increase, not many Chinese companies have forest concessions in the country.[65] Only one major Chinese company, La Nouvelle Société de bois Yang Shushan, has had a forest concession in the country, in Ingende in the Équateur province. The concession covering 188 672 hectares was granted in 2005. It has been reported that Yang Shushan had offered to build a power transmission line between Mbandaka and Bandundu as well as a hydroelectric power plant on the Ruki river as part of the agreement. However, the concession was awarded in violation of the 2002 moratorium on the issuing of new forestry titles and was therefore cancelled by the Inter-Ministerial Commission responsible for the review of logging titles, whose results were announced on the 7th October 2008.[66] Other than that, no major concessions have been awarded to Chinese companies.

The Congolese Ministry of Agriculture, Fisheries and Livestock Farming signed a memorandum of understanding in 2007 with ZTE, the telecoms equipment provider who is also involved in the China-Congo Telecommunications Corporation as outlined above. By means of the MOU it was agreed that ZTE would invest in 3 million hectares of an oil palm plantation in the Équateur, Bandundu, Orientale and Kasaï Occidental provinces. The project cost would be US$ 1 billion and the aim of the palm oil venture would be to produce biofuels.[67] However, to date, no progress has been seen on the project. A delegation from ZTE visited Kinshasa in March 2009 to discuss further collaboration in the area of agriculture, but no further progress has been noted.[68]

It can also be noted that there is some indirect Chinese presence in the DRC's banking sector by means of the Industrial and Commercial Bank of China Limited's (ICBC) 20 percent stake in South Africa's Standard Bank, which has two branches in the DRC (Kinshasa and Lubumbashi).

Lastly, it is interesting to note that the DRC, particularly the capital Kinshasa, has a large group of Chinese small-scale traders active both in the city centre and in Kinshasa's *cités* (townships). As a result of the uncoordinated nature of these economic activities whereby small-scale traders enter the country independently to set up small business ventures, the size of this group is however not known.

4. Gabon

4.1 Historical overview: Sino-Gabonese relations

As Gabon gained its independence in 1960, the country established diplomatic ties with the Republic of China (Taiwan). These ties lasted until 1974 when formal relations were established between Gabon and the People's Republic of China (PRC). Since then, more than 20 high level visits between the two countries have taken place, starting with then President Bongo's visit in 1974. The first Chinese visit to Gabon came as Chen Muhua, vice premier of the State Council, visited Gabon in August 1978. In 2004, President Hu Jintao visited Gabon as the first Chinese head of state to visit the country. The Gabonese President Bongo, in power since 1967 until his death in 2009, had personally met several generations of Chinese during his long tenure and had thus developed longstanding relations with the Chinese leadership.[69]

Burke *et al* notes that a Sino-Gabonese bi-national commission, reinstated after President Hu Jintao's visit to Gabon in 2004, meets every two to three years. Moreover, they note that an assigned committee within the Gabonese parliament handles matters relating to Gabon's relations with China, discussing proposed Chinese investment projects as well as monitoring them over the course of their implementation.[70]

In November 2006, following the FOCAC summit in Beijing, Gabon was granted Approved Destination Status (ADS) for Chinese tourism.[71]

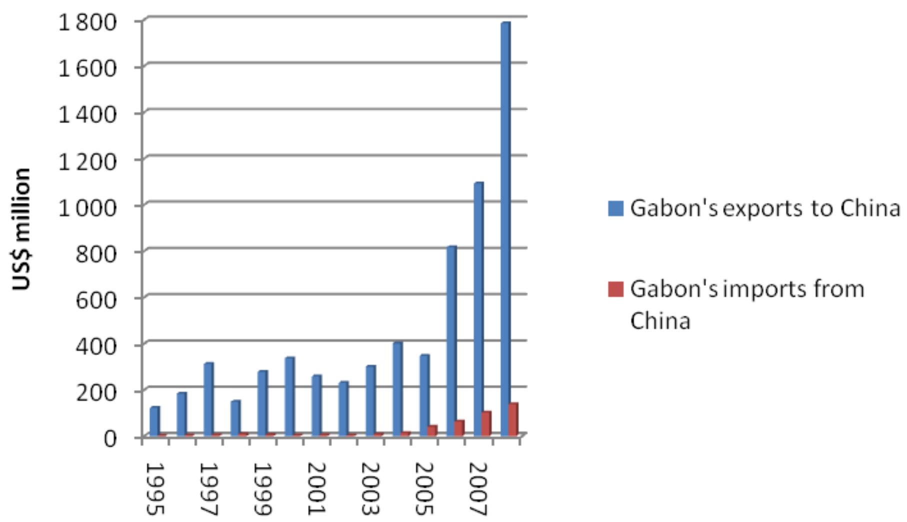
4.1.1 Key bilateral agreements signed since 1974[72]

- 1974	Joint Communiqué on the establishment of diplomatic relations between the People's Republic of China and the Republic of Gabon
- 1975	Signature of a protocol whereby China agreed to dispatch a medical team to Gabon
- 1986	Signature of a protocol whereby China agreed to send teachers to Gabon
- 2002	Agreement whereby China committed to provide Gabon with non-interest loans
- 2004	Agreement on economic and technological cooperation
- 2004	Signature of protocol on forestry cooperation
- 2004	Protocol on cooperation in fishery and aquaculture

4.2 Trade between China and Gabon

Sino-Gabonese trade has increased exponentially since 1995 as illustrated by the graph below. The sharp increase in trade volumes is largely due to a sharp increase in Chinese imports of Gabonese oil and manganese. Generally, the Sino-Gabonese trade profile is lopsided and dominated by Chinese imports of Gabonese raw materials.

