

# Towards legal and sustainable investments by China in Africa's forests

## Steps taken by Chinese organisations and the path ahead

Seth Cook, Xiaoxue Weng, Ming Li, Jie Chen, Bin Xu, Yong Chen, Jingwei Zhang, Peng Ren, Lei Wang, Xiaoting Hou Jones and James Mayers



This research report has been prepared as part of the **China-Africa Forest Governance Project** – a multi-country project that seeks to improve forest governance by promoting sustainable and pro-poor Chinese trade and investment in Africa's forests. Through research, dialogue and joint action with partners in China, Cameroon, Democratic Republic of Congo, Mozambique and Uganda, the project contributes towards improved policy and investment practice in China and Africa, in ways that foster good stewardship of forest resources and benefit local communities. The project is run by IIED with support from the UK government and partnerships with WWF and in-country practitioner teams with a strong track record of governance and enterprise engagement.

As part of this project, we will be producing a series of reports and other thematic and sectoral research products on the state of Chinese investments in African land use in Cameroon, the Democratic Republic of Congo, Mozambique and Uganda. We will also produce a research report on the steps taken by Chinese organisations towards legal and sustainable investments by China in Africa's forests. Once available, all will be free to download at [pubs.iied.org](http://pubs.iied.org).

For more information visit [www.iied.org/china-africa-forest-governance-project](http://www.iied.org/china-africa-forest-governance-project)

The China-Africa Forest Governance Platform, launched in 2013, is now a well-recognised multi-stakeholder forum which strengthens mutual understanding, partnerships and joint actions on forest governance between China and Africa. Platform participants have also had influence in key international policy arenas. Whilst the China-Africa Forest Governance Project has been the main supporter of the Platform to date, other organisations continue to increase their involvement. The Platform has thus far brought together forest governance players, including heads of government forest departments, from nine African countries, representatives from the Chinese Academy of Forestry, the Global Environmental Institute, IIED, WWF and some other international organisations. As of 2018, the Platform has held a range of trans-country dialogues and four major international learning events – two in China, one in Cameroon and one in Mozambique.



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Founded in 1953, the **Chinese Academy of Forestry (CAF)** is a multidisciplinary public research institute under the State Forest Administration with a focus on forest cultivation, tree genetics and breeding, forest ecosystem management and ecological forest engineering. The **Research Institute for Forest Policy and Information** is one of the institutes under CAF and focuses on macro sustainable development strategy, provincial and regional forestry planning, as well as research on certification and sustainable forest management, community forestry, forest resource accounting and environmental economics and forest product trade.

The **Global Environmental Institute** is a non-profit organisation founded in 2004 in Beijing. GEI explores solutions to environmental issues facing China and the world, proposes forward-looking policy recommendations to the Chinese government, and through innovative demonstration projects fuses best practices in environmental protection, energy conservation and community development

The **World Wildlife Fund (WWF)** is the world's leading independent nature conservation organisation. Its mission is to create a world where people and wildlife can thrive together. The Beijing office opened in 1996 (though WWF has been active in China since 1980) and the staff there work on a broad range of conservation programmes including species, freshwater, forest, and marine, on climate change and energy, and on green economy and ecological footprint.

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Cover image: Loading logged trees for export to China at a Chinese timber company, Beira corridor, Mozambique.

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# Acronyms

AMOMA	Mozambican Association of Timber Operators
BRI	Belt and Road Initiative
CAF	Chinese Academy of Forestry
CAFGP	China-Africa Forest Governance Platform
CAFGoP	China-Africa Forest Governance Project
CBRC	China Banking and Regulatory Commission
CFAD	Sustainable Forest Management Concession
CHEC	China Harbour Engineering Company
CIFOR	Center for International Forestry Research
DINAF	National Directorate of Forests (Mozambique)
DRC	Democratic Republic of Congo
FOCAC	Forum on China-Africa Co-operation
FNDS	National sustainable development fund (Mozambique)
GEI	Global Environmental Institute
MITADER	Ministry of Land, Environment and Rural Development (Mozambique)
MOFCOM	Ministry of Commerce
MOU	Memorandum of understanding
NPC	National People's Congress (China)
NTFP	Non-timber forest product
RIFPI	Research Institute of Forestry Policy and Information (China)
SFA	State Forest Administration
SMEs	Small and medium-sized enterprises
WWF	World Wide Fund for Nature
ZTIA	Zhangjiagang Timber Industry Association



# Summary

Chinese investment in Africa is substantial and growing. The country's investment and trade in Africa's natural resource sectors have significant implications for African forests. More than 75 per cent of African timber exports go to China – in Mozambique, for example, the share is over 90 per cent.

IIED's China-Africa Forest Governance Project is dedicated to improving evidence, capacity and joint action for sustainable Chinese investment in Africa's forests. Since 2014, this project has created opportunities for improving policy, Chinese company practices, community benefits, and sustainable land use in Cameroon, the Democratic Republic of Congo (DRC), Mozambique and Uganda. The work of the project's Chinese partners – the Chinese Academy of Forestry (CAF), Global Environmental Institute (GEI) and the World Wide Fund for Nature (WWF), together with IIED and partners in African countries – has made significant progress in key areas, such as raising awareness among Chinese stakeholders of the need for a legal and sustainable timber trade, increasing dialogue and exchange opportunities between China and Africa, and bringing on board the Chinese private sector through innovative means to promote sustainable timber trade and other land-use investments.

This report summarises this progress, shares insights from these experiences into the state of China's role in African forest governance and provides suggestions for the next steps in the China-Africa relationship.

## Strengthening the evidence base

The “China in Africa” topic is highly politicised. With this in mind, the project's first goal was to generate robust evidence about the impacts of Chinese investments and trade on Africa's forestry and land-use sectors. The Chinese project partners thus conducted research that addresses key aspects of the China-Africa relationship in these sectors and develops constructive ways forward. The research involved: 1) a review of tools to promote legal tropical timber trade, including guidelines, national-level regulation and sector-specific regulations; 2) mirror statistics and customs procedures analysis to reveal and understand disparities in exporter and importer-reported volumes/values of timber traded between China and Mozambique and to suggest solutions for better information exchange between the two countries; and 3) a survey of Chinese training providers and African stakeholder feedback to support the design of more effective forestry sector development co-operation initiatives. Far from being a mere academic exercise, this work

led to a range of concrete outcomes, including: recommendations to strengthen Chinese guidelines for enterprises on sustainable overseas forest management and use; resolving customs data discrepancies in a way that built trust and collaboration between trading partners; and recommendations to improve the relevance of Chinese aid to Africa's forest sector.

## Building bridges, building skills

A second key goal was to remedy a critical lack of dialogue between and among Chinese and African key stakeholders from government, the private sector, NGOs, the media and research.

Currently, there is no regular communication mechanism for the relevant government agencies to share information or discuss overseas forestry investment and timber trade issues. Limited opportunities to exchange information and engage in dialogue have hampered information flow, and in our view, are leading to heightened risks and missed opportunities among the many groups with a stake in this investment and trade. To remedy this situation, international exchanges brought Chinese officials to Africa, and African foresters and policymakers to China, and gave them the opportunity to talk and share experiences. Training targeted at the private sector taught Chinese enterprises about legal and sustainable trade, and African businesses about sustainable forestry. Innovative social media platforms targeted at Chinese timber traders in DRC and Cameroon have reached a previously marginalised stakeholder group and delivered key information related to policy, legislation and timber trade improvement opportunities.

Through these efforts, the level of awareness has grown among Chinese importers of the need for legality. Africa-based Chinese companies are showing more interest, with some well-established companies making commitments related to sustainability and legality. Some of the many small, but collectively quite dominant, Chinese enterprises – which, before the project, had proven hard to reach – are coming forward through new forms of organisation to engage in dialogue. Intensive work with Chinese journalists has also promoted a more nuanced and accurate media portrayal of the issues surrounding the China-Africa timber trade.

## Towards workable policy design

The new evidence and relationships built through the project have enabled constructive stakeholder consultations with Chinese civil society, timber industry associations and government departments on how best to manage timber imports from African countries. A range of practical recommendations emerged from this dialogue, including the need to:

- **Use a combination of Chinese forestry sector regulations and guidelines** to improve the legality and sustainability of the China-Africa timber trade, and train Chinese enterprises in using them.
- **Sign bilateral agreements with producer countries** to improve law enforcement and governance of timber-producing countries and reduce the burden on Chinese enterprises in verifying the legal status of imported timber.
- **Improve transparency of Chinese timber supply chains** by improving digitisation and databases and integrating both upstream and downstream information to aid in tracking flows of timber and other forest products.
- **Improve awareness of timber legality amongst** Chinese enterprises and consumers to increase the demand for legal timber.
- **Provide companies with greater motivation and incentives** to adopt improved environmental and social practices that may cost them money.
- **Seek mutual recognition of timber legality standards** and harmonise timber legality verification systems among China and consumer countries.
- **Use the Forum on China-Africa Cooperation (FOCAC) as a key point of leverage**, by placing forestry and civil society more central in its concerns.

The kind of multi-stakeholder involvement in joint research and people-to-people dialogue illustrated in this report is still rare in the context of China-Africa co-operation to foster sustainable use of forests resources and sustainable development. In our four years of work, we have come to realise that the co-production and ownership of the process among Chinese and African stakeholders is a crucial element to achieving shared understanding and progress. Ultimately, this report illustrates that good governance of forests (and of China-Africa trade in general) *is* possible, if we can cut through the fog of misinformation, build trust and harness the agency of a diverse array of actors in China, Africa and beyond.

# Introduction

China's investment and trade in Africa's natural resource sectors have significant implications for African forests. Many investments are in forested or woodland areas, some directly involve logging, while others – such as mining, infrastructure and agribusiness – indirectly affect forests and rural livelihoods. While foreign investment from other countries is also having a significant impact on African forests, the scale and increasing volume of Chinese investment merits special attention. More than 75 per cent of African timber exports go to China (Huang and Sun, 2013); in the case of Mozambique, the share is over 90 per cent (Muianga and Macqueen, 2015). Chinese investment in the mining, infrastructure and agricultural sectors, which also affects African forest and woodland areas, is also rising. This recent growth in Chinese investment in Africa brings with it the threat of increased degradation and unsustainable resource extraction, but also opportunities to enhance the sustainability of African forestry and to benefit local communities.

Reliable numbers on the scale of Chinese investments and trade in Africa are hard to come by, but according to Chinese official statistics, Chinese investment in Africa reached US\$2.4 billion (flow) and US\$39.9 billion (stock) in 2016.<sup>1</sup> During his visit to the African Union in 2014, Chinese Premier Li Keqiang announced that by 2020, China expects to achieve US\$400 billion in trade volumes with Africa and raise its direct investment in the continent to US\$100 billion (Kuo, 2015). In addition, there is increasing political attention paid to forestry within the China-Africa co-operation framework, as evidenced by the Forum on China-Africa Cooperation (FOCAC) Action Plan of 2015, which specifically lists sustainable forest management as an area for co-operation under the environmental protection section (FOCAC, 2015).

