

Chinese investments in Gabon's extractive industries

Johanna Jansson

Gabon presents fertile ground for Chinese investment in extractive industries, though the development of this relationship is a lengthy process and is much diversified across Gabon and the economy's main sectors of interest to China, writes Johanna Jansson. Jansson suggests the observer of yet another African economy to come within range of China's investment radar should take note of the diversity also present within the ranks of Chinese corporate actors, whose level of responsible conduct presents no general trend.

2009 was a turbulent year for the small central African country of Gabon. El Hadj Omar Bongo Ondimba, the country's president since 1967, passed away in June 2009 and the presidential elections in August 2009 to appoint his successor were fraught with accusations of election rigging. Violent riots broke out in September 2009 after Omar Bongo's son Ali-Ben Bongo Ondimba was declared winner of the ballot. Angry Gabonese demonstrators set fire to the French consulate in Port-Gentil and attacked French oil company Total's offices, claiming that the former colonial power should have used its influence to insist on a correct and democratic election process rather than just accepting the outcome.[1]

After a few months of standstill around Omar Bongo's passing, economic activity has now picked up again. Observers have started to discern patterns in Ali Bongo's leadership, and the two salient features are his interest in broadening the horizon in terms of the country's partners, and his industrialisation ambitions. Both of these issues relate to the fact that the Gabonese economy needs to be diversified since the country's oil production peaked in 1997. In terms of the country's partners, Ali is clearly more interested in variation than his late father, who nurtured very close ties to Paris. The new president knows that the necessary economic adjustment cannot take place simply by means of French interests, and China is one of the alternative partners with which he seeks to reinforce ties.[2]

This article provides a brief overview of the recent developments in Gabon's extractive industries – mining, oil and forestry, with a special focus on Chinese investments. It draws on field research in the country's capital Libreville in May-June 2010 and in September 2008.[3]

OIL

Oil remains Gabon's economically most important commodity. The Chinese presence in the petroleum sector was substantially strengthened in August 2009 when Sinopec purchased Addax, thus gaining access to the Canadian company's blocks in Gabon. Of Addax's three own concessions, two are in production (Maghena and Remboué) and one is in the exploration phase (Epaemeno). Two shared blocks

are in production (Etame and Awoun). Addax's day-to-day activities have not changed with the acquisition; it still operates under the same name and management. At present, Sinopec's and Addax's offices in Libreville do not collaborate, and the only Sinopec team that works directly with Addax is based at the latter's headquarters in Geneva.[4]

Prior to the acquisition, China's presence in Gabon's oil sector was modest. It merely included two exploration blocks (Lotus and Salsich) and minor shares of two oil-producing blocks (Ozigo and Awoun). Sinopec's activities at the Lotus block have been without success to date. The seismic data has been difficult to interpret and only one round of drilling has taken place, in 2008, without discoveries. Over the coming year Sinopec is going to initiate a new round of analysis of the existing seismic data to plan a new round of drilling.[5]

The Salsich concession is Sinopec's second block in Gabon. The seismic analysis was already conducted by the company's subsidiary Sinopec Service in 2006, and the Sinopec management aims to initiate drilling work as soon as possible, hopefully in July 2010. At the time of the field research, Sinopec was preparing to launch a tender to identify the subcontractor that will conduct the drilling.[6]

Sinopec's holdings in Gabon's oil sector have thus grown, yet the company is far from being a dominant actor. At present, Total Gabon (France), Perenco (France) and Shell Gabon (Holland) are the most important companies in Gabon's oil industry.[7] It has been argued that as a newcomer to Gabon, Sinopec has still got a great deal to learn and the purchase of a company such as Addax is therefore a strategy from the Chinese side to improve their capacity of operating in African countries.[8]

Gabonese stakeholders who were consulted argued that today Sinopec meets international standards in terms of business conduct, equipment and methods.[9] The issue of the initially inadequate environmental impact assessment for the Lotus block in 2006 has since long been resolved,[10] although it lingers in the minds of many Gabonese.

MINING

The growing Chinese presence in Gabon's mining sector has received a great deal of media attention. However, the two major Chinese mining projects in the country remain at the negotiation and preparation levels. The French manganese miner Comilog is presently the only company that conducts large-scale extractive activities in Gabon's mining sector. In the event of both the Chinese projects outlined below getting off the ground, Chinese State Owned Enterprises (SOEs) would come to dominate Gabon's mining industry. However, this is yet to be seen. A Western diplomat stated: 'There is a lot of talk about Chinese investments in the mining sector, but to my knowing, not a gram has been exported yet'.[11]