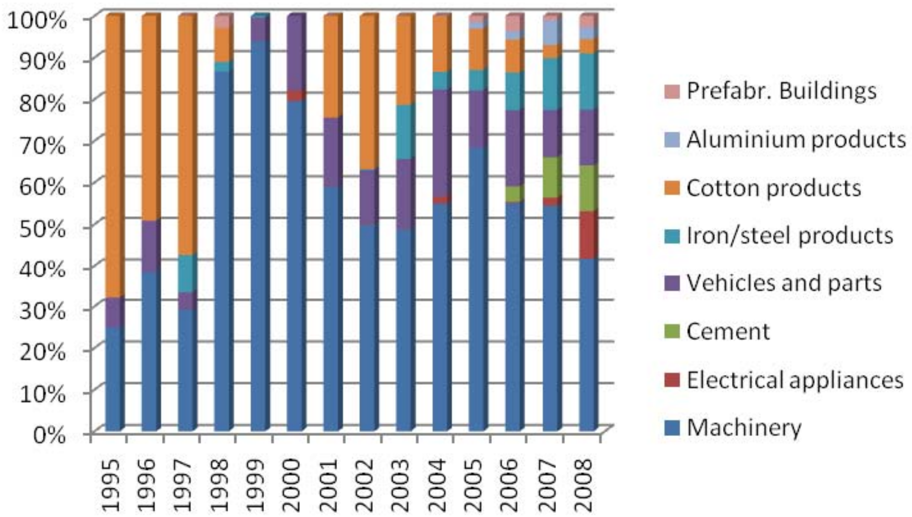
Figure 7: **Gabon's trade with China 1995-2008**



Source: World Trade Atlas data

China's exports to Gabon are dominated by manufactured goods; largely machinery, electrical appliances, cement, vehicles and iron and steel products.

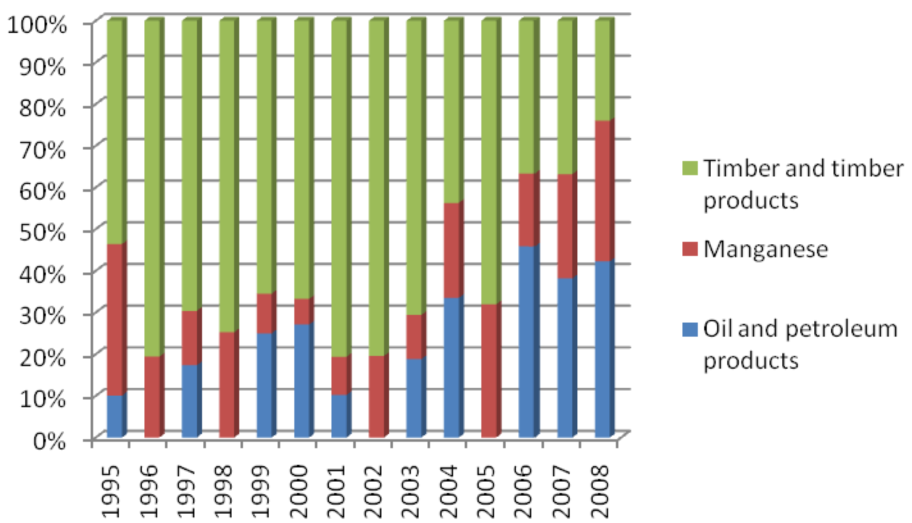
Figure 8: Composition of Gabon's top-20 imports (HS4 level) from China 1995-2008



Source: World Trade Atlas data, CCS analysis[73]

As the graph below illustrates, China's imports from Gabon comprises of only three commodities: oil, manganese and timber.

Figure 9: Composition of Gabon's top-20 exports (HS4 level) to China 1995-2008



Source: World Trade Atlas data, CCS analysis.

4.3 Chinese aid to Gabon

Over the years, Gabon has received support from China in the form of clinics, schools, medical teams dispatched from China and also agricultural expertise by means of the UN Food and Agriculture Organisation (FAO) South-South Cooperation initiative.[74] The construction of hospitals in Libreville and one hospital in Franceville have been funded by Chinese donations.[75] As President Hu Jintao visited Libreville in 2004, a donation of US$ 2 million and a concessional loan of US$ 6 million was provided.[76]

In terms of the large-scale turn-key projects for which China is renowned on the African continent, the Gabonese National Assembly building (2003) and the Senate building (2005) in Libreville are donations from the Chinese government. The latest Chinese turn-key project in Gabon is the 10,000 m² George Rawiri Maison de la Radiodiffusion Télévision Gabonaise, the new headquarters for the Gabonese broadcaster. The construction was financed by Chinese concessional finance and built by China National Machinery and Equipment Import and Export Corporation (CMEC). The building was inaugurated by President Bongo on the 1st December 2007.[77]

As the Forum for China-Africa Cooperation (FOCAC) held its inaugural Ministerial meeting in 2000, a Gabonese delegation attended the meeting. The delegation was headed by Jean Ping, then Gabonese Minister of Foreign Affairs and Cooperation, currently Chairperson of the Commission of the African Union (AU).[78] It is interesting to note that Mr Ping's father was one of the first Chinese migrants to settle in Gabon.[79]

Moreover, since 1975, China has provided Gabonese students with scholarships to pursue five years of full time university studies in China. In 2004, 13 full scholarships were awarded; in 2006 the number was increased to 20; in 2007, 31 students were provided with scholarships and in 2008, the number was 15. Currently, 74 Gabonese students are studying in China on Chinese government scholarships.[80]

4.4 Chinese investments in Gabon

According to a well informed respondent, around 20-30 larger Chinese businesses are based in the capital Libreville, some of them in traditional sectors such as in restaurant and retail, others in Gabon's extractive industries. The Association of Overseas Chinese in Gabon has approximately 2,000 members.[81] The key sectors in which Chinese companies are currently active in Gabon is mining, oil and forestry.

4.4.1 Mining

Over the past few years, Chinese companies have begun to enter Gabon's mining sector. Two main projects are well known: the manganese concession in the Bembélé Mountains and the iron ore concession in the Bélinga Mountains. Other than those two main projects, Sinosteel is also exploring for manganese in the country.