The China-Africa Forest Governance Project was launched by IIED and partners in 2014 and is dedicated to improving evidence, capacity and joint action for sustainable Chinese investment in Africa's forests. This project aims to create opportunities for improving policy and Chinese company practices in favour of sustainable land use and benefits to local women and men in Cameroon, the Democratic Republic of Congo (DRC), Mozambique and Uganda. Project partnerships in these countries, and in China, focus on progress with the China-Africa Forest Governance Platform,<sup>2</sup> the Voluntary Partnership

<sup>1</sup> MoFCoM data, presented by Zhong Chen, Department of Outward Investment and Economic Co-operation, Ministry of Commerce at the 4<sup>th</sup> event of the China-Africa Forest Governance Platform, included in the event report [pubs.iied.org/13593IIED/](http://pubs.iied.org/13593IIED/)

<sup>2</sup> The multi-stakeholder platform for Chinese and African actors to dialogue, achieve mutual understanding and plan joint action for sustainable Chinese investments in Africa. See more information at [www.iied.org/china-africa-forest-governance-learning-platform-puts-focus-business-solutions](http://www.iied.org/china-africa-forest-governance-learning-platform-puts-focus-business-solutions)

Agreements, company due diligence and legality, and improving in-country land-use investments. The project has three central pillars:

- 1) Generating evidence:** working with IIED's partners in the four African countries, the project has conducted research into the current status and trends of China-linked investments in their forests – focusing on forestry, mining, agriculture and infrastructure. It has also analysed relevant laws and regulations, incentives for companies to operate sustainably and legally, and the impacts of China-linked investments and trade on rural livelihoods.
- 2) Strengthening capacity and dialogue:** the project identified a lack of communication mechanisms among the relevant government agencies to share information and discuss overseas forestry investment and timber trade issues. Similarly, the private sector (e.g. timber importers and primary processors) are exposed to limited dialogue, exchange and capacity-building activities compared to other stakeholders. The project focused on building capacity and fostering dialogue among these stakeholders – policymakers, private sector actors, researchers, practitioners and journalists – through national, regional and international platforms; training; and work exchanges. It developed innovative approaches to reach previously inaccessible Chinese small and medium-sized enterprises (SMEs) engaged in trading and importing timber products from the Congo Basin in order to deliver key information on policy, legislation and timber trade opportunities.
- 3) Improving policy and investment practice:** through evidence, capacity building and dialogue, the project has contributed towards long-term change in policy and investment practices. This has been achieved by: a) engaging with Chinese and African policymakers to change policies, investment and organisational practices to support resilient African land use and a sustainable China-Africa forest product trade; b) adopting and monitoring codes of practice and responsibility agreements by Chinese forest sector companies and land-use investors; and c) supporting companies in achieving verification of good legal practice.

This report summarises the results of four years of efforts made to advance these goals by the Chinese Academy of Forestry (CAF), Global Environmental Institute (GEI) and World Wide Fund for Nature (WWF) – together with IIED and partners in African countries. It is one of a set of five reports<sup>3</sup> from each of the project countries in which we share insights from these experiences into the state of China's role in African forest governance and suggest potential ways to move forward. This report is divided into three sections following the main activities undertaken to promote China-Africa collaboration in forest governance: evidence, capacity and dialogue, as well as improving policy and practice.

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<sup>3</sup> The five reports are listed on the inside front cover of this report.

## 1

# New evidence about the timber trade

Prior to this project, there were limited studies of the impacts of Chinese investments and trade on Africa's forestry and land-use sectors. A research project<sup>4</sup> led by the Center for International Forestry Research (CIFOR) between 2010 and 2013 conducted scoping work in several countries<sup>5</sup> and in-depth analysis in Cameroon, Zambia and Mozambique (Asanzi et al., 2014; Cerutti et al., 2011; Weng and Putzel, 2017; Wertz-Kanounnikoff et al., 2013). Other than this, the field was dominated by media reports and grey literature using anecdotal evidence and cases.<sup>6</sup> Given the highly politicised nature of the "China in Africa" topic (Mawdsley, 2008), we recognised the importance of triangulated research based on a robust data collection methodology. In this spirit, the project collected first-hand data in Cameroon, DRC, Mozambique, Uganda and China. The data from the four African countries are presented in individual reports (Macqueen (ed.), 2018; Mayers et al., 2018; Nhantumbo et al., 2018 and Mayers et al., 2018). A diagnostic report has also been published, covering Chinese government policies on forest trade and overseas investment, the China-Africa forest product trade and investment, Chinese investments in non-forest land use sectors and China-Africa co-operation on forestry (Wilkes, 2016).

In this section we present three additional pieces of research into key aspects of the China-Africa relationship in the forestry and land-use sectors, and describe how they have been instrumental in developing constructive ways forward:

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<sup>4</sup> See <http://www1.cifor.org/china-africa/home.html>.

<sup>5</sup> The countries were Cameroon, DRC, Mozambique, Gabon and Zambia.

<sup>6</sup> For example, see EIA (2014) and Barrett (2015).

- 1) An assessment of existing and potential tools in China for promoting legal tropical timber trade, including guidelines, national-level regulations and sector-specific regulations. The project sought feedback from multiple stakeholder groups in China on the relevance of existing guidelines, as well as their expectations for timber legality management.
- 2) Mirror statistics and customs procedure analyses which compare trade data between those reported by the exporting and importing countries to uncover the possible contributing factors to disparities in statistics in the China-Mozambique timber trade and to suggest solutions for better information exchanges between the two countries.
- 3) African stakeholder surveys to help shape the Chinese official development co-operation for Africa's forestry sector. Chinese aid programmes include regular workshops for African stakeholders to build capacity in forest management, but a greater focus on human resource development *within organisations* and more and longer-term support for people in their institutional settings are also desirable.

## Better use of government guidelines can play a role in improving forest management in Africa

Unlike traditional timber importing markets such as the U.S., Europe, Australia and Japan, China has not enacted any regulations on imported timber. Instead, the Chinese government has relied on voluntary guidelines to influence the behaviours of Chinese enterprises trading with and investing in overseas forest resources. In 2007 the State Forestry Administration (SFA) and the Ministry of Commerce (MOFCOM) issued the Guide on Sustainable Overseas Silviculture by Chinese Enterprises. This was followed in 2009 by the Guide on Sustainable Overseas Forest Management and Utilization by Chinese Enterprises. The organisations are also currently drafting a third guide: Guide on Sustainable Overseas Forest Products Trade and Investment by Chinese Enterprises.

As part of our project, the Chinese Academy of Forestry analysed these guidelines. The analysis included a survey of 40 Chinese stakeholders – government, enterprises, NGOs, research institutions and industry associations – to understand their perspectives on the two guides that have already been issued, as well as their expectations for timber legality management. The aim was to provide government authorities with concrete feedback on what aspects of the guidelines have worked well and what could be improved. A Chinese version of the study was presented to SFA in June 2017 and received positive feedback.

The survey contained three parts: evaluation of the guides, expectations for the follow-up of the guides, and recommendations for China to further strengthen timber legality management (summarised in Section 3 of this report). The survey analysis clearly

revealed that differences exist in the priorities of the various stakeholders when it comes to the guides. For example, most Chinese forestry enterprises have relatively strong legal awareness, and pay attention to regulations associated with forest management and use – particularly those focusing on short-term development and economic benefits. However, the environmental awareness of some forestry enterprises is still weak, and they lack the capacity to communicate and co-ordinate with local communities. This reflects a lack of understanding and activities around environment and community issues among Chinese enterprises. It also seems that some enterprises lack confidence in long-term overseas forestry investment. By contrast, NGOs place strong emphasis on the environmental and community development aspects of the guide.

The stakeholders all gave positive evaluations of the contents of the Guide on Sustainable Overseas Forest Management,<sup>7</sup> noting that it has become the standard for Chinese enterprises in implementing sustainable management. Stakeholders made some suggestions for supplementary materials that could be included in the guide to respond to their concerns:

- **Government support and media publicity.** Some enterprises point out that since Chinese enterprises usually lack capacity in gaining local government support and conducting media publicity, the guide should include supplementary content on how to establish relationships with local government and lodge complaints, and how to promote public awareness and acceptance of the enterprises through media publicity.
- **Supervision and assessment mechanisms.** Some NGOs suggest that the guide should introduce systematic supervision and assessment mechanisms to improve monitoring and evaluation of implementation.
- **Country-specific guidelines.** The timber associations participating in the survey suggest that country-specific guidelines for key forestry investment destination countries would be a useful addition to help enterprises to understand and comply with the investment environment, laws and regulations of specific countries.
- **Case studies.** Research institutions hope the guide can introduce cases of good practices, helping enterprises to absorb lessons from positive case studies.

The survey also asked whether stakeholders think that the guide is having any concrete effects. There were significant differences in responses to this question. Over two-thirds of the surveyed enterprises and timber associations believe that the guide has had significant impacts, mainly reflected in greater awareness and capacity. They believe it has been influential in their overseas forest management and use activities by providing guidance and standards to follow.

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<sup>7</sup> While the survey covered both guides, in practice enterprises are much less interested in the silviculture guide than in the Guide on Sustainable Overseas Forest Management and Utilization by Chinese Enterprises. Hence their responses to the survey tended to focus on the latter.



Two-thirds of the surveyed research institutions widely believe that the guide has played a significant role internationally in sending a strong message to producer countries about the Chinese government's expectations for Chinese enterprises operating abroad. Domestically, it has also had positive impacts by promoting the concept of sustainable management in other industries. The surveyed research institutions believe that being the first Chinese government guidance document aimed at overseas industry development, the guide is viewed positively by international society.

By contrast, nearly half of the surveyed NGOs think that the actual impacts of the guide on changing practices on the ground are either not obvious or quite small, and that it does not fundamentally change the management activities of overseas forestry operations. Some enterprises believe that it does play a certain guidance role for overseas enterprises through pilot work and training; however, many Chinese enterprises in producer countries have still not received relevant training. Therefore, in general it appears that the guide makes only limited contributions to improving the overseas management practices of enterprises in terms of awareness raising and falls short of creating changes on the ground. About half the NGOs surveyed, as well as some enterprises, responded that they lack sufficient information to evaluate the effects and impacts of the guide. Previous IIED research also reveals that on the ground, the voluntary guides currently do not play a key role in shaping the behaviours of Chinese companies as compared to local regulations and the governance context (Weng and Buckley, 2016).

To give the guide greater influence over Chinese enterprises in responsible forestry trade and investment, the surveyed stakeholders made four main suggestions:

- **Organise training** to help enterprises integrate the guide's concepts and methods into their overseas operations.
- **Set up pilot operations** co-developed by enterprises and Chinese government authorities to help the latter understand the challenges that enterprises face in implementing the guide. This would be significant for improving the guide and relevant policies.
- **Issue incentive measures** and associated policies to encourage enterprises to adhere to the guide.
- **Consider transforming the voluntary guide into compulsory laws and regulations**, including penalties for enterprises that fail to meet the guide's requirements.

## Resolving customs data discrepancies builds trust between trading partners

A common way to determine the level of illegal timber trade is the mirror statistics method, which compares trade data reported by exporting countries with those reported by importing countries. This method is popular because it is believed that discrepancies in the data indicate mis-declaration of trade volumes, usually at the export end, to minimise export duties payments or to circumvent regulations. In the China-Mozambique trade, it has been commonly found that across a variety of international trade data platforms, statistics on timber export volumes from Mozambique differ from the import volumes from Mozambique reported by China and other importing countries (e.g. EIA, 2014). This section describes how the China-Africa Forest Governance Project dug deeper to get a clearer picture of all the factors contributing to import-export discrepancies, many of which may be linked to official import and export and data reporting procedures. Establishing the facts in this way provided crucial support for efforts by customs officials to work together to fill the gaps in policy, regulations and operational capacity.

The first piece of research was a 2015 timber flow study by the Global Environmental Institute (GEI), published by IIED. This used the mirror statistics method and found major discrepancies between Chinese reported data and those reported by African countries, including Mozambique (Chang and Peng, 2015). However, the study also summarised previous research that had identified a variety of factors contributing to these discrepancies. These included the use of different units and conversion factors, log measurement methods, and timber classifications; as well as under-reporting and smuggling.

The timber flow study was followed up by a joint study by GEI and Eduardo Mondlane University. This investigated the documentation process and data collection by the customs departments in China and Mozambique (Egas et al., 2018). As background for this latter report, two separate studies of timber trade customs procedures were conducted in Mozambique and in China, by Eduardo Mondlane University and GEI respectively, using methods that included data analysis, literature review, and semi-structured and unstructured interviews with various stakeholders. After comparing the customs procedures of the two countries, Egas et al. (2018) identify differences and gaps in regulations and implementation and offer recommendations for future studies and customs engagement.