The Sino-Gabonese joint venture CICM(G) (le Compagnie Industrielle et Commerciale des Mines [du Gabon]) Huazhou (CICMH), whose majority owner is the Chinese SOE CITIC (formerly the China International Trust and Investment Corporation), has a manganese concession in Ndjolé which, when the mine has reached its maximum capacity, will have a yearly production of 1 million tonnes. A factory is under construction in Ndjolé where 50 per cent of the mineral output will be treated, while the remaining output will be processed in factories in China. At the time of the research, negotiations over certain practical details were being finalised and production is slated to start before the end of 2010.[12] However, the project has been on the verge of starting production for almost two years. During my 2008 fieldwork in Gabon, I was told that production was to start in September that year, which did not happen.[13] Although most technical obstacles now seem to be done away with, it remains to be seen whether production will actually start according to the current timeline.

The second Chinese project in Gabon's mining sector has not moved past the negotiation stage. The Chinese joint venture Comibel, dominated by the Chinese SOE China National Machinery Equipment Import and Export Company (CEMEC), remains in drawn-out and contentious negotiations to start work on the iron ore concession in the Bélinga mountains. Four years have passed since negotiations started and the debate surrounding the project has been laden with controversies. Notably the lack of transparency in the contract negotiations, the conditions of the agreement and the environmental implications of the project have been subject to frenzied discussions.[14]

The project is envisaged to take place according to a barter deal format, whereby the Export-Import Bank of China (China Eximbank) would provide the financing for the development of the mine and the necessary infrastructure – a loan which is to be paid back by Comibel by means of the revenues from the mine over a period of 25 years. The initial price tag was US\$3.5 billion, however, when Comibel had finalised the evaluation of the project at the end of 2009, the estimation had gone up to US\$5.7 billion.[15] This discouraged President Ali Bongo who, in order to bring down the costs, presented a whole new set of suggestions to the CEO of CEMEC during a visit to China in May 2010.[16]

A Chinese respondent consulted argued that secrecy and volatility are the greatest challenges to Comibel's work in Gabon. Over the past four years, the respondent stated, the Gabonese president has made a number of unilateral changes to the Bélinga project and keeps the management of the dossier to a limited inner circle within the presidency. A recent example, the respondent claimed, is that the Gabonese Inter-Ministerial Committee, comprising of technical experts and set up specifically to handle the Bélinga portfolio, was not included in the process of formulating the suggestions made by President Bongo to CEMEC in May 2010. If the President would be more inclusive and decide to work through the committee, the respondent argued, the Gabonese side would be able to come up with technically

solid, workable proposals which would be easier for Comibel to evaluate. The recent proposition was reportedly only made public orally, and Comibel was at the time of the research waiting for a technically elaborate, written proposition that they could respond to.[17]

FORESTRY

President Ali Bongo has clearly indicated that he has ambitions to industrialise Gabon and turn the country's rentier economy into a 'Gabon émergent'. However, the most prominent attempt to implement this ambition, a log export ban enforced from 15th May 2010, seems to have been a rash decision. The existing forestry code already comprises industrialisation plans stating that by 2012, 75 per cent of each company's logs would have to be treated locally before exportation. Despite the fact that many of the investors were working towards fulfilling this goal by 2012, the president decided in November 2009 to speed up the process significantly through the introduction of a log export ban which is de facto illegal since it goes against the provisions of the forestry code. Yet it has been enforced, and not a single log exits Gabon at the time of writing.[18]

According to the director general of the Department of Waters and Forestry, the government will not budge on the ban, but will shortly undertake measures to support serious forestry actors in their industrialisation endeavours.[19] This remains to be seen, however, and the investors – Chinese, French and other companies alike – are now anxiously biding their awaiting the government's next stroke.[20]

Both industry actors and civil society representatives argue that the ban risks doing great harm to the country's forestry industry, since the investors did not get a chance to adapt to it. Many companies have already retrenched workers and more are to come.[21] While the president's industrialising ambitions are necessary and probably well meant, this particular measure seems to be misguided. It is not yet clear whether the decision was taken on the back of economic interests of some kind, or if it simply is a result of poor advice. In the words of a French industry actor, 'we have not yet managed to decode this move'.[22]

The Chinese actors in Gabon's forestry sector have, just like all other actors, been affected by the ban. The Chinese private entrepreneurs who were active in log trading (négoce) and who did not have their own concessions have already relocated to neighbouring Cameroon, the Republic of Congo and the Democratic Republic of Congo.[23] A representative of a Chinese forestry company estimated that since the ban came into effect, only 7-8 large Chinese forestry companies remain in the country, of which 2-3 are private.[24]

There is great variation in terms how Chinese forestry companies' business conduct is perceived. Sunry, a subsidiary of the Chinese SOE China National Cereals, Oils and