First, the manganese concession in the Bembélé Mountains has been awarded to Compagnie Industrielle et Commerciale des Mines de Huazhou (CICMH), a Sino-Gabonese joint venture. The manganese deposit is located 36 km from the town of Ndjolé in central Gabon and holds an estimated 30 million tonnes of manganese. The mineral purity of the manganese in the deposit ranges between 30 and 40 percent. According to an informed stakeholder, this is considerably lower than the purity of the manganese extracted by the French company Comilog in Moanda, in south-eastern Gabon.[82] Originally, the CICMH joint venture comprised of the two Chinese companies Ningbo Huaneng Kuangye and Huazhou, China's most important manganese producer with offices in Beijing, Shanghai and Guangzhou.

However, in August 2008, Hong Kong-listed CITIC became a majority owner as it bought a 51 percent stake in the JV.[83] In September 2008 the feasibility study for the concession was finalised and CICMH is at the time of writing in the initial phases of actual extraction and production. They have thus become the first Chinese company to start manganese extraction in Gabon. CICMH's concession has a 30 year exploration span and their production facility has a 500 tons annual capacity.

It has been noted by the CCS that CICMH seeks to hire highly skilled Gabonese workers for their operations. During field research in September 2008, the CCS was shown photos of Gabonese graduates receiving management training in China before taking up positions in CICMH.[84]
Second, a 25-year exploitation license for the Bélinga iron ore concession in the Bélinga Mountains located in north-eastern Gabon, 500 km east of the Gabonese capital Libreville, has been awarded to a consortium named Comibel (Compagnie Minière de Bélinga, Mining Company of Bélinga). The consortium comprises CMEC, Panzhihua Iron & Steel Group, and the Gabonese state. The operator of the project is CMEC. The deal is structured as an infrastructure-for-minerals-barter deal according to the concessional finance model for which China is now well-known in Africa.[85]

By means of the US$ 3 million China Export-Import (EXIM) Bank financed barter deal, Comibel will provide Gabon with the infrastructure investments necessary for the exploitation of the remote iron ore deposits. In fact, the deposits were discovered already in 1955, but owing to the lack of infrastructure in the remote area where they are located, the exploitation of the deposits has been inhibited. The agreement entails a 560 km railway from Bélinga to the Atlantic coast, a hydro-electric plant linked to the Bélinga hydro power station (the Grand Poubara hydroelectric scheme) and a special purpose deep-water port at Santa Clara.[86]

China Harbour, a subsidiary of China Communication and Construction Company, will build the port, for which the feasibility study was concluded in December 2008. China Railway Engineering Corporation (CREC) will build the railway which is due to be completed in 2009. Moreover, the feasibility study for the Grand Poubara hydro plant was finalised in November 2008.[87] For more information about the Bélinga iron ore project and the controversies surrounding it, please refer to Annex 2, section 1.

4.4.2 Oil

The Gabonese economy is heavily dependent on oil exports. The Chinese presence in Gabon’s oil sector remains limited, while the traditional actors Shell Gabon and Total Gabon continue to dominate. Shell Gabon operates Gabon’s largest deposit, Rabi-Kounga, which produces 150,000 barrels per day, the equivalent of 40 percent of national output.[88] It was confirmed in interviews with the CCS in 2008 by a range of Gabonese government officials, representatives of Chinese and other oil companies and civil society, that while Chinese companies certainly have made certain inroads into the Gabonese oil sector over the past years, their presence remains marginal compared to the traditional actors. Moreover, the majority of respondents – including the Chinese interviewees themselves – find it unlikely that Chinese firms would gain significant market traction in the near future.[89]

Sinopec is the main Chinese company active in Gabon’s oil sector. The company has its own exploration blocks as well as joint exploration and production blocks. Their own blocks are the DT-Est, GT-Est and Lotus blocks. For information on the production blocks which Sinopec has shares in, please see Annex 2, section 2.

Sinopec also has two subsidiaries active in Gabon. First, Sino-Gabon Oil and Gas established in March 2005 conducts exploration work at the Salsich block together with the Texas based Transworld Oil U.S.A .Inc.[90] Sino-Gabon Oil and Gas is using the services of another Sinopec subsidiary, Sinopec International Petroleum Service (SIPSC), to carry out exploration work for them.[91]

In interviews with the CCS in 2008, a senior manager of a foreign oil company active in Gabon confirmed that their company had taken on another Chinese service company, a subsidiary of China National Petroleum Corporation (CNPC), to conduct seismic studies for them.[92] In the bidding process, SIPSC had also placed a bid but had come in second. This suggests that there is a certain level of competition between Chinese companies active in Gabon.

Sinopec's experience in the Gabonese national park Loango in 2006 gave echo worldwide. After having been awarded the Lotus block located in the Loango National Park, and upon completion of an environmental impact assessment (EIA) by a Dutch company, Sinopec started seismic exploration activities. However, the EIA had not been approved by the Gabonese Ministry of Environment and conservation groups pointed out that the exploration activities threatened rare plants and animals.[93] In September 2006, the Gabonese National Park Service ordered that the explorations come to a halt. Subsequently, the same Dutch company repeated the EIA in collaboration with the WWF and EnviroPass, a Gabonese organisation. Several Gabonese, Western and Chinese stakeholders consulted by the CCS stated that the EIA that was subsequently conducted was of good quality.[94] Sinopec have since resumed activities in the Loango National Park where they are currently exploring for oil.