According to the Egas et al. (2018) study, customs procedures analysis has found that potential sources of data errors in Mozambique may include: 1) inconsistent log diameter measurements during logging; 2) lack of control of volumes exceeding the licensed volume at main landing; 3) lack of effective volume verification at transportation

checkpoints; and 4) erroneous volume estimations and verification at packaging sites (including the possibility of outright smuggling).

As timber comes into China, differences in data from Mozambican records might also occur due to 1) the lack of means to distinguish between real and false documentation from a wide variety of countries, including Mozambique; 2) differences in data recording methods from exporting countries; 3) differences in classifying imports in categories such as logs or sawn wood from exporting countries; and 4) failure to record information on any possible trans-shipment ports, where re-packaging of containers is possible.

The Egas et al. (2018) study combined the data analyses from China and Mozambique. This revealed three additional potential contributors to the trade data discrepancies:

- Possible volume data errors across all stages of the value chain within Mozambique – from logging, through to transportation and packaging, to export – which might also feed into inaccurate records in documentation during importation in China.
- Possible container re-packaging at trans-shipment ports, which might be recorded by Mozambique customs as the destination countries, but not in the Chinese customs' notes.
- Differences in data management methods and styles between Mozambique and China that may contribute to inaccurate uploading to international databases and comparison mismatches.

While it is not yet practically possible to estimate what share of the data discrepancies can be attributed to each of the potential reasons above, the study still provides an important foundation for further research and action by giving clues as to how the two countries might better regulate timber supply chains and manage customs procedures to fill the gaps. Opportunities exist for co-operation between China and Mozambique on several fronts, including:

- 1) Strengthening the current regulations governing licensing, harvesting, transport and export and their implementation – with particular attention to investing in equipment such as weighing and scanning machines for more reliably estimating volumes at checkpoints, and using more reliable conversion factors to estimate timber volumes loaded in containers.
- 2) Developing and streamlining an electronic data system for timber tracking which would allow for accurate comparisons between licensed and actual volumes and improve the accuracy of documentation to importing countries such as China.
- 3) Mutual recognition of trade restrictions and possible use of CITES (the Convention on International Trade in Endangered Species) – including for species for which specific export restrictions exist within Mozambique that need recognition by Chinese customs authorities.

As part of this work, the main causes of the discrepancy between Chinese and Mozambican export and import figures were shared with and accepted by the Mozambique government. Stakeholders from the customs agencies of the two countries came together in Maputo to discuss how to improve customs procedures and data management on the China-Mozambique timber trade, and to explore possible steps to alleviate the data recording differences to improve legal timber trade regulation. The delegations also discussed opportunities and potential resources for co-operation on building a customs information system in Mozambique. More information can be found in the Mozambique country report (Macqueen et al., 2018).

It is expected that the customs organisations from China and Mozambique, their forestry departments and other relevant stakeholders will take advantage of the findings from this study, foster communication and exchanges, and eventually work together to fill the gaps in policy, regulations and operational capacity so as to eliminate the procedural causes of data discrepancies. The China-Mozambique case could serve as an example for other African countries where data discrepancies have been found in the timber trade with China.

## Joint needs assessments can improve Chinese aid to African forest governance

Development assistance is a key source of funding for improving Africa's forest governance. China has a unique opportunity to use its increasing foreign aid to the continent to promote sustainable development. It already provides support to the forestry sector through donations of technical equipment as well as training programmes, and there is increasing attention paid to forestry within the China-Africa co-operation framework, as evidenced by the FOCAC Action Plan of 2015 (FOCAC, 2015).

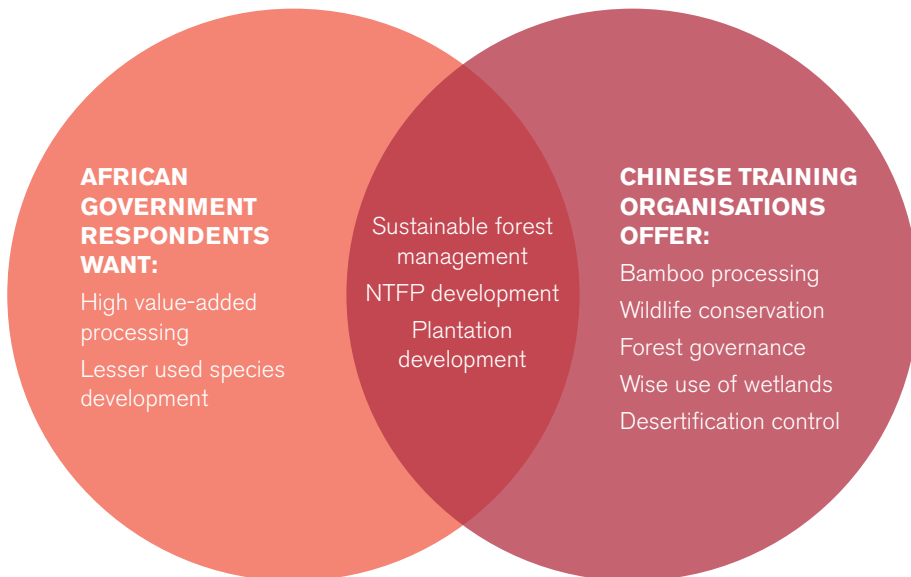
Since 1993, China has carried out 131 forestry foreign aid capacity-building programmes, training over 3,500 people from developing countries. Around 20 training workshops are held in China each year by qualified training organisations. African countries are the largest recipients of the Chinese government's human resource development programmes, including in the forestry sector, and courses specifically for African officials or technicians account for roughly 30 per cent of all forestry sector training hosted by China (Xu et al., 2017).

To aid the Chinese government in evaluating and designing effective programmes, in June 2015 the Chinese Academy of Forestry conducted a survey of the demand for China's foreign aid in the forestry sector amongst forestry officials in DRC, Cameroon, Madagascar, Gabon and Mozambique (Xu et al., 2017). The research investigated progress to date and the gaps between what China offers and what African countries

need in terms of training priorities, course design, and ways to achieve human resources development.

The survey also covered Chinese forestry training organisations – six of which responded to a detailed questionnaire on their priority areas of training; achievements, problems and challenges; as well as types and formats of training courses. The Chinese forestry training organisations identified the key areas in which they perceive China to have strong expertise, notably: plantations, bamboo processing, non-timber forest product (NTFP) processing and use, wildlife conservation, sustainable forest management, forest governance and combating illegal logging, wetland protection and desertification control. While there are strong overlaps with the objectives identified by the African respondents, there are also apparently potential needs of African stakeholders that may not be met by the current Chinese training organisations, and areas of expertise in China not prioritised by the African respondents (see Figure 1).

Figure 1. Chinese forestry training programmes in Africa: an expression of demand, supply and areas of overlap



This research conducted by CAF explored both provider and recipients' experience of the programmes to date; it also described the training priorities of African forestry experts and the capacity of Chinese organisations to deliver them. It reveals a strong emphasis on technical training, in which Chinese experts train African recipients at locations in both China and Africa. Training has included topics such as forest management, bamboo planting and processing, forest law enforcement and governance, desertification control, wildlife conservation, wetland protection, the control of harmful organisms, and climate change adaptation and mitigation. Though technical training clearly has a vital role to play, other types of capacity building are needed too, and China's human resource

development co-operation initiatives may be very well placed to offer these. Work is needed to assess what more is needed beyond training individuals in order to understand how those individuals operate in the context of their organisations; and how to develop effective systems for appropriate forest and related technology use, management, participation, information, human resource, finance and monitoring within such organisations. While this still represents an agenda for “human resource development”, it demands more of a focus on human resource development *within organisations* and implies more and longer-term support for people in their institutional settings.

African governments are strongly motivated to develop their national economies; they want to get the most out of their forest resources while maintaining sustainability. China is seen to have made maximum use of its forest resources, particularly through highly efficient processing (see also the material below on study tours). Respondents in the five African countries shared some common priorities for the most important training areas for their stakeholders:

- **Sustainable forest management:** including forest inventories, forest management plan development and implementation, natural resources monitoring and forest development project management.
- **High value-added forest product processing:** including facility operation, processing techniques, corporate management and training for skilled workers.
- **NTFP development for local livelihoods:** China’s successful experience in NTFP production and trade could be harnessed in Africa to help improve local people’s livelihoods and reduce communities’ dependence on timber.
- **Cultivating and using plantations:** the development of plantations – another area of Chinese expertise – can provide uniform raw material for certain forest products.
- **Lesser-used timber species development:** research and development of the potential timber value of certain tree species that are not currently commercially harvested.

CAF researchers concluded that all future China-Africa forestry development co-operation initiatives should be based on a joint needs assessment, context-specific design, and collaborative implementation and follow-up, to ensure that human resource development programmes build organisations’ capacity to support truly sustainable forestry. The findings from the research have been presented to the State Forestry Administration in Beijing and have also been integrated into the SFA 13<sup>th</sup> Five-Year Plan on Forestry Human Resources Development to guide forestry-related training and volunteering, which has been released in 2016 by SFA and was spoken highly of by MOFCOM.

In conclusion, the project partners have raised the bar in improving the evidence about China-Africa relationship in the forestry and land-use sectors. In addition to the work

described above, several key IIED forestry publications have been translated into Chinese (Box 1). Combined with work conducted by key stakeholders in China, such as the China-UK Collaboration on International Forest Investment & Trade (InFIT), WWF and TRAFFIC, on improving the legality of Chinese tropical timber imports and improving sustainability of Chinese investments in forests abroad, this work has helped to strengthen the evidence base significantly for Chinese investments and trade in Africa's forests.

### Box 1. Helping forests with translation

As part of the project's evidence generation work with Chinese partners, several IIED forestry publications have been translated into Chinese and published, including:

- Aryani, R et al. (2016) Chinese investment in Africa's forests: scale, trends and future policies. Infographics, [pubs.iied.org/G04097/](https://pubs.iied.org/G04097/)
- Ebrahim, N and Weng, X (2016) Why Africa's forests are important for its people, the world and China – Infographics, [pubs.iied.org/G04096/](https://pubs.iied.org/G04096/)
- Egas, A F et al. (2018) Tackling discrepancies in timber trade data: comparing China and Mozambique. Issue Paper. IIED, London, [pubs.iied.org/13594CIIED/](https://pubs.iied.org/13594CIIED/)
- Elson, D (2012) Guide to investing in locally controlled forestry, Growing Forest Partnerships in association with FAO, IIED, IUCN, The Forests Dialogue and the World Bank. IIED, London, [pubs.iied.org/13565CIIED](https://pubs.iied.org/13565CIIED)
- Macqueen, D (ed.) et al. (2012) Supporting small forest enterprises – A facilitator's toolkit. SME Series No. 29. IIED, London, [pubs.iied.org/13558CIIED/](https://pubs.iied.org/13558CIIED/)
- Macqueen, M and Falcão, M (2017) Boosting governance in Mozambique's forests. Options for more sustainable forestry among Chinese timber traders and Mozambican partners, Natural Resource Issues No. 33, IIED, London, [pubs.iied.org/17601CIIED](https://pubs.iied.org/17601CIIED)
- Mayers, J (2015) The dragon and the giraffe: China in African forests, Briefing Paper, IIED, London, [pubs.iied.org/17302IIED/](https://pubs.iied.org/17302IIED/)
- Mayers, J (2016) China in Africa – a fast changing relationship. Project Update. IIED, London, [pubs.iied.org/G04107/](https://pubs.iied.org/G04107/)
- Mayers, J (2017) China in Africa – exploring investment in the forests. Project update, IIED, London, [pubs.iied.org/17613CIIED/](https://pubs.iied.org/17613CIIED/)
- Yong, C et al. (eds) (2016) Manual on sustainable overseas forest management trade and investment by Chinese enterprises: Mozambique version, China Forestry Publishing House, Beijing, [pubs.iied.org/G04150/](https://pubs.iied.org/G04150/)

# 2

## Improved capacity and dialogue brings specific opportunities

The research by this project and other stakeholders has revealed a critical gap in dialogue on sustainable Chinese investments between and among Chinese and African key stakeholders from government, the private sector, NGOs, media and research. Limited opportunities to exchange information and engage in dialogue have hampered information flow; denied access for journalists, researchers, local communities and NGOs; deprived businesses of the opportunities to triangulate and verify information; and prevented government players from shaping the public discourse on Chinese investments and trade in Africa's forests, their opportunities and risks. In our view, this lack of dialogue is leading to heightened risks and missed opportunities among the many groups with a stake in the issue.