Foodstuffs Corporation (COFCO), is the Chinese company with the best reputation in Gabon. The perception among other industry actors, representatives of the Gabonese administration and local civil society is that the company is very serious with a great deal of ambition in terms of forest management planning and environmental considerations. Transport du Bois et Négoce International (TBNI), a private company, and Hua Jia (an SOE subsidiary) are perceived to be behind Sunry in terms of business conduct, but still on an acceptable level. The operations of Honest Timber and a few smaller Chinese traders and industrial actors are perceived to be highly problematic, both in terms of environmental considerations and employment practices.[25]

Locally, Malaysian and Chinese forestry companies are often perceived to be one and the same, which is mostly due to the fact that most Malaysian companies in Gabon are owned by ethnic Chinese Malaysian nationals. Malaysian companies are considered to respect rules and regulations to a lesser extent than their Chinese counterparts.[26] As stated by a representative of a Chinese forestry company: 'The Chinese and Malaysian companies that do not behave well tarnish China's reputation and destroy for the rest of us.'[27] The Malaysian presence in Gabon's forestry sector is in fact slightly bigger than the Chinese, with 21 per cent of the concessions compared to the Chinese 16 per cent. French companies currently hold 40 per cent of the forestry concessions in Gabon.[28]

The impact of Chinese forestry companies in Gabon thus varies greatly. The companies that have long-term ambitions and that engage in forest management planning can make a positive contribution, whereas the less serious Chinese companies with a dire environmental record and dismal employment practices are likely to have a negative impact.

DISCUSSION

The Chinese presence in Gabon's extractive industries is indeed growing, albeit at a fairly slow pace. As indicated in the sections above, it is only in the mining sector that there is potential for Chinese companies to take up a leading role over the decade to come. In the oil and forestry sectors, Chinese companies are not likely to become dominant actors anytime soon. At the moment, French companies are still by far the most important actors in the oil, mining and forestry sectors. In the words of a French respondent: 'on est là, on est toujours là, on reste là' – we're here, we're still here, we stay here.[29] It has also been argued that in terms of Gabon's emerging partners, Morocco is currently more important than China.[30]

Implications of the Chinese investments in Gabon should be analysed both on a tangible and on a structural level. However, in this brief article I have only touched upon one of them. Impacts on a structural level, for social justice and for Gabon's relations to France, have not been assessed and I will therefore not attempt to draw conclusions in this regard here. This article has merely discussed the situation on a

tangible, practical level, and in this respect I argue that it is difficult to generalise about Chinese companies in Gabon. There are important differences within the group with regards to business conduct, environmental considerations and employment practices. While a number of private Chinese forestry companies are ill considered, most of the SOEs are seen as responsible corporate actors. The implications of Chinese companies' operations in Gabon must therefore be assessed on a case-by-case basis.

BROUGHT TO YOU BY PAMBAZUKA NEWS

* Johanna Jansson is based at the Swedish Institute of International Affairs (UI) as the recipient of UI's 2010 North East Asia Scholarship.

* The author wishes to thank **Brainforest Gabon** for funding the 2010 field research and UI for the enabling support.

* Please send comments to editor@pambazuka.org or comment online at Pambazuka News.

NOTES

[1] Crumley, Bruce (2009). "Gabon's Rage at France's Influence in Africa" in *Time*. Published 04.09.2009, accessed 07.09.2009 from

<http://www.time.com/time/world/article/0,8599,1920548,00.html>

[2] Author's interviews in Libreville with a French diplomat (07.06.2010); with a very well informed observer (07.06.2010); and with a representative of a Western oil company (31.05.2010). See also Yates, Douglas A. (1996). *The Rentier State in Africa: oil rent dependency and neocolonialism in the Republic of Gabon*. Trenton NJ: Africa World Press.

[3] I wish to acknowledge Dr. Jiang Wenran who was my co-researcher for the 2008 field research.

[4] Interviews in Libreville with representatives of the Ministry of Mining, Oil and Hydrocarbons (07.06.2010); with a very well informed Gabonese observer (28.05.2010); with a representative of a Western oil company (31.05.2010); and with a very well informed Chinese respondent (08.06.2010).

[5] Ibid.

[6] Ibid.

[7] Interview with a very well informed Gabonese observer, 28.05.2010, Libreville.