Challenges in terms of communication seem to have been the main reason why the Loango situation occurred. One well informed Gabonese observer interviewed by the CCS argued that prior to the Loango situation, the Gabonese government had not necessarily been enforcing environmental regulations very well. According to the respondent, Sinopec had not even been informed that the area where their concession was located was a national park.[95]

It is interesting to note that according to a senior Chinese government official, Chinese companies operating in Gabon are to some extent contracting Western companies to conduct their environmental impact assessments as a conscious strategy to anticipate criticism and improve credibility.[96]

4.4.3 Forestry

Chinese actors are active in two ways in Gabon's forestry sector; as importers of Gabonese timber and as operators in Gabon's forestry industry. First, Asia currently receives more than 60 percent of Gabonese timber exports, of which more than 80 percent goes to China. Gabon's largest forestry company, National Timber Company of Gabon (SNBG) indicated in May 2009 that for 2008, Asia (largely China and India) imported 84 percent of their sales. Timber and wood products represented

24 percent of China's overall imports from Gabon, in 2008, of which the lion's share (97 percent) comprised of raw wood.[97]

Second, a number of Chinese companies are active as operators in Gabon's forestry industry. The total number of companies operating in Gabon's forestry sector is approximated to be 80.[98] About 30 of these operate actual logging concessions while the remainder are active in different kinds of wood processing. Gabon's forestry companies are owned by business stakeholders from various countries; India, Lebanon, Morocco, French and Chinese to mention the most common. It is approximated that one-third of the logging companies are Chinese, both private companies and subsidiaries of Chinese parastatals. The share of the market controlled by Chinese business actors has increased rapidly in recent years, according to respondents interviewed by the CCS.[99] Particularly the French influence, which has traditionally been very strong in Gabon's forestry sector, is now facing stiff competition from Chinese competitors. According to one senior Gabonese government official, a few smaller French companies have even been annexed by Chinese companies.[100]

4.4.4 Chinese presence in other sectors

There are a number of small traders in Gabon, particularly in the capital Libreville. Several Chinese small scale traders active at Libreville's Léon M'Ba market explained in interviews with the CCS that the competition at Libreville's markets, even between Chinese traders, has toughened over the past number of years and prices have dropped. Several of these traders stated further that they were not members of the Association of Overseas Chinese in Gabon since they perceived it as a "club for the rich".[101]

5. Impact and perceptions

This section outlines the impact and perceptions of China's engagement with the three African countries discussed in this briefing paper. The sections on Gabon and the DRC are considerably more extensive than the section on Cameroon. As mentioned in the introduction, this is a result of the fact that the CCS has carried out significantly more field research in the DRC and Gabon and consequently has a more profound understanding of the situation in those two countries.

5.1 Impact and perceptions of Sino-Cameroonian relations

In terms of the Sino-Cameroonian relation, most of the perceptions to date are based on the impact on local traders and manufacturers of imported Chinese consumer goods and of Chinese retailers of these goods in the Cameroonian market. It is perceived that the crowding-out effects caused by Chinese goods and of Chinese retailers are important.[102]

As outlined in section 2 of this paper, in terms of Cameroon's extractive industries, forestry is the only sector where there is a Chinese company active in extractive activities. However, since their presence is relatively small compared to other actors (mainly European and Lebanese companies), the impact of their presence has been limited to date.[103] In terms of oil and mining, two Chinese companies are active in exploration and it is therefore not possible currently to quantify what the impact will be of these investments once they come into operation.

5.2 Impact and perceptions of Sino-Gabonese relations

5.2.1 Perceptions held by Gabonese government representatives

The perceptions held by Gabonese government representatives of the Chinese actors active in the country can be summarised as follows: Chinese stakeholders in Gabon are actors with limited influence who are indeed quick learners once cultural and communication barriers have been bridged. First, the most important perception that has come across in the CCS' research is that Chinese actors still have very limited influence in Gabon. The lion's share of stakeholders interviewed agreed that the oil, mining and forestry sectors as well as the country's international relations generally are still dominated by western interests, particularly by France.[104]

Second, several Gabonese government representatives and other stakeholders argued that Chinese companies are seen to make more mistakes in terms of rules and regulations in the early stages of their operations in Gabon. However, this was not seen to be a result of malign intent but rather deriving from cultural differences (particularly pertaining to perceptions of regulatory frameworks and operational standards), communication challenges in terms of language barriers, and Chinese stakeholders' limited previous exposure in terms of operating in Africa. However, a majority of Gabonese stakeholders, both in oil, mining and forestry, argued that once rules and regulations had been explained to the Chinese stakeholders, they would adhere to them.

A senior Gabonese government official interviewed by the CCS confirmed that several of the Chinese forestry companies operating in Gabon were definitely among the most advanced companies with regards to environmental standards and general operational behaviour.[105] Also, as mentioned in section 4.4.2, the EIA produced after the Loango debacle is widely seen to be of good quality. This perception of the Chinese stakeholders in Gabon is not widely known however, since reporting on China's engagement with Gabon has for the most part not taken into account how problems have been solved.[106]

5.2.2 Perceptions held by Gabonese civil society representatives

Gabonese civil society representatives have expressed that their views are not valued by Chinese stakeholders in Gabon, neither by government representatives nor company representatives. This has been particularly sensitive in relation to the Bélinga iron ore project (further outlined in Annex 2, section 1).

5.2.3 Existing evidence of the impact of Chinese aid and investment in Gabon

In terms of the Gabonese economy and the Gabonese people's livelihoods and wellbeing, there is not much evidence to suggest that there has been much impact as of yet. As mentioned, the economic significance of Chinese aid and investments in Gabon remains limited compared to the significance of aid and investment received from Gabon's traditional partners. The two large-scale mining projects that are currently in the pipeline in Gabon, the Bélinga iron ore deposit and the Bembélé manganese deposit, are not yet fully operational. The projects are thus not yet employing the numbers of Gabonese that they are anticipated to do when large-scale extraction starts.

Potential environmental impacts have been the most sensitive point to date, particularly with regards to the Bélinga and Loango projects, as outlined in sections 4.4.1 and 4.4.2. In terms of the Loango situation, the challenges were solved satisfactorily according to both Gabonese, Chinese and relevant Western stakeholders. In terms of the Bélinga project, developments are still underway. The Chinese stakeholders and the Gabonese government stakeholders suggest in media reports and in interviews with the CCS that the EIAs are either finished or well underway. Gabonese civil society representatives, however, still argue however that their concerns have not been addressed. The Libreville-based organisation Brainforest sent a letter to China EXIM Bank in October 2008 outlining their concerns regarding the social and environmental impacts of the project.[107] However, it remains to be seen what the impacts on the environment will be once large scale extraction starts.