To change this situation, IIED and partners set out to facilitate constructive exchanges and dialogue among the various stakeholders from China and several African countries. Once communications channels were open, we targeted key stakeholder groups (such as government players, Chinese companies, African NGOs and journalists) with capacity-building training. This section highlights the dialogue and the capacity-building work conducted at the international level and in China, including promoting international exchange, building capacity and dialogue with the private sector, and using the media to raise public awareness in China. For details of the work conducted in each African country, see the individual country reports (Macqueen (ed.), 2018; Mayers et al., 2018; Nhantumbo et al., 2018 and Mayers et al., 2018).



## International exchanges bridge the China-Africa gap

The China-Africa Forest Governance Platform (CAFGP) was set up by IIED and partners in 2013. It is a unique multi-stakeholder platform for dialogue, evidence verification and planning that can bridge the gaps mentioned above. The CAFGP has held international learning events in March 2013 (Beijing, China), June 2015 (Yaoundé, Cameroon), October 2016 (Beijing, China) and October 2017 (Pemba, Mozambique). These have established the CAFGP as the go-to mechanism for these issues by key players in government and civil society from China and Africa. The events have enabled new research findings on the impacts and potential of China-linked land-use investments in Africa to be discussed and disseminated. They have also enabled African and Chinese stakeholders to jointly generate specific plans for policy and business improvements.

The project has also organised exchanges and visits between Chinese and African policymakers. For example, GEI assisted a delegate from the National People's Congress (NPC) to visit Yaoundé and Kribi in Cameroon from 31 July to 5 August, 2017. The delegate was selected for his key advisory role to the government on related issues through his seats on several committees. The visit allowed him to discuss with the Cameroon government, respective ministries and the parliament Chinese investments in Cameroon's forests and China's environmental and social footprint. Discussions included the importance of incorporating sustainable forest management, climate change and bamboo development into the China-Cameroon bilateral co-operation programme. In addition, the Chinese delegate gained a deeper understanding of the complexity of Cameroon's resource and land governance status, and the importance of forest sustainability. This experience will help to improve the Chinese regulatory framework for foreign investments in natural resources (e.g. the Belt and Road Initiative – BRI),<sup>8</sup> as well as mainstreaming more sustainability issues into China's strategy towards Africa. From Cameroon's point of view, to have a high-level Chinese parliamentary visit and discuss explicitly the sustainability angle of Chinese investments sent a strong signal to the Cameroonian government officials on its future engagement with China.

During the delegate's visit the project organised a multi-stakeholder forum to allow local NGOs and other stakeholders to meet with him to discuss these key issues. This provided the local non-government stakeholders with a rare opportunity to interact with a member of the Chinese government. There were also meetings with the Chinese embassy and Chinese companies in which sustainability and social risk management were emphasised.

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<sup>8</sup> Announced in 2013, under the Belt and Road Initiative the Chinese government has pledged £1 trillion for infrastructure in regions identified as areas of China's strategic economic interests to increase economic integration and support economic development.

High-level visits of this kind are significant in several ways. They allow influential Chinese officials the chance to see African countries first hand, to make contacts and gain a greater appreciation of the situation facing Chinese investors and local communities in investment projects. For example, the visit prompted the Chinese Ambassador to note that NGOs can play a greater role as recipients of foreign aid to support Cameroon in the future, as he believes it would improve the efficiency and quality of foreign aid. Another observation is that Chinese companies may need civil society support in community relations. The General Manager of China Harbour Engineering Company (CHEC) Central Africa Division mentioned that CHEC Cameroon has made initial attempts to carry out community engagement activities, but that it lacks a systematic approach and methodology. The delegate and CHEC Cameroon agreed to begin co-operating on community engagement.

## Study tours get African and Chinese players focused on sustainability

One of the recurring themes identified by participants in the China-Africa Forest Governance Platform has been the need to develop sustainable timber processing operations in Africa in order to encourage more local value added and wise use of forest resources. CAF and WWF have organised several study tours as part of this project to bring African stakeholders to China to develop shared understanding of the potential for Chinese investment to promote sustainable forest product processing in Africa.

The first study tour took place from 25 June to 4 July, 2017 and was facilitated by WWF. The intention was to increase the awareness of Mozambican officials by sharing Chinese experience in forest products processing. The Mozambican delegation consisted of seven government officials, two local business representatives, one NGO observer and one journalist. The main theme of the study tour was Chinese timber processing technology and processing centres, together with the local policy frameworks that have supported their development. The Mozambican delegation met with SFA in Beijing, and later visited forest farms in Linyi (Shandong province), Taicang port (Jiangsu province), and a timber production mill in Nanxun (Zhejiang province).

The trip enabled the delegation to learn about secondary processing technology and policy incentives in China, as well as to better understand supply chains of Mozambican timber in China, including the status of due diligence in these supply chains and particularly their social and environmental aspects. Participants were eager to learn about the draft China timber legality verification system and to understand what Chinese processors and buyers are looking for in terms of legality and due diligence compliance. They were also keen to gauge local Chinese views on the social and environmental aspects of imported timber, as well as to learn what is entailed in producing legal and sustainable forest products.

A second study tour to China for Cameroon, DRC, Uganda and Zambia stakeholders was organised in September 2017. Its aim was to foster mutual learning between Chinese and African stakeholders on China-Africa forest governance issues and to share African perspectives with key Chinese stakeholders in the forest sector. The African participants came away with a deeper understanding of China's timber processing industry and its supply chains (Box 2). They were impressed by the advanced equipment and quality control being used on production lines, together with efficient management practices. Even more important was discovering how local government policy in these areas supports the development of industrial clusters, which decrease the management and purchase costs for enterprises.

### Box 2. Central African insights on forests, China and the timber trade

Alain Kiatoko, Assistant General Manager, CB Timber Company, DRC: "The study tour has enriched us a lot in terms of information on the timber trade with China (market organisation and quality of Chinese market demand). We have heard about the experience of Gabon and Mozambique and we hope to be inspired by them."

Jean Bosco Wabangawe, President, Congolese Association of Artisanal Forestry Operators, DRC: "The trip was rich. This trip has greatly changed my vision on the working methods of the artisanal foresters of DRC. As President of the largest professional organisation in the sector, we have challenges that we are examining with the Congolese authorities on the one hand and with the forest operators on the other. Wood processing and treatment are particularly challenging. We would like to further strengthen our co-operation in wood processing training."

Yvonne Munabi, Investment Executive, Uganda Investment Authority: "Now I consider that it's not enough to plant forests, but forest must be planted and managed in a sustainable manner. Forestry and tourism can be combined; for this to happen there must be a strategy in place."

Jean-Marie Nkanda, Programme Manager, Réseaux Ressources Naturelles, DRC: "This study tour allowed us to understand China's role in sustainable forest management and gave us new ideas to help make a difference at home."

Blandine L'Or Ouoguia, Deputy Secretary General, Cameroon Timber Industry Group: "This mission allowed us to learn more about the needs of the Chinese market and especially the guidelines set up to encourage operators to pursue greater legality and compliance with the laws in force in the partner states."

The study tour also enabled African participants to observe how African timber is used in China and to learn about Chinese market preferences. Through the visit to the timber market, the delegation got the chance to talk to Chinese timber traders on issues of legality and sustainability of imported timber. Many African participants originally believed that the Chinese market is indifferent to timber legality issues, but it became clear from their conversations with Chinese traders and processing companies that illegality can affect the stability of supply – a key concern for these businesses. More and more companies are seeking reliable traders and developing long-term co-operation. The study tour underscored the great potential for legal and sustainably certified timber, as well as the urgency of promoting forest certification.

Another issue covered in the study tour was the livelihood benefits to local people from forest protection and sustainable utilisation. As the Chinese government has banned commercial logging in natural forests, African participants were interested in how local communities benefit through alternative uses of forest resources. They observed how forests provide communities with employment and economic income through forest recreation, seed orchards and nurseries rather than from timber harvesting, thus underscoring the importance of multi-functional forest management.

The third study tour had a focus on establishing private-sector linkages between China and African small-scale enterprises. To this end, eight Zambian delegates – six of them from the private sector – travelled to China in January 2018 where they visited Beijing, Zhangjiagang and Shunde in Guangdong Province. The exchange visit had three main components:

- **Knowledge exchange:** The Zambian delegation visited four factories in Zhangjiagang and Shunde, including a finger joint board factory, a kiln factory, and two furniture manufacturers involved in sustainable timber processing. They also visited one African wood distribution market. They had direct exchanges on the following issues: 1) use of saw waste, and adoption of low-cost and efficient kilns; 2) basic secondary processing steps such as breaking down of logs into planks to make carpentry, joinery and construction materials; 3) advanced processing of products such as furniture, doors and door frames; and 4) new species market development.
- **Technology transfer:** The Zambian delegation visited two large woodworking workshops and one large machinery market, with the focus on machinery suited to the Zambian processing industry. During the visits, the delegates were most interested in the following: 1) machinery for primary processing, such as band-saw machines with a cutting mouth of above 60cm with a cutting bed 4 - 6 metres long and motor of 11.5 - 18.5 kw (diesel, petrol or electrical); re-saw machine, single or double line and cross cutting machine; seasoning equipment such as solar timber drying kilns, and electric kilns with drying temperature gauges; 2) waste utilisation machines, including a pelletiser to produce materials which can be used for heating poultry brooders and

household cooking; 3) the machinery to produce furniture: spindle moulders complete with cutters to produce different articles of varied shapes and angles.

- **Institutional learning:** The delegates had exchanges with the local industry associations and Shunde Woodworking Machinery Association on how local governments use policies to encourage cluster development of timber processing businesses to enable the efficient and sustainable processing of timber resources. They also communicated with SFA, Fuma (a forestry machinery company), Maersk Eastern China Branch (an international shipping company) and Research Institute of Forestry Policy and Information (RIFPI) on foreign aid for forestry; ocean transportation of timber, with the focus on market outlook and price mechanisms; Chinese forest management and harvesting policies vis-à-vis wood trade legality standards operating in China; China's timber and wood products trade and industry dynamics; and demand trends for raw materials in China's wood flooring industry.

As a result of the study tour, the Chinese and Zambian stakeholders made the following three suggestions for future collaboration:

- 1) To strengthen bilateral collaboration among associations.** In order to reduce the transaction costs of legal trade in timber between the two sides, the timber associations in both countries could play a greater role:
  - An association-level communication mechanism could be established to inform each other of what timber is needed, what timber could be supplied, etc. to allow for a more transparent supply chain and to avoid the involvement of middlemen. To achieve this objective, it is suggested that the Zambian associations could sign an MoU with their Chinese partners to set up the standards for both sides to regulate information sharing.
  - Association-level market promotion activities could be adopted. Zambia has good quality species other than *mukula* (*Pterocarpus chrythrix*), which could be also exported to the Chinese market. The Chinese associations could be invited to visit Zambia to investigate these species, and work with Zambian counterparts to promote them in China. This collaboration would help end the chaotic and illegal exploitation by Chinese traders and ensure the legal trade of timber.
  - An association-promoted investment mechanism should be set up to ensure legal investment by Chinese companies. Though there are many Chinese traders in Zambia, they have no legal and organised channel for investment. In many cases, their investment cannot be ensured. If the associations could work together to identify investment areas and gain the support of government, the Chinese companies would be more likely to make long-term investments, which will encourage value-added sectors to develop. Besides, these investments could also bring the desired woodworking machines and labour training to Zambia.