[8] Ibid. The other African countries in which Addax has concessions are Nigeria and Cameroon. See <http://www.addaxpetroleum.com/operations> For a discussion on Chinese companies' capacity of operating in Africa, refer also to Jansson, Johanna; Burke, Christopher and Jiang, Wenran (2009). 'Chinese Companies in the Extractive Industries of Gabon & the DRC: Perceptions of Transparency'. August: Centre for Chinese Studies, Stellenbosch University. Pages 19-22. Available on : http://www.ccs.org.za/wp-content/uploads/2009/11/Chinese_Companies_in_the_Extractive_Industries_of_Gabon_and_the_DRC_CCS_report_August_2009.pdf

- [9] Interviews in Libreville with representatives of the Ministry of Mining, Oil and Hydrocarbons (07.06.2010); and with a very well Gabonese informed observer (28.05.2010).
- [10] Interviews in Libreville with representatives of the Ministry of Mining, Oil and Hydrocarbons (07.06.2010); with a very well Gabonese informed observer (28.05.2010); with a very well informed Chinese respondent (08.06.2010) and with a Gabonese civil society actor (26.05.2010). See also Jansson et al (2009). *Op. cit.* Page 16.
- [11] Interview, 07.06.2010, Libreville.
- [12] Interviews in Libreville with a representative of the Ministry of Mines (31.05.2010); and with a very well informed Chinese respondent (03.06.2010). See also Gaboneco (2010). "Gabon : Les Chinois signent pour le manganèse de Ndjolé". Published 05.05.2010, accessed 03.06.2010 from http://gaboneco.com/show_article.php?IDActu=18172
- [13] Interviews in Libreville with a very well informed Chinese respondent (18.09.2008); and with a respondent from the Ministry of Mines (24.09.2008).
- [14] Jansson et al (2009). *Op. cit.* Pages 18-19. See also Africa-Asia Confidential (2009). "Iron in the soul". Volume 2, Number 4, February. Page 5; and Africa-Asia Confidential (2010). "Beleaguered Bélinga". Volume 3, Number 7, May. Page 4.
- [15] Interview with a very well informed Chinese respondent, 07.06.2010, Libreville.
- [16] Interviews in Libreville with a respondent from the Ministry of Mines (31.05.2010); and with a very well informed Chinese respondent (07.06.2010).
- [17] Interview with a very well informed Chinese respondent, 07.06.2010, Libreville.
- [18] Interviews in Libreville with a representative for a Chinese forestry company (03.06.2010); with a French forestry actor (31.05.2010); and with a Gabonese civil society actor (31.05.2010). See also:
-FAO (2009). "Trade startled by Gabon announcement". Published 01.12.2009, accessed 31.05.2010 from http://www.fao.com/nfe.ihb.de/fordaq/news/Sawnwood_LogPrices_21564.html
-FAO (2010). "Log ban comes into effect". Published 25.05.2010, accessed 31.05.2010 from http://www.fao.com/nfe.ihb.de/fordaq/news/Sawnwood_Prices_Plywood_23071.html
- [19] Interview, 08.06.2010, Libreville.
- [20] Interviews in Libreville with a representative for a Chinese forestry company (03.06.2010); with a French forestry actor (31.05.2010); and with Gabonese civil society actors (26.05.2010, 31.05.2010 and 02.06.2010).
- [21] Ibid.
- [22] Interview, 31.05.2010, Libreville
- [23] Interview with a representative for a Chinese forestry company, 03.06.2010, Libreville.
- [24] Interview, 03.06.2010, Libreville.
- [25] Interviews in Libreville with the Director General of the Department of Waters and Forestry (08.06.2010); with a French forestry actor (31.05.2010); and with Gabonese civil society actors (26.05.2010, 31.05.2010 and 02.06.2010). The opinion on Sunry was also shared by the former Director General of the Department of Waters and Forestry, interviewed 23.09.2008 in Libreville. See also:

-Belligoli, Serena (2010). "EU, China and the Environmental Challenge in Africa. A case study from the timber industry in Gabon". Page 7. Available on <http://www.ies.be/files/Belligoli-F5.pdf>

- Guihard-Augendre, Julienne (2010). "Le repreneur chinois de Plysorol arrêté au Gabon" in l'Union. Published 26.03.2010, accessed 27.03.2010 from <http://www.lunion.presse.fr/article/region/le-repreneur-chinois-de-plysorol-arrete-au-gabon>

[26] Interviews in Libreville with the Director General of the Department of Waters and Forestry (08.06.2010); with a French forestry actor (31.05.2010); with Gabonese civil society actors (26.05.2010, 31.05.2010 and 02.06.2010) and with a representative for a Chinese forestry company (03.06.2010).

[27] Interview, 03.06.2010, Libreville.

[28] Mertens, Benoit and Makak, Jean Sylvestre (2009). "Interactive Forest Atlas for Gabon". World Resources Institute. Page 28. Available on http://pdf.wri.org/interactive_forestry_atlas_gabon_fr.pdf

[29] Interview, 07.06.2010, Libreville.

[30] Author's interviews in Libreville with a Western diplomat (07.06.2010); and with a very well informed observer (07.06.2010).