5.3 Impact and perceptions of Sino-Congolese relations

5.3.1 Perceptions held by Congolese government representatives

The Chinese comprehensive take on infrastructure refurbishment is appreciated by the cash-strapped Congolese government and its representatives. Congolese government representatives largely argue that China is engaging the DRC with a new approach based on principles of mutual understanding and benefit. A few key stakeholders argued that the DRC's various partners have complementary roles and that the traditional partners from the IMF and the World Bank are equally important as they assist the DRC with issues of macroeconomic stability and the like.

For the Presidency, the Chinese investments in infrastructure are of crucial importance. The incumbent President Kabila's election campaign in 2006 was largely based on the program *Cinq Chantiers* (Five Building Sites), of which infrastructure developments forms a crucial part.[108] Ahead of the next presidential elections in 2011, it is crucial for President Kabila to produce deliverables to show the electorate and the Chinese-funded infrastructure projects play an important role in this regard. However, it is important to recognise that most of the pledges made by means of the Sicomines barter deal are yet to be implemented and the perceptions held by Congolese government representatives are likely to change as soon as it is possible to evaluate the implementation of the infrastructure projects.

Interestingly, the awareness among Congolese government stakeholders in Kinshasa of the activities of Chinese small-scale entrepreneurs in Katanga's mining sector is fairly low. For obvious reasons, stakeholders in the Ministry of Mines are very well informed in this regard but other than that, among stakeholders in Kinshasa, the concept “Sino-Congolese relations” is largely equated with the Sicomines barter deal.

5.3.2 Perceptions held by Congolese civil society representatives

In terms of the Sicomines barter deal, Congolese private sector representatives see no problem *per se* with the agreement, it is on the contrary seen as a positive initiative. However, they would have liked to see more transparency and competency from the Congolese during the negotiation process. Concerns have been raised both by Congolese private sector representatives, civil society, political opposition and Western non-state actors that the negotiations preceding the Sicomines deal were secretive and carried out by a group of Congolese stakeholders that did not necessarily have the technical competency needed to ensure that the deal was equally beneficial to the Congolese party. It is widely believed that the deal will be renegotiated in some form as the feasibility study for the allocated mining concessions is finalised towards the end of 2009.[109]

Congolese civil society actors have also argued that they have little say in the interactions between Kabila’s government and China. The relation between Chinese stakeholders in Africa and African civil society is discussed further in the separate recommendations paper, section 3.1.

5.3.3 Existing evidence of the impact of Chinese aid and investment in the DRC

Two main concerns have been raised in relation to Chinese investments in the DRC. First, both Congolese and Western stakeholders have been critical towards the formulation of the Sicomines barter agreement and the sustainability of the debt accrued by means of the deal. This is outlined further in sections 3.4.1, 5.3.1, 5.3.2 and in Annex 1, section 2. However, since the deal is for the greater part yet to be implemented, there is still time to solve any problems identified. The impact is thus yet to be seen.

Second, concerns have been raised pertaining to the treatment of workers in some of the Chinese small-scale copper smelting plants operating in the Katanga province before the global economic downturn. A prevailing perception is that Chinese copper smelters, as well as Indian firms, paid their workers much less than Western firms.[110] A tentative observation from research carried out by the CCS in 2008 is that company size seems to be a major factor determining operational behaviour. Larger Chinese companies seem to have the capacity to pay workers better and provide a safer working environment than smaller Chinese operations.[111] However, a great deal of structured research is needed to explore these issues further.

Moreover, concerns have been raised that non-listed mining and processing companies operating in Katanga province, among them Chinese entities, purchase copper and cobalt ore extracted by children working as artisanal miners.[112] While these are serious allegations, there is a great need for further structured research to shed light on this matter.

China's engagement with the DRC in terms of infrastructure is largely appreciated by the populace in Kinshasa as they witness Chinese companies working towards infrastructure development in the city. However, as outlined in section 3.4.3, it is not widely known that not all of these projects are funded by Chinese policy banks. In some cases the money comes from other African or Western lending institutions. Particularly CREC's work on Kinshasa's artery, *le Boulevard du 30 Juin*, is often mentioned as an example of Chinese assistance to the DRC whereas the work is in actual fact funded by the City of Kinshasa and the Congolese government.[113]

Lastly, in terms of the environmental impact, there is not more than anecdotal evidence available as the Chinese engagement with the DRC and large-scale investments are still in its early stages.

5.4 Concluding remarks

This briefing paper has outlined patterns of Chinese investment, aid and trade in Cameroon, the Democratic Republic of Congo (DRC) and Gabon. The paper has also outlined impact and perceptions of China's engagement with the three countries and provides the background for recommendations formulated by the CCS for WWF's China in Africa work, available in a separate document.

ANNEX 1: DRC

Annex 1:1 List of FOCAC aid projects

Development projects implemented with the help of FOCAC funds in the DRC are:

- The construction of three schools, primary and/or secondary. Two are in the eastern town of Kisangani and one in Kinshasa in the township of Ngiri-Ngiri. All three are currently under construction.[114]
- Training of Congolese officials and professionals in China. Exact details are difficult to ascertain since this is also carried out by means of the general bilateral framework.[115]
- Malaria related donations: Budget is available for the construction of a malaria clinic, a site for the clinic is currently being identified. Malaria medication has also been donated, three batches of which two have been delivered (in 2007 and 2008 respectively) and one was on the way in February/March 2009.[116]
- Lastly, the Beijing Action Plan stipulates that 466 African export products will receive zero tariff treatment when imported to China. In the case of the DRC however, no significant effect has been observed from these tax exemptions as a result of the country's low manufacturing capacity.[117]