- Direct linkages at company level could be facilitated through the association co-operation mechanism. Associations could recommend trustworthy member companies to establish commercial partnerships. Chinese companies could be organised or invited to visit Zambia for materials and markets, while Zambian companies could also visit China to gain a better understanding of Chinese market requirements.

## **2) To promote timber value addition by benefiting from Chinese foreign aid policies.**

Currently, the Chinese government actively encourages Chinese enterprises to boost international trade and overseas investment through initiatives such as the BRI, while FOCAC provides the opportunity for Zambia to get support for its timber value-addition.

- China-Zambian timber industry parks could be an option. As African countries are important partners in the BRI, the Chinese government has increased its promise to support them. Zambia has already established a China-Zambian economic zone – this could be taken advantage of to build a forestry industry park and set up a co-operative mechanism to maximise the benefits. Within the parks, some preferential policies could be provided to Chinese and Zambian companies to make a longer industry chain and legal supply chain.
- The BRI could be taken advantage of to increase capacity building and facility support. Chinese leaders promised to support African countries in capacity building and ecological projects through FOCAC and state visits. The Beijing FOCAC Summit, to be held in September 2018 in China, is expected to build on these commitments. It is believed that China will give more support to ecological issues and economic development in the next FOCAC action plan and ensuing activities. Zambians need to consider what support they want to have and apply for it through the Economy and Commerce Counsellor at the Chinese Embassy in Zambia. SFA will also co-operate to provide expertise, including training programmes, and equipment according to Zambia's needs.

## **3) To promote more active involvement by multiple stakeholders in bilateral co-operation.**

The communication between the Zambian delegation and Chinese counterparts showed that timber trade and value addition require joint efforts by many stakeholders. How these stakeholders can contribute to bilateral co-operation in the timber sector is worth considering.

- The woodworking machinery companies could play a promoting role. It is suggested to establish long-term linkages between China and Zambia woodworking machinery businesses. Woodworking machinery companies also have insights into the timber industry development. They could make suggestions to Zambia on value-addition. For example, the general manager of Mas export branch thought that Zambia could

start with finger joint board processing instead of jumping straight into further processing. Fuma, the top woodworking company in China, now has branches and distribution channels in Africa which could provide facilities at cheaper prices than those offered by middlemen, while also ensuring maintenance and training. Fuma could be encouraged to be more actively involved in the China-Zambian timber trade and investment by providing capacity building.

- Freight companies could also play a role in the bilateral timber trade. Zambia is an inland country, which results in high transport costs between China and Zambia. Currently, few freight companies have linkages with Zambia. Chinese freight companies should be encouraged to take advantage of the Zambian negotiation with its East African neighbours to reduce the cost of shipments and set up branches for the business of timber shipment. This could effectively reduce the freight cost of Zambian timber to China and make Zambian timber more price competitive in the Chinese market.

#### **4) To promote stable and favourable timber policies for value addition in Zambia.**

One of the strongest messages coming from Chinese private sector stakeholders is the need for a stable regulatory environment. Many Chinese stakeholders identified Zambia's uncertain timber policies as a high risk to their business and a reason why they have turned away from Zambian timber. To this end, the Zambian association members who participated in the study tour will engage Zambia's Forestry Department in policy discussions, to advocate for policies that are consistent and favourable for growing the timber trade in the country. For example, a policy for the export of finished timber products should be redefined to include planks, so that sawmills can be the starting point for value addition for export.

Other than the various action points, Zambian participants considered the study tour to be a rare opportunity to learn about a key consumer market (Box 3). First, they were surprised overall about how minor Zambian (and African) timber is in the overall Chinese import market share. In particular, witnessing China's efficient processing industry – 0% waste, 100% utilisation – was an eye-opening experience for many of them for understanding the potential of an efficient and sustainable timber industry. The lessons were particularly useful for SMEs – a few of them have never been outside Africa, and most were first-timers in China. But how to unlock financing options for SMEs to purchase machinery to achieve value addition and efficient utilisation remains a key bottleneck.

### Box 3. Zambia-China forestry ideas

Kumbukilani Phiri, Committee Member, Zambia Association of Sawmillers: "Indeed the trip has changed my perception about the whole timber industry in so many ways. It has shown me the viability of sustainable timber trade, the viability of value addition in Zambia; it also gave me a glimpse into the future of the timber processing industry with the coming in of highly computerised machines".

Kaala Moombe, Researcher, Center for International Forestry Research, Zambia: "I had not realised how much impacts the unstable timber policies (e.g. the cycle of ban and lift on mukula) have on Chinese businesses" - Kaala Moombe

Luke Selesitino, Chief Executive Officer, Woodcon Limited, Zambia: "Learning about 0% waste in China and the role of technology transfer (such as finger jointers and particle board compacting machine) in tripling our yields from one tree, thus allowing us to spare the next two trees."

The fourth and final study tour focused on learning about "forest-wise parks" (industrial parks that are good for forests) – their management model and government incentive policies. The visit took place between 3–11 March, 2018 and was facilitated by CAF and IIED. Participants included seven forest professionals from China and 11 from Mozambique. The main objectives of the study tour were to:

- a) Identify the key requirements to develop one or more forest-wise parks in Mozambique under the current socio-economic and political conditions.
- b) Identify the potential opportunities and barriers in initiating and implementing forest-wise parks in Mozambique.
- c) Discuss the key lessons for Mozambique to ensure social and environmental benefits from forest-wise parks.
- d) Identify the essential steps that need to be taken to make forest-wise parks a reality in Mozambique.

The main achievements of the trip were as follows (and see Box 4):

**Understanding of forest-wise park models deepened:** The visit enabled Mozambique participants to learn from two forest-wise park models in China: the Ganzhou park model in Nankang district and Xinminzhou park model in Zhenjiang city. The participants learnt that to make a forest-wise park successful, technology alone is not enough. It is critical to have enabling government policies, investment in educating the local workforce and sustainable management of natural resources which forest-wise parks depend on. Experiences in China in initiating and implementing these forest-wise



parks in Ganzhou and Xinminzhou provide valuable lessons for further pursuing such park models in Mozambique.

**New partnership forged among key stakeholders in Mozambique and China:**

During the visit, a collaboration agreement was signed between two Chinese private companies and FNDS Mozambique (a state-owned national sustainable development fund). The collaboration agreement was negotiated and agreed based on the discussions among the three parties during the visit. It laid firm foundations for long-term collaborations among the three parties to ensure sustainable investment by Chinese companies in Mozambique's forest sector. The partnership is the first of its kind where Chinese private companies established formal partnership with Mozambique government for value-addition investment in Mozambique. It sets a great example for other Chinese companies in Mozambique to adopt legal and sustainable business practices.

Nankang District government, Zhonglin Xinminzhou Harbour Corporation, Chinese Academy of Forestry and the National Directorate of forests (DINAF) of Mozambique also agreed to continue collaboration and exchange experiences on sustainable forest management and developing value-added industry in the forest sector (including technology transfer and capacity building for value-added forest businesses and exchange of experiences in policy formulation and implementation for forest-wise parks). The agreed actions will be incorporated and reflected in the MOU that will be signed between the Ministry of Land, Environment and Rural Development (MITADER) and Chinese State Forest Administration in April 2018.

**Government and private sector support secured for forest-wise parks in Mozambique and concrete next steps identified:**

At the end of the visit, all participants from Mozambique discussed the key lessons learnt and expressed support for initiating forest-wise parks in Mozambique. Some of the concrete next steps suggested include:

- DINAF will organise a discussion session with all relevant stakeholders (government agencies, private sector, NGOs etc.) back in Mozambique to share lessons learnt in China and secure wider support for forest-wise parks in Mozambique.
- The Mozambican Association of Timber Operator (AMOMA) and DINAF will further discuss critical enabling policies to encourage the private sector to invest in forest-wise parks (e.g. tax relief, training of skilled workers).
- AMOMA will invite the China Forestry Industry Association Investment and Trade Branch to visit Mozambique companies to exchange experiences and promote investment in value-added processing capacity and reforestation.

#### Box 4. Sowing the seeds for 'forest-wise' processing parks

Imede Chafim Falume, Deputy National Director of Forests, DINAF/MITADER, Mozambique: "The visit has transformed my understanding of the 'forest-wise' park concept. The two different models of 'forest wise' parks in China has shown that a forest-wise park does not have to be a concentrated area of technology and involves strategic planning of a whole supply chain supported by enabling government policies. Mozambique government is the key for a forest-wise park to happen and must provide enabling policies."

Eduardo Samuel, Managing Director, National Agency for Environmental Quality Control (AQUA), MITADER: "The visit showed that the 'forest-wise' park models can improve legality in forest sector as companies who would like to access the services and technologies offered by the park must demonstrate full compliance with law and policies. This is a very important lesson for Mozambique."

Virgílio António dos Santos Fumo, Head of Department of Licencing and Database, Ministry of Industry and Commerce, Mozambique: "The visit has provided a lot of inspirations for Mozambique to promote value-added industry in forest sector. The visit laid foundation for the Mozambique government and the Chinese government to continue exchange lessons and ideas and support value-added industry in Mozambique."

## Well-targeted dialogue within China bears fruit

Another role of the project has been to increase dialogue among key government ministries in China, by bringing key ministries together around a common agenda. Currently, there is no regular communication mechanism for the relevant government agencies to share information and discuss overseas forestry investment and timber trade issues. With this in mind, CAF, GEI and WWF hosted two inter-departmental meetings in February 2015 and January 2016, bringing together officials from the Ministry of Environment Protection, the Ministry of Commerce, the State Forestry Administration and the General Administration of Customs to share progress on the project and to exchange views on China-Africa forestry collaboration. The project team in China introduced key issues in China-Africa natural resource governance, stressing the necessity of China-African co-operation on forest investment and trade; highlighting that overseas forestry investments are of great concern to the international community; and highlighting that China's investment behaviour and trade have significant impacts on African forests (even though African timber accounts for only a small percentage of China's overall timber imports). Engagement with high-level policymakers on issues of sustainability

and investment risk associated with Chinese investment in Africa's land-use sectors is important, both for sensitising policymakers and in order to get their input.

Some of the key points that emerged from these two inter-departmental dialogues include the following:

- Enterprises are not currently motivated enough to prioritise the legality and sustainability of their operations. Stronger incentives are needed, such as mandatory regulations, preferential financial policies and stimulation of market demand.
- Consumer demand should be harnessed to make enterprises pay more attention to the origin of their timber.
- Government plays a key role in promoting sustainable investment and combating illegal logging through its policies to guide the private sector. At the same time, the contributions of other stakeholders, such as industry associations and NGOs, are essential in combatting illegal logging and trade.
- There are still technical problems to be overcome to improve timber legality. Chinese enterprises face challenges in tracing their supply chains; at the same time, they are very cost-sensitive. A well-developed timber legality system could save enterprises time and money.

An in-depth study should be undertaken to determine how government agencies at all levels (from central to local) can play a role in promoting legal and sustainable timber trade and investment, taking into account the limited buy-in from non-forestry departments in implementing regulatory measures.

## Finding the right entry points with the private sector

IIED and its partners recognised that businesses are a key target group given the limited amount of dialogue, exchange and capacity-building activities compared to other stakeholder groups. The private sector engagement element of the project had four pillars: group training in China, firm-by-firm technical advice in Africa, disseminating relevant information through social media, and organising study tours for key African stakeholders in China. Each is discussed in turn below. In addition, multi-stakeholder approaches involving businesses have been undertaken in a number of countries, such as in Gabon (Box 5).

### Box 5. Lessons from partnership approaches in Gabon

Chinese companies have been investing in Gabonese forests since the 1990s. This investment has grown to the point where Chinese companies now manage around 50 per cent of the country's production forests, or a total area of approximately 6 million hectares (WWF China and WWF Gabon, 2015). The engagement of Chinese companies in Gabon is therefore highly relevant for other African countries in terms of Chinese investment in forest resources.

In 2014, WWF established the Gabon-China Sustainable Forestry Roundtable, which has brought together Gabonese and Chinese government officials, forestry companies and local NGOs. The roundtable delivers scientific and technical training, as well as promoting experience sharing, sustainable forest management and rational use of forest resources. The 12 Chinese companies participating in the roundtable manage a total of over 4 million hectares of concessions and have made substantial commitments to promote wildlife conservation and improve conditions for local employees. As a result of the roundtable's work, relations have improved between Chinese companies and the government, as well as between Chinese companies, NGOs and communities (WWF, 2016).

Lessons learned from the work in Gabon have been shared not only with the Gabonese association of Chinese actors but also with other project partners. These lessons include:

- The importance of multi-stakeholder platforms which bring together Chinese companies, local government and NGOs to build trust, facilitate dialogue and press for better forestry practices; effective communication between Chinese companies and local government is key, but is often lacking due to linguistic and cultural barriers.
- Progress is a long road but the Gabon experience shows that is possible, as evidenced by the increased willingness of Chinese companies to engage, the increase in government-approved management plans among Chinese companies, and the fact that one Chinese company is progressing towards Forest Stewardship Council (FSC) certification and has already passed the pre-audit.
- More progress has been made with large state-owned Chinese companies than with small private ones – this is a common trend in Africa.
- WWF and other NGOs can play a role in making local regulations more legible to Chinese companies – by translating them, providing training, etc.

A log export ban enacted in 2010 has been largely successful in curbing the export of raw logs from Gabon, while simultaneously increasing investment and in-country processing of timber. This offers lessons for other African countries considering log export bans. There has also been increased interest by logging companies since 2010 in obtaining certification and in developing forest management plans (WWF China and WWF Gabon 2015).

## Chinese businesses learn about legal and sustainable timber investments

Between 2015 and 2017, two training workshops were organised in Zhangjiagang, Jiangsu province to increase the awareness and capacity of overseas Chinese enterprises in legal and sustainable forest management and investment. In total, more than 100 enterprises – mostly tropical timber traders – attended the two workshops.

The first training workshop, held on 28 April 2015, covered trends in the global timber trade, sustainable overseas forest management and investment, the BRI and relevant policy, the CITES regulations and China's implementation, the modification of new Hongmu (rosewood) Standards, as well as the opportunities and challenges facing overseas forestry businesses. The wide coverage of the workshop attracted nearly 80 enterprises, including timber traders and processors. Of these, 60 were local Zhangjiagang enterprises engaging in China-Africa tropical timber trade and primary processing, while the other 20 enterprises came from Shanghai and Zhejiang province.

The second training was organised in co-operation with Zhangjiagang Timber Industry Association (ZTIA) on 30 November 2017. Its aim was to promote China-Africa legal and sustainable forestry investment and trade. The training focused on the current China-African timber trade and new requirements at international and national levels, and shared relevant policies, including those implemented in China and African countries. Representatives (mostly general managers and sourcing managers) from 26 enterprises engaged in African timber trade participated in the workshop. All of them were based in Zhangjiagang and have maintained long-term trade relations with African countries, including Mozambique, Equatorial Guinea, Gabon, Ghana, Cameroon, etc. These workshops had a number of beneficial impacts (Box 6).

## Box 6. Lessons and achievements from training Chinese SMEs in the tropical timber trade

Timber importers and primary processors – which are mostly private SMEs – tend to have limited awareness of legality and sustainability issues. They also tend to be less accessible than export-oriented wood product companies. Collaboration with ZTIA proved to be crucial in getting the participation and active engagement of timber importers in the discussions. The following achievements are evident from the workshops:

### 1) **Contacts with tropical timber importers and processors were**

**successfully established.** Before the workshops, tropical timber importers evaded attempts to get in touch with them, refusing to share their views on the tropical timber trade and showing no interest in legality/sustainability issues. Through the workshops, they saw the value in communicating with government, research institutes and other associations, and showed a greater willingness to engage in dialogue. One of the evident changes that could be seen in the two workshops is more active participation and exchange of views from these enterprises, as compared with their previous attitude.

### 2) **Enterprises' awareness of legality and sustainability has increased.**

Previously, tropical timber importers and processors had not considered legality and sustainability as crucial issues for their business. With these two workshops, enterprises came to understand that they also need to play a role as actors in global timber supply chains. More enterprises – especially those run by young entrepreneurs – showed increased awareness of sustainability and legality issues, and greater willingness to engage in responsible practices.

CAF and the other workshop organisers had not expected such a rapid improvement in awareness. Discussions with enterprises pinpointed three main reasons:

#### 1) **As Chinese tropical timber enterprises have grown, they have been forced or have consciously chosen to increase their awareness.**

As companies have grown and diversified their business – including overseas investments in forest lands, primary processing, importing, etc. – their involvement in timber supply chains has deepened and with it their exposure to the requirements in place in Chinese, African and international markets. This has prompted them to take issues of legality and sustainability more seriously.

#### 2) **Global campaigns on timber legality and sustainability have made their mark.**

Decades of efforts to improve timber legality and sustainability in both consuming and producing countries have made it impossible for anyone in the

industry to ignore these issues. An increasing number of tropical timber importers have come to realise that they need to have more responsible attitudes and practices in their business.

**3) Training offered an opportunity for enterprises to understand national and international requirements in a more systematic way.** The enterprises noted that even though they had heard of legality and sustainability requirements in international markets, they didn't have a clear understanding of what these requirements entailed or what effects they might have on them. This training helped enterprises to gain a more systematic understanding, from which to decide what they needed to do.

The workshop discussions also underscored the fact that ineffective law enforcement and governance in source countries is one of the root causes of the irresponsible practices of Chinese and other tropical timber traders. Thus at the same time as increasing the awareness and capacity of enterprises, it is also vital to help producing countries to improve their forestry governance.

## African businesses learn about sustainable forestry

The project worked with several companies in Cameroon and Mozambique to provide technical assistance to individual firms in the China-Africa timber trade that are already embarking on the path of sustainable forest management. Details of the Cameroon work is illustrated in the China-Africa Forest Governance Project's research report (Mayers et al., 2018) – here we describe the Mozambique technical assistance, which involved substantive advice from Chinese researchers. IIED and WWF-China worked with the Chinese company Mr Forests in Mozambique to pilot sustainable operating practices and the Chinese government guidelines. WWF-China also supported options for local communities to commercialise non-timber forest products. In collaboration with IIED and WWF, the company has developed an action plan to adopt sustainable forestry practices through reforestation and plantation, in particular planting fast-growing or high-value species and NTFPs. Yunnan forestry experts visited Mozambique in March 2017 on the invitation of WWF to help analyse the characteristics of forest land, and to provide training in afforestation techniques and methods for forest land restoration. This co-operation between Chinese enterprises and Chinese researchers, facilitated by an NGO, is a valuable model to replicate.<sup>9</sup>

<sup>9</sup> <http://www.iied.org/finding-green-path-china-africa>.

## Elusive timber traders are reached through social media

The project used social media (Chinese WeChat) to disseminate key information (such as relevant legislation, important sector news and workshop notices) to the often-elusive Chinese SMEs engaged in trading and importing timber products from the Congo Basin. This work involved sending weekly newsletters to Chinese companies and traders in Cameroon and DRC and following them up with face-to-face interactions such as legality training workshops and roundtable exchanges between government and businesses. It engaged some 200-300 Chinese-speaking users, with over 50 key viewers – mostly from the timber business community – in Cameroon and DRC. The WeChat site had garnered 500 views in Cameroon and 300 in DRC by the end of January 2018. This creative work has reached a previously marginalised stakeholder group and delivered key information related to policy, legislation and timber trade improvement opportunities. In Cameroon, this is partly responsible for stimulating a range of Chinese companies to form an association committed to legal practices – which went beyond project expectations. More details can be found in the Cameroon country report (Mayers et al., 2018).

## High-quality journalism dispels myths and raises awareness

Though Chinese investment in African countries has grown enormously in recent years, this has not been fully reflected in the Chinese media. Chinese media coverage has tended to promote high-level messages such as win-win co-operation, without looking closely at the dynamics of this co-operation, particularly when it comes to the social and environmental footprint of Chinese engagements. Media coverage is rarely based on reporter experience in Africa. This paucity of media coverage is doubly true for the forestry and other land-use sectors. In order to improve the quality and quantity of reporting about forest-linked issues in Africa among Chinese media, GEI facilitated a programme to support Chinese journalists to conduct field trips in the four African project countries in order to report on Chinese investment issues. After interviews with around 20 journalists, GEI chose to support a total of six journalists who wrote articles for a variety of publications (see Table 1). GEI also organised a journalists' salon in December 2017 in Beijing, to enable Chinese journalists to share their reporting experiences in Africa and on China-Africa investment and trade issues (Box 7).



Table 1. African media exchange programme: participating Chinese journalists

<b>Name</b>	<b>Affiliation</b>	<b>Country visited</b>	<b>Links to articles</b>
Hu Jianlong	Independent	DRC	Jianlong, Hu (3 September 2015) Chinese merchants and ripples from the maelstrom of the general election in DRC, South Reviews <a href="http://www.nfcmag.com/article/5849.html">http://www.nfcmag.com/article/5849.html</a> (Originally in print version of the magazine)
Zheng Zai (Pseudonym)	Independent	Cameroon	Zai, Zheng (17 July 2015) Chinese gold prospectors, Sina <a href="http://blog.sina.com.cn/s/blog_5db34b3b0102w2sd.html">http://blog.sina.com.cn/s/blog_5db34b3b0102w2sd.html</a> (Originally in print version of magazine)
Ning Hui (Lulu)	Independent	Mozambique	Hui, Ning (31 August 2016) Mozambique faces race against time to end illegal logging, The Guardian <a href="http://www.theguardian.com/sustainable-business/2016/aug/31/mozambique-illegal-logging-china-timber-deforestation">www.theguardian.com/sustainable-business/2016/aug/31/mozambique-illegal-logging-china-timber-deforestation</a>  Hui, Ning (6 September 2016) Can China help Mozambique fight deforestation? China Dialogue <a href="http://www.chinadialogue.net/article/show/single/en/9235-Can-China-help-Mozambique-fight-deforestation-">www.chinadialogue.net/article/show/single/en/9235-Can-China-help-Mozambique-fight-deforestation-</a>
Shi Yi	SixthTone.com	DRC	Yi, Shi (20 January 2017) Chinese Demand for Bloodwood Cuts Into Congo's Ecosystem, Shi Yi, Sixth Tone, <a href="http://www.sixthtone.com/news/african-bloodwood-illegally-finds-its-way-china">www.sixthtone.com/news/african-bloodwood-illegally-finds-its-way-china</a>
Sun Qian	Independent	Cameroon	Qian, S. (21 August 2017) Holding China on the left hand and his village on the right hand: the two worlds of Chief Blaise (translated title), The Initium. <a href="https://theinitium.com/article/20170821-international-AfricanVillageHead/">https://theinitium.com/article/20170821-international-AfricanVillageHead/</a>  Schenkel, J. and Qian, S. (3 January 2018) Kribi, one city, one port, two worlds (translated title). DW Akademie <a href="http://www.dw.com/de/kribi-eine-stadt-ein-hafen-zwei-welten/a-41971133">http://www.dw.com/de/kribi-eine-stadt-ein-hafen-zwei-welten/a-41971133</a>
Huang Shulun	Caixin Media	Mozambique	Expected to be published in April 2018. Proposed Title: Chinese Businessmen in the African Timber Trade.