Annex 1:2 The Sicomines barter deal

Undoubtedly, one of the most well known deals struck between China and an African country during 2008 was the barter deal signed on the 22nd April between the Congolese government and the Chinese companies China Railway Engineering Corporation (CREC) and Sinohydro. By means of the deal, it was agreed that a Sino-Congolese joint venture named Sicomines would provide the DRC with China Export-Import (EXIM) Bank financed infrastructure in exchange for mining concessions in Dima, Dikuluwe and Mashamba in Katanga province. The concessions comprise 10.6 million tons of copper and 626,619 tons of cobalt, of which 6.8 million tons of copper and 427,000 tons of cobalt are confirmed mineral deposits. The remaining 3.8 million tons of copper and 200,000 tons of cobalt are probable findings. These are currently being evaluated in a feasibility study which is due in June 2009.[118] The concessions are subsequently due to come into production in 2013.[119]

The infrastructure investments, to a total value of US$ 6 billion, will mainly cover roads and railway refurbishment and construction (a total of 3,600 km of new roads and another 3,000 km of road refurbishment) but also developments such as refurbishment of the Goma and Bukavu airports as well as schools, university buildings and hospitals. Another US$ 3 billion will be invested in mining infrastructure.[120]

68 percent of the Sicomines joint venture is held by the Chinese partners to the deal and 32 percent is owned by the Congolese mining parastatal Gécamines. There has been much speculation around changes in the stakes on the Chinese side, with both China Metallurgical Group and Zhejiang Huayou Cobalt Company having negotiated to take over stakes in the joint venture.[121] None of these changes have however materialised at the time of writing.[122]

The Sicomines deal has been subject to a great deal of controversy. Congolese opposition and observers have along with Western actors, particularly the International Monetary Fund (IMF) criticised the deal for being skewed in favour of the Chinese parties to the deal. While none of the critics deny that the agreement with its unforeseen, ambitious infrastructure refurbishment program would be of great benefit for the DRC, various objections have been voiced to the formulation of the agreement.

First, concerns have been raised by Congolese and international observers regarding the legal and technical competency of the delegation that initially negotiated the contract, the transparency of the process, the pricing in the contract and how the quality and real value of the Chinese infrastructure developments are to be measured. While it is widely agreed upon that the DRC would greatly benefit from such investments, it has been expressed by many observers that renegotiation of the contract under transparent circumstances would be a necessary step towards increasing the benefits for the Congolese side.[123]

Second, concerns have been raised with regards to debt sustainability. The DRC is heavily indebted with US$ 11 billion external debt. Debt relief, which would reduce the country's debt with up to 90 percent,[124] would therefore be of great benefit to the country's economy. Judgment for the granting of debt relief by means of the World Bank Group's Highly Indebted Poor Country (HIPC) debt relief program is made on the basis of the policy conditions and targets of the Poverty Reduction and Growth Facility (PRGF).[125] The DRC currently has interim status in the HIPC program (the country is between decision and completion point). Thus, in order to qualify for debt relief, the DRC has to start a new three-year PRGF program.

The IMF and the World Bank is concerned that the Sicomines deal may jeopardise this process. The World Bank writes that "[t]his financial agreement, although has the potential to strengthen the country's prospects for growth, could hamper DRC's chances of reaching the HIPC completion point to alleviate sustainably the debt burden, if the following issues it raises are not quickly addressed: the state guarantee for the loan, the concessionality of the loan, as well as the debt viability with respect to the parameters of the debt sustainability analysis".[126]

The Chinese and Congolese parties to the deal argue that funds provided by China EXIM Bank by means of the agreement will not add to the DRC's external debt. They argue that it is not to be seen as traditional debt since the loan will be repaid in minerals and since the borrower, according to article 10.1 of the contract, is Sicomines and not the Congolese state.[127] In contrast to this however, the perhaps most debated clauses of the agreement, articles 10.3, 13.2 and 13.3.3 of the contract, state that the Congolese state guarantees the repayment of the loan if for some reason the amount of minerals stipulated in the agreement cannot be supplied. The issue is at the time of writing still subject to much debate. While discussions with the IMF are still ongoing, the Chinese and Congolese partners maintained in interviews with the author in March as well as in interviews with Reuters and Bloomberg news agencies[128] that the deal will go ahead as is and will not be renegotiated.

However, the DRC is currently close to formally embarking upon a new three-year program with the IMF. The implications of this decision for the Sicomines deal and which potential changes that may be made to it have not yet been announced, although speculations have been rife. Reuters reported in January that the most likely amendment is that the deal may be capped at US$ 6 billion.[129] Citibank claims that the deal is to be capped at US$ 3 billion, the IMF's alleged requirement.[130] The newspaper Le Potentiel interprets the Congolese government's agreement to start a new three-year program with the IMF as an implicit endorsement to renounce the Chinese contracts entirely.[131] It is however likely that any renegotiation of the Sino-Congolese contract will take place only once the feasibility study for Sicomines' mining concessions has been finalised, which as mentioned will at the earliest towards the end of 2009.

In the meantime however, the Kabila government indicated its determination to implement the agreement as it formed two agencies under the Ministry of Infrastructure in August 2008 specifically to manage the Chinese-funded infrastructure program. First, the Bureau for Coordination and Monitoring of the Sino-Congolese Programme (BCPSC) will have the overarching responsibility for the coordination of all activities – mining as well as infrastructure developments – within the framework of the Sicomines deal. Second, the Congolese Agency for Major Construction Works (ACGT) is the contracting authority for the infrastructure projects within the Sino-Congolese program, encompassing a few projects that do not form part of the Sicomines agreement.[132]

During the first half of 2009, the two Chinese partners to the Sicomines deal – Sinohydro and China Railway Engineering Corporation (CREC) – are implementing China EXIM Bank funded infrastructure projects to the value of US$ 340.3 million. Road refurbishment will be carried out as follows: Tourism Avenue, Kinshasa (contractor CREC, project cost US$ 24.4 million); Lutendele road, Kinshasa (CREC, US$ 21 million); the road between Beni and Niania, Oriental province (Sinohydro, US$ 57 million); and the road between Lubumbashi and Kasomeno in the south-eastern Katanga province (CREC, US$ 138 million). Sinohydro will also construct a new hospital in central Kinshasa (project cost US$ 99.87 million). The 18 month process could finally start on the 30th March 2009 after six months delay in vacating the land.[133]