The high-quality investigative pieces produced by the Chinese journalists in the programme on the topic of Chinese forest enterprises in Africa aimed to contribute to raising awareness among the Chinese public. In generating these articles, the journalists conducted extensive interviews and spent time living with Chinese companies, workers, and other relevant stakeholders to understand their situation. Being Chinese, these journalists had a kind of access to other Chinese stakeholders that would be difficult for non-Chinese journalists to obtain.

Throughout the three years of this project, there has been growing interest from Chinese media and individual journalists in China-Africa issues. More media are starting to view reporting on China's overseas issues as having potential market value and are therefore considering expanding their overseas coverage, especially of African and Southeast Asian countries.

### Box 7. A journalists' salon in Beijing: Bringing African experiences back home to China

The journalists' salon highlighted the role of NGOs in facilitating international exchanges and knowledge sharing. An estimated 80 participants took part, including 16 reporters, journalists and editors from a variety of agencies, including Caixin Media, Reuters, Financial Times China, Agence France-Presse, China Dialogue, Africa Confidential and Wall Street Journal. The journalists Shi Yi and Huang Shulun – both of whom were supported by GEI to visit Africa (see Table 1) – shared their investigative reporting experiences in DRC and Mozambique, respectively. This was followed by a discussion panel including both of them, as well as another journalist – Mo Yelin from Caixin (who has reported on Chinese investment in Kenya).

Salon participants agreed that there is a dearth of investigative, field-based Chinese reporting on African issues and that a lot of the information being shared during the salon is new to audiences in China, as the Chinese public does not usually see stories about Chinese investments in Africa. In the discussion, the journalists shared how some African countries like Mozambique and DRC are facing deforestation issues and that illegal timber trade is a big concern. They also shared their interviews with Chinese enterprises as well as local stakeholders, including government agencies and NGOs. The journalists observed that more information-sharing and cooperation could help improve policies for combatting illegal timber trade and improving sustainable forestry. One audience member also pointed out that the media should be more mindful about using the term "Africa" in their articles as a substitute for specific African nations, as this practice tends to be promote a homogeneous view of Africa and Africans among Chinese audiences.

# 3

## Practical steps towards better policy and investment practice

The evidence and capacity generated through this project have been used by IIED and its partners to improve policies and business practices on the ground, so that Chinese investments can fulfil their pro-poor potential and contribute to sustainable development on the African continent. While the changes in policy and practice that have occurred in the African countries are captured in the country reports, this section focuses on three areas for policy advocacy relevant to China: improving the management of tropical timber imports within China, making the most of bilateral memoranda of understanding (MoU) between China and producer countries, as well as harnessing the potential embodied in the multilateral Forum on China-Africa Co-operation (FOCAC).

### Improving the management of timber imports

As a follow-up to their stakeholder survey discussed in Section 1 above, CAF analysed the feasibility of three options for strengthening the management of imported timber in China: 1) enacting a national law to prohibit the illegal timber trade; 2) issuing sector regulations to govern enterprises' timber purchasing activities; and 3) issuing a set of guidelines to steer enterprises' overseas investment and timber imports. The advantages and disadvantages of each of these three options were examined in detail. They are summarised below.

## A national law on trade in illegal timber

A national law has certain key advantages, such as the fact that it is a powerful means of combatting the illegal timber trade due to its strong coercive effects. Legislation can be an effective means of raising industry awareness about legality, promoting improvements in supply chain management and potentially assisting enterprises to access foreign markets that have strict legality requirements. It can also provide the authorities with a legal basis to conduct enforcement and judicial measures, which is currently lacking in the absence of such a law in China.

On the other hand, a national law could lead to cost increases and market fluctuations due to a shortage of clearly traceable and legal timber. Moreover, national level legislation is difficult and time consuming to enact – the process could take many years. Another obstacle is the lack of a clear champion for such legislation within the state apparatus, making its enactment unlikely at present.

## Sector regulations

As with a national law, sector regulations also have their pluses and minuses. The Constitution endows each ministry with the power to issue orders, instructions and regulations within their own jurisdictions, based upon laws and the State Council's administrative regulations, resolutions and orders. As the forestry authority directly affiliated to the State Council, SFA has the authority to issue sectoral regulations in the forest sector.

The advantages of this model are that SFA has the requisite experience and knowledge to regulate the legal forest products trade and can conduct enforcement through local government authorities in provinces, counties and townships. Second, issuing sector regulations is far easier than enacting national laws, and a regulation issued by SFA would likely be more technical and more specific than a national law. Third, issuing sector regulations would demonstrate the Chinese government's commitment to combatting illegal logging and associated trade, and might improve the international reputation of Chinese enterprises.

There are several downsides to sectoral regulations however:

- 1) They require co-ordination with relevant ministries to ensure their implementation.** Management of imported forest products depends on the joint co-ordination of authorities such as the General Administration of Customs, MOFCOM and other agencies, which would be time consuming for the agencies involved. Furthermore, there are some limitations to the enforcement powers of local forestry authorities; for instance, they do not have the authority to supervise and inspect imported timber.

- 2) There is a lack of technical indicators and law enforcement is difficult.** In order to regulate management of imported products, related authorities generally use a licence system or inspection and quarantine on certain goods (e.g. on agricultural products). However, the absence of clear and widely accepted indicators for timber legality in the Chinese context, together with the lack of trade agreements between China and timber exporting countries which define timber legality, will inevitably lead to a series of problems in judicial practice.
- 3) The effectiveness of regulations depends upon the institutional framework that supports it, as well as the capacity of enterprises to adhere to them.** In this case, both are problematic. For instance, the capacity of supervisory agencies may need to be increased to be able to implement the regulations. Meanwhile, the enterprises engaged in timber processing and trade face challenges in comprehending regulations and meeting due diligence requirements.

## The use of guidelines

The third option that CAF examined for strengthening the management of imported timber in China was the use of guidelines or guides, such as the Guide on Sustainable Overseas Forest Management and Utilization by Chinese Enterprises issued by MOFCOM and SFA (see Section 1). Compared to laws and regulations, guides are more flexible and specific. In recent years, an increasing number of policies have been converted from mandatory administrative regulations to guides, to optimise government service functions. Guides have several advantages, including the following:

- 1) They are practical.** Enterprises need to understand policy requirements and conduct associated concrete tasks, including tracing supply chains, verifying timber sources and managing their operations. Guides have much to offer in assisting enterprises to comprehend these policies, sharing information and providing specific guidance. Unlike laws and regulations, guides usually illustrate the requirements from a practical perspective, and provide highly operable guidance on how to meet the requirements, thus playing a practical role in informing enterprises' activities.
- 2) They are usually formulated to meet the specific needs of enterprises.** They can provide guidance to enterprises in comprehending the regulations of timber-exporting countries and in conducting supply chain due diligence, all of which can aid enterprises in purchasing legal timber. All of this can greatly reduce the risks for downstream enterprises in the supply chain.
- 3) They have a short drafting cycle.** Unlike laws and administrative regulations that require approval by the State Council, guides can be drafted and issued within a relatively short time. Guides are usually drafted by relevant institutions and experts organised by sectoral authorities, hence they tend to embody a strong technical

background. Often the drafting process entails substantial stakeholder participation. They can be implemented immediately, and can be amended relatively easily, and thus are quite flexible.

However, guides do have certain disadvantages, and notably cannot serve the same function as laws and regulations:

- 1) They lack coercive power.** The major objectives of guides are to provide standards regulation. Although both guides and regulations represent state will and general applicability, guides do not belong to the category of laws or regulations and cannot compel compliance with their prescriptions. Actions that violate guides are not subject to punishment.
- 2) They depend upon a supporting implementation and supervisory system.** Just as the implementation of laws depends upon on the law enforcement and supervision system, the implementation of guides also requires a corresponding system to support them. This system is currently lacking, as is a means of assessing and reporting to government and stakeholders on the progress and problems in guide implementation. This lack of feedback makes it difficult for decisionmakers to adjust the content and implementation of guides.
- 3) Guide implementation requires a great deal of work.** Based on the implementation status of existing guides, the working models mainly include an introduction, training and pilot demonstration, which have had positive benefits for some accountable enterprises, but have not reached all enterprises. Implementation of guides requires broad participation by enterprises, therefore disseminating and implementing the guides requires a large quantity of work. Many enterprises face difficulties in implementing the guides due to lack of capacity and knowledge. These enterprises need frequent training and guidance to improve their capacity.

## Strengthening governance

The above analysis by CAF on options for managing imported timber is not simply an academic exercise. SFA is actively considering the various options, including introducing a sectoral regulation on timber imports. With this in mind, CAF facilitated a series of stakeholder consultations in late 2017 with civil society, timber industry associations and government departments to discuss how best to manage timber imports.

It is clear from these meetings that government departments recognise China has faced criticism for not having binding laws to control the import of illegal timber from overseas, and that the country needs to strengthen its supervision of timber imports

and demonstrate its commitment to combating illegal logging by adopting concrete measures. The General Administration of Customs, Ministry of Commerce, the General Administration of Quality Supervision, Inspection and Quarantine and other departments have also agreed to standardise the management of timber imports. While there is a consensus on the need to issue relevant policies, there is still some disagreement on the details.

At the same time, there is also a recognition of the need to strengthen governance within timber-exporting countries. Chinese government officials expressed the view that it is unrealistic for China to check whether timber production in other countries complies with local laws and regulations in these countries. Moreover, government departments expressed concern that the management of timber imports should not increase the administrative burden on government departments, or the economic and other costs for enterprises. The management of timber imports is complicated in that it involves many different departments, and the officials consulted were keen to develop policy measures which are well adapted to the existing administrative apparatus in China, including current priorities for decentralisation and increased efficiency, rather than simply copying timber import control policies from abroad.

Timber associations and NGOs working on forest governance<sup>10</sup> agree that while the awareness of timber legality issues among stakeholders has increased on the whole, many enterprises upstream in timber supply chains still lack awareness about legality and are opposed to the introduction of relevant laws and regulations to control illegal timber. Moreover, there are disagreements among different actors on the best way to proceed. Large importers are more inclined than small importers to work with suppliers with well-defined sources and abundant supply. Meanwhile, exporters have taken the initiative to request third-party verification in order to meet the needs of the international market.

One thing that was clear from this consultation is that NGOs and timber associations will continue to play an important role in the discussion and introduction of policies on timber imports. The table below compares their perspectives on some key issues surrounding timber imports.

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<sup>10</sup> Three timber associations and six NGOs attended the consultation: WWF, TRAFFIC, GEI, EFI, InFIT and Forest Trends.

Table 2. Comparison of NGO and timber associations' perspectives on timber import legality management

Legality issue	Degree of consensus	Detailed perspective
Management policy	Agreement	Support for strengthening the timber legality management system and reducing the risk of using timber from illegal sources.
	Differing views	<u>Associations</u> : The government should issue guidance for management, setting out principles for avoiding the import and use of timber from illegal sources. Timber associations should formulate detailed rules and regulations according to the characteristics of their own industries.
		<u>NGOs</u> : The government should add explicit language to existing laws and regulations to ban the import and use of illegal timber.
Management mode	Agreement	The framework of the current management system should be used as the basis for any new provisions; no separate agency or staff are needed for management.
	Differing views	<u>Associations</u> : Self-regulation by enterprises is preferred, based on market supply and demand and corporate reputation, without additional procedures for administrative supervision and approval; for example, the use of group standards, etc.
		<u>NGOs</u> : Identify specific government management departments to conduct public supervision and management of timber legality.
Proof of legality	Agreement	Enterprises collect and keep evidence.
	Differing views	<u>Associations</u> : Enterprises should manage their procurement and supply chains according to their own conditions and submit a commitment letter undertaking legal responsibility to the competent department for future reference.
		<u>NGOs</u> : The due diligence method advocated by major consumer markets should be adopted; independent certification/ verification by a third party is needed to enhance credibility.
Proposed target	Agreement	Reduce the risks of enterprises importing illegally harvested timber.
	Differing views	<u>Associations</u> : Promote legal and stable supplies of timber so that wood products will have credibility in international markets.
		<u>NGOs</u> : Limit the demand for illegal timber.