The total value of Chinese infrastructure projects to be implemented during 2009 is US$ 750 million. From 2009 to 2011, infrastructure projects to a total value of US$ 3 billion will be implemented ($1-billion in 2010; $750-million in 2011; $500-million in 2012), provided that the deal goes ahead as planned.[134]

Annex 1:3 Private Chinese investments in the DRC's mining sector

The attention around the Sicomines deal has somewhat overshadowed the complexities of the Chinese involvement in the DRC's mining sector. In actual fact, besides the Sicomines deal, there is a great deal of private Chinese investment in the country taking place on a smaller scale. Prior to the global economic crisis, many Chinese entrepreneurs and employees were active in the DRC's mining sector. Before the crisis, around 5,000 Chinese resided in Lubumbashi. The crisis affected these stakeholders severely, as outlined further below, and at the time of writing, only around 1,000 or less of them remain, although operations have slowly begun to recover with several Chinese processing plants resuming operations on a small scale.[135]

A number of micro- small and medium sized Chinese companies have mining licenses in the DRC, mainly in the south-eastern Katanga province but also in the eastern North and South Kivu provinces, often in joint ventures with Congolese business actors that hold mining licenses but lack the resources to carry out exploitation. The majority of these have not yet started their extractive operations and are still in exploration phases.[136] It has not been possible to secure exact lists of the number of Chinese companies with mining licenses in the DRC. The trade union association La Nouvelle Dynamique Syndicale gives an indication as it lists 21 Chinese companies registered as involved in joint ventures with the Congolese mining parastatal Gécamines.[137]

A few Chinese nationals were prior to the economic crisis also running micro sized logistics companies serving Chinese mining and processing companies.[138]

Before the economic crisis, a large number of Chinese micro, small and medium sized enterprises ran processing operations in Katanga province, mainly in and around Lubumbashi and in Likasi and Kolwezi, treating largely copper and cobalt. Most of these operations were set up following a March 2007 ban against the export of raw ore.[139] Before the global financial crisis around 70 processing companies, owned by Chinese, Lebanese, Indian, Pakistani and other Western nationals, were buying minerals from Katanga's *creuseurs*, the artisanal miners, treating them and selling them onto the market. Some of the larger Western companies were also running their own mining operations which supplied their smelting operations with ore, increasing their supply capacity. The exact number of processing companies ran by Chinese nationals before the global economic crisis is not known. Estimations range between a confirmed 12 companies to 70 companies.[140]

2003-2005 were lucrative years for the Chinese entrepreneurs running smelting operations in Katanga, however, circumstances worsened drastically with the global economic crisis and the reduced demand for the DRC's raw materials. Starting from July 2008, most of these processing operations scaled back and at least 45 of them closed completely due to plummeting raw material prices. Katanga's exports of copper cathode decreased with 70 percent during October 2008 only.[141] Chinese micro- small- and medium sized operations proved highly economically vulnerable, and in December 2008 merely five Chinese processing companies in the Katanga province were still operating.[142] Around 80 percent of the Chinese companies' staff had left the country in December 2008, with around 20 percent staying to look after the processing plants.[143]

A number of Chinese business actors trade in various minerals. In the copper belt, on both sides of the Congo-Zambian border, Chinese business actors trade in copper ore, buying from artisanal miners and selling to Chinese-run smelters.[144] Moreover, business men of Chinese nationality run *comptoirs* (the trading and exporting companies that buy minerals from middle men and sell onto the market[145]) for example in Goma, the capital of the North Kivu province.

It is important to note that in contrast to the general perception of the operating Chinese companies present in Africa, very few of these micro- small and medium sized companies receive any kind of support from the Chinese government. All but one respondent of the CCS' research in Katanga in September 2008 stated that they receive no support from any of the Chinese policy banks or any of the funds allocated to private sector investment in Africa. Moreover, for a majority of respondents, their operations in Katanga were their first business ventures on the African continent.

Annex 1:4 China EXIM Bank funded telecommunication projects in the DRC

The Chinese companies Huawei and China International Telecommunication Construction Corporation (CITCC) are currently implementing the first phases of two ambitious ICT projects on behalf of the Congolese Ministry of Post and Telecommunications (MPTT). Both projects are funded by concessional loans from China EXIM Bank.

In December 2008, Huawei started the construction of a local fibre optic network in Kinshasa, an eight month project worth US$ 32 million. According to representatives of MPTT, it has been agreed in a memorandum of understanding (MOU) with China EXIM Bank that this project will subsequently be extended to all the capitals of DRC's ten provinces (Bandundu, Lubumbashi, Kisangani, Matadi, Bukavu, Goma, Mbuji-Mayi, Kananga, Mbandaka and Kindu). The total value of the project, if implemented as planned, would be US$ 260 million. The only funds released to date, however, are the US$ 32 million for the first phase.[146]

In March 2009, China International Telecommunication Construction Corporation (CITCC) launched work on a national optical transmission network project. The first phase, worth US$ 31.9 million, will be completed in eight months and link Kinshasa with the Atlantic underwater fibre-optic cable connection point in Moanda. An MOU has been signed with China EXIM Bank for the subsequent extension across the country of the optical transmission network at a total cost of US$ 350 million. According to representatives of MPTT, the network will run from Kinshasa to Lubumbashi, along Lake Tanganyika to Kalémie and Uvira over to Kisangani, along the Congo River to Mbandaka and back to Kinshasa.[147]

ANNEX 2: Gabon

Annex 2:1 The Bélinga iron ore project

A 25-year exploitation license for the Bélinga iron ore concession in the Bélinga Mountains located in north-eastern Gabon, 500 km east of the Gabonese capital Libreville, has been awarded to a consortium named Comibel (Compagnie Minière de Bélinga, Mining Company of Bélinga). The consortium comprises China National Machinery & Equipment Import & Export Corporation (CMEC), Panzhihua Iron & Steel Group and the Gabonese state. The operator of the project is CMEC. The Bélinga mine will, when it reaches full capacity, have an expected yearly output of 20-30 million tons of iron ore.[148] As noted by Burke *et al*, "[t]he project was welcomed by the Gabonese government because a fear that most of their oil fields were maturing precipitated a pressing need to diversify the economy".[149]

The agreement is structured as an infrastructure-for-minerals-barter deal according to the concessional finance model for which China is now well-known in Africa.[150] By means of the US$ 3 million China Export-Import (EXIM) Bank financed barter deal, Comibel will provide Gabon with the infrastructure investments necessary for the exploitation of the remote iron ore deposits. In fact, the deposits were discovered already in 1955, but a lack of infrastructure in the remote area where they are located has inhibited their exploitation to date. The agreement entails a 560 km railway from Bélinga to the Atlantic coast, a hydro-electric plant linked to the Bélinga hydro power station (the Grand Poubara hydroelectric scheme) and a special purpose deep-water port at Santa Clara.[151]

The port will be built by China Harbour, a subsidiary of China Communication and Construction Company, will build the port, for which the feasibility study was completed in December 2008. China Railway Engineering Corporation (CREC) will build the railway which is due to be finished in 2009. Moreover, the feasibility study for the Grand Poubara hydro plant was finalised in November 2008.[152] Gabonese President Bongo laid the foundation stone for the hydroelectric scheme on the 14th November 2008.[153] An additional US$ 83 million concessional loan for the development of Grand Poubara was extended by China in January 2008,[154] a loan which comes with an interest rate of three percent, a repayment period of 20 years with an initial seven year grace period.[155]

Gabonese and international civil society has been critical of the site selected for the hydro project, arguing that a hydro project located in the area could have detrimental impacts on the environment. [156]

As a result, the Gabonese government invited civil society to take part in a delegation which would monitor the Bélinga project. However, civil society representatives have argued that in actual fact, the delegation did not fulfil its purpose since some of its meetings were held in their absence.[157]

The award of the concession to Comibel in September 2006 after an opaque bidding process in which the main contender was the Brazilian company *Companhia Rio do Vale Doce* (CVRD) has been hotly debated. There are many different explanations as to why Comibel was given the concession. According to the official Gabonese version, two main factors worked to the advantage of the Chinese side. First, that the Chinese bid contained more in terms of infrastructure, and second, that the Chinese Government backed capital that was to finance the Chinese joint venture would be more reliable. Speculations and rumours surrounding the awarding of the contract range from an intervention by former French President Jaques Chiraq on the side of the Chinese, to millions of CFA francs in enticements delivered every week to Gabonese government officials.[158]

The final agreement signalling that exploration will start, “Mineral Property Right Agreement on the Comibel Iron Ore Project of Gabon”, was signed on the 24th May 2008 between Comibel and the Gabonese government.[159] Following the signature, Gabonese civil society representatives were critical arguing that they had not been consulted, particularly referring to the delegation initiated by government for the joint monitoring of the Bélinga project.[160]

However, the implementation of the Bélinga project has been slowed down. It has been argued that this is a result both of the global economic downturn and of delays in the environmental impact assessment (EIA). In January 2009, Gabon’s Mining and Oil Minister Casimir Oye Mba publicly urged Comibel to accelerate the work with the mine.[161] The same month, China’s Ambassador to Gabon Xue Jinwei held talks with Mrs Koko, the Gabonese Deputy Prime Minister in charge of environmental issues to discuss the progress of the EIA which has to be completed before work on the mine can commence.[162] According to a very well informed observer consulted by the CCS in May 2009, the joint venture is currently waiting to finalise technical and environmental assessments for the mine before proceeding with exploration activities.[163]

Annex 2:2 Ozigo and Awoun – Sinopec’s onshore concessions

In Gabon, Sinopec is partner to two joint ventures that have onshore concessions. Shell Gabon is the operating partner of both the concessions, Ozigo and Awoun, which have findings of ‘heavy’ crude oil.[164] First, in terms of the Ozigo concession, it has been in operation since 2005. The joint venture for the Ozigo permit comprises Sinopec (a 5.75 percent stake), Shell Gabon (44.25 percent) and the

American company Amerada Hess (50 percent). Ozigo is currently producing at 18-20,000 barrels per day, output levels which are likely to decline over the next few years however.[165]

Sinopec was not a partner to the Ozigo joint venture during the exploration phase. Instead, the company entered into the JV as oil had been discovered. In the exploration phase, Shell had a 44.25 percent stake, Amerada Hess 44.25 percent and the Gabonese state 11.50 percent. As the Gabonese state sold their share of the JV, Amerada Hess was given 5.75 percent while the remaining 5.75 percent was sold to Sinopec. According to a well informed respondent interviewed by the CCS, a number of other companies, including the original stakeholders to the joint venture, were interested in buying the Gabonese state's stake. Despite not having participated in the risk of the exploration phase, Sinopec was allowed to buy half of the stake. It was interpreted by the respondent as a political move to reinforce bilateral ties between the two countries and facilitate the entry of Chinese capital into Gabon.[166]

The second of Sinopec's two shared concessions is the Awoun deposit where oil was discovered in 2003. The production site is currently being developed and production is estimated to start late 2009 or early 2010. In the Awoun joint venture, Shell Gabon has a 40 percent stake, the Canadian company Addax owns 40 percent and Sinopec owns 20 percent. According to well informed stakeholders interviewed by the CCS, Sinopec's entry into the Awoun joint venture was similar to the situation in the Ozigo joint venture: the company entered into the joint venture as oil had already been discovered, although other companies involved had also showed interest to buy the Gabonese state's share.[167]

Endnotes

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