## Making the most of bilateral agreements

Bilateral co-operation offers much promise for encouraging sustainable investments and trade between China and African countries. In addition to engagement between and among businesses and civil society groups, direct collaboration between Chinese and African governments would send a strong signal to the business community about the importance of sustainable land use and help scale up the on-going grassroots initiatives. The advantage of the bilateral co-operation approach is that such agreements can cater to the specific characteristics of the Chinese investments in the African country. Currently the Chinese and Mozambican governments are finalising a memorandum of understanding (MoU) on forestry sector collaboration. WWF China has been providing technical support to this process. Once implemented, the MoU has the potential to trigger a range of collaborative actions in the fields of technology transfer, efficient and green processing, knowledge exchange on management of processing parks and capacity building aimed at achieving a more controlled and locally beneficial forest and timber sector in Mozambique. In the case of Mozambique, this includes the need for value-added processing and strengthening legality frameworks.

## Using FOCAC as a key point of leverage

The China-Africa Forest Governance Project has targeted the Forum on China-Africa Co-operation (FOCAC) as a key transnational policy process for further engagement. FOCAC is an annual platform where high-level policymakers from Africa and China meet to discuss co-operation. Most recently, President Xi Jinping pledged US\$60 billion, covering aid and concessional loans disbursed over many years (Sun, 2018). FOCAC has the potential to play a pivotal role in ensuring that Chinese investments bring long-term benefits to African countries, which are set to experience unprecedented development in the decades ahead. The 5th Ministerial Conference of FOCAC in 2012 recognised environmental degradation and energy security as major global threats for the first time. In addition, it included commitments on sustainable forest management, social responsibility for Chinese companies operating in Africa, and renewable energy. Since 2012, FOCAC has made statements on improving forest management through the declarations and action plans that follow each meeting.

As part of the IIED project, a side event on sustainable China-Africa engagement was held by WWF China during the week of the FOCAC meeting in Johannesburg, South Africa in December 2015. A session on sustainable forestry trade and investment was included in the side event. WWF produced a FOCAC policy brief (WWF, 2014) which was distributed to those countries where meetings were held with FOCAC delegations (Ministry of Foreign Affairs Asia directors and their staff) and the topic of sustainable forestry was raised with Ministries of Environment. Awareness was raised

within all FOCAC delegations about sustainability in the FOCAC 2015 meeting. WWF plans to organise another event in China in August 2018 in preparation for the next FOCAC summit.

In its briefing note to authorities for the 2015 FOCAC meeting, WWF argued that China and African countries can promote legal, responsible and sustainable forest management and timber trade through the following measures (WWF, 2014):

- Working together to provide incentives, including preferential tariffs or taxes, better access to financial resources and carbon trading mechanisms, for forest enterprises that apply best practices.
- Ensuring that China-Africa authorities work together to ramp up co-operation, promotion, capacity and monitoring of guidelines on sustainable forestry management and timber trade, including The Guide on Sustainable Overseas Forests Management and Utilization by Chinese Enterprises co-issued by China's Ministry of Commerce and State Forestry Administration in 2009, and The Guideline for Overseas Sustainable Forest Products Trade and Investment by Chinese Enterprises, which is being drafted.
- Developing and piloting – in co-operation with key timber trade partner countries in Africa – a timber legality verification system to ensure that only legally harvested wood enters into the market. This instrument, developed and led by the State Forestry Administration, can play a crucial role to ensure legal and sustainable sourcing of timber exported to China.
- Supporting a more sustainable forestry industry in Africa through technology transfer and investment to increase the efficiency of wood use and value-added processing, reduce waste, promote better management of source forests and improve local economic development.

# Conclusions

China's emerging role in Africa – as the largest trading partner, an increasingly visible investor and a key foreign aid provider – has significant implications for Africa's forests as reviewed by the African country reports of this series and earlier research from IIED, CIFOR, Forest Trends and others. While China's engagement in Africa's natural resources sectors continues to draw scrutiny and is beset by opposing narratives – a win-win discourse promoted by Chinese and African governments and some researchers, as well as a win-lose narrative persisting among environmental groups and international media (Weng et al., 2018)—few have attempted to address the critical gaps in information, capacity, dialogue and policy advocacy among the key Chinese and African stakeholders. The work illustrated in this report, led by CAF, GEI and WWF along with IIED and its African collaborators, has aimed to fill these gaps.

Throughout the project's four years of research, dialogue and advocacy in China, we have made significant progress in crucial areas such as raising awareness among key Chinese stakeholders, increasing dialogue and exchange opportunities between China and Africa, and garnering buy-in from the Chinese private sector to promote sustainable timber trade and other land-use investments.

One of the key achievements of the project has been to increase the opportunities for dialogue among multi-stakeholder groups through workshops and the annual international learning event of the China-Africa Forest Governance Platform. Over the four years, we have seen marked changes in how Chinese stakeholders – especially those from government – have viewed and participated in the platform event. Starting with a relatively cautious view on their role in shaping multi-stakeholder dialogues involving governments, civil society and companies, the Chinese stakeholders have increasingly played an active role in shaping the discourses and engaging in discussions. At the latest international learning event of the Platform, held in Mozambique, one of the key Chinese government participants emphasised the role for NGOs and research institutes such as IIED, CAF, GEI and WWF to create a safe space for the various stakeholders to engage in open discussions. Going forward, continued multi-stakeholder engagement with Chinese stakeholders will be the key to open exchanges and for all sides to have a say in what the future of sustainable Chinese investments in Africa's forests should look like and how they should be achieved.

In terms of engaging with the Chinese business community, we have seen the level of awareness grow among Chinese importers of the need for legality. We have seen Africa-based Chinese companies show more interest, with some well-established companies making commitments related to sustainability and legality.

Most importantly, we have been able to locate those Chinese companies trying to make a difference by practising sustainable forest management or corporate social responsibility actively in Africa. As the individual reports from Uganda, Cameroon, Mozambique and DRC record, the in-country approach has been an important avenue for influence and impacts and to facilitate community-level learning among Chinese enterprises.

However, we also recognise that private sector engagement is most effective when combined with awareness raising by the Chinese government. Partners reflect that where they worked only with the private sector, such as with Chinese companies, progress was slower than when government was actively involved. The voluntary guidelines are a powerful signal by the Chinese government to their citizens and businesses of how they should behave. However, these should not be considered an end in and of themselves, or we risk minimal uptake. Instead the guidelines should be combined with legal frameworks and best practices to move action forward.

Finally, in terms of policy changes, slow but tangible progress has been made over the past few years on timber legality policies as a result of concerted efforts by a variety of stakeholders. The voluntary guidelines have been useful to find potential leverage for better investment decisions by Chinese forestry enterprises. Pushing companies to adopt guidelines voluntarily has been the focus of some promotional and training activities in several countries in East, West and Central Africa, with support from WWF and IIED amongst others. Still, additional measures should be taken to motivate Chinese forestry enterprises to pay attention to the legality and sustainability of their products and operations. Below is a list of recommendations resulting from our work.

- Companies typically need more motivation and incentives to adopt improved environmental and social practices that may cost them money. **Mandatory regulations can push the private sector to take action to ensure the legality of their supply chains.** A robust timber legality verification system should also be developed and implemented. At the same time, raising consumer awareness can also encourage enterprises to pay more attention to the origin of their timber. But the bottleneck for enacting new legislation is significant.
- **In the short term, a combination of sector regulations and guidelines may be the most pragmatic option for improving the legality and sustainability of the China-Africa timber trade from the Chinese side.** Sector regulations and guidelines can also pave the way for stronger measures such as legislation, which may be needed in the long term to prevent illegal forest products from entering the Chinese market. During the process of drafting sector regulations or guidelines, SFA should consult relevant authorities such as the General Administration of Customs and MOFCOM, so as to build a foundation for joint enforcement.

- **Further training on legality and sustainability is needed for Chinese enterprises,** including policy discussions, training workshops, guidelines promotion and technical pilots. All of these take time and resources, but there is no substitute for them. It is also important to build exchange and communication platforms among enterprises, industry associations, research and academic institutions. These activities will contribute to the improvement of corporate behaviour among Chinese enterprises and the sustainable development of the timber market in China.
- **Improve transparency of supply chains.** Timber supply chains in Chinese domestic markets are complicated by low levels of transparency and are thus a significant barrier for enterprises in tracing timber sources and conducting due diligence. It is recommended to strengthen information digitisation of forest products supply chains and improve forest industry information databases by integrating both upstream and downstream information to aid in tracking flows of timber and other forest products.
- **Sign agreements with producer countries.** Through inter-governmental co-operation, improve law enforcement and governance of timber-producing countries, enhance common understanding of timber legality, reach bilateral timber trade agreements where feasible, and verify the producer country's timber legality verification documents and methods as part of this process, so as to reduce the burden on Chinese enterprises in verifying the legal status of imported timber.
- **Seek mutual recognition of timber legality standards.** Currently some markets in developed countries have established clear requirements for timber legality, which in turn have given rise to different kinds of measures such as forest certification, legality verification, etc. In order to meet the requirements of various market consumers, enterprises have to obtain multiple certifications, often at a high financial cost. It is therefore recommended to harmonise timber legality verification systems among China and consumer countries.
- **Sustainable forestry should have a more prominent place within FOCAC, as should civil society.** FOCAC is a key forum for dialogue and co-operation between China and African countries, and requests made by African countries through FOCAC tend to be given high priority by China. Forestry should have a more prominent place in future FOCAC meetings and action plans given its links to climate change, rural livelihoods and ecosystem and biodiversity conservation. FOCAC also needs to bring civil society into its processes to a greater extent. NGOs have proven to be constructive partners and catalysts for change, and there should be a larger role for NGOs within FOCAC.

Although achieving sustainable forest trade and investment between China and Africa is a long process, this report demonstrates that tangible progress can be made when African and Chinese stakeholders come together within a short four-year period. The evolving nature of the China-Africa relationship means that our efforts to improve practice, impacts and governance will be on-going and will continue to respond to the new challenges and harness the opportunities associated with China-Africa collaboration. It is our hope that this report has provided key insights and lessons, and that more stakeholders – particularly those from government and the private sector – will join efforts to promote sustainable use of forest resources in Africa for the benefits of African countries, China and beyond.

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# Research Report

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## Forests; Governance

*Keywords:*

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China's growing investment and trade in Africa's natural resource sectors brings with it both challenges and opportunities. IIED's China-Africa Forest Governance Project is dedicated to improving evidence, capacity and joint action for sustainable Chinese investment in Africa's forests. This report – one of five country reports from the project – describes the significant progress made by the project in China in key areas: raising awareness among Chinese stakeholders of the need for a legal and sustainable timber trade, improving the evidence base for informed policymaking, increasing dialogue and exchange opportunities between China and Africa, and bringing on board the Chinese private sector to promote sustainable timber trade and other land-use investments.

IIED is a policy and action research organisation. We promote sustainable development to improve livelihoods and protect the environments on which these livelihoods are built. We specialise in linking local priorities to global challenges. IIED is based in London and works in Africa, Asia, Latin America, the Middle East and the Pacific, with some of the world's most vulnerable people. We work with them to strengthen their voice in the decision-making arenas that affect them – from village councils to international conventions.



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