

# China and Gabon: A Growing Resource Partnership

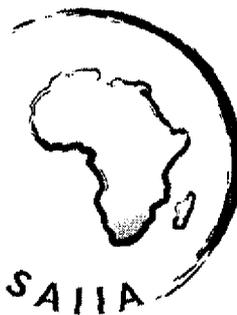
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# **China and Gabon: A Growing Resource Partnership**

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## China and Gabon: A Growing Resource Partnership

China's relationship with resource-rich countries, especially Sudan and Angola, is increasingly well covered by the media and scholars. However, other significant Chinese trade partners in Africa like Gabon — a key exporter of energy and mineral resources to China, as well as a beneficiary of Chinese investment, development co-operation and commercial engagement — are rarely studied. Some of the trends seen in other countries, such as supply contracts in exchange for infrastructure development, are in evidence in Sino-Gabonese relations. The Chinese cultivation of African elites as a means of securing access to previously excluded resources and markets is another dimension of this process. At the same time, local conditions and actors have influenced the structure of Chinese ties, including the controversial leasing of national park land to a Chinese oil exploration firm, and have produced some surprising outcomes in terms of transparency and accountable practices.

This policy report provides a focused study of Gabon, where Chinese involvement has begun to reshape the trade and investment patterns of the past. In so doing, it highlights the impact of and reactions to China's growing resource partnership with Gabon and the possibilities this holds for future Sino-Gabonese relations.

### 1. Introduction: A political and economic overview of Gabon<sup>1</sup>

Gabon, formerly a colony of the French West Africa Federation, became independent on 17 August 1960. The death of the first Gabonese president, Leon M'Ba, in November 1967 brought Omar Bongo to power with the backing of the French government. Under the pretext of defending national unity against ethnic fragmentation, a one-party state was established immediately after Bongo's ascent

<sup>1</sup> Historical, political and economic background based on *Economist Intelligence Unit (EIU), Gabon Country Profile 2007*. London: EIU, 2007, pp.3–28; EIU, *Gabon Country Report*. London: EIU, December 2007, pp.2–17; Central Intelligence Agency, *The World Factbook*, <<https://www.cia.gov/library/publications/the-world-factbook/geos/gb.html>>.

to the presidency. During the first decade and a half of his rule, Bongo benefitted from favourable economic conditions thanks to rising oil revenue, and easily consolidated his power by developing an extended patronage network. However, a sharp decline in oil production in the 1980s resulted in a major economic downturn, weakening the president's position domestically. Prompted by the democratisation wind that swept across West Africa after the end of the Cold War, a constitutional change reintroduced the multiparty system in 1990. The president's political party, *Partie Démocratique Gabonais* (PDG), won 66 of the 120 parliamentary seats in the first multiparty legislative elections in September 1990, and Omar Bongo, amid much political unrest, won the presidential elections held three years later.

Since then, Bongo has astutely managed to retain and reinforce his grip on power through the expansion of his patronage network, by maintaining a policy of balancing the various ethnic groups in his government appointments and by co-opting the main opposition leaders. He won the last presidential election in November 2005 with 79% of the vote. In legislative elections held in December 2006, the president's electoral alliance of parties, which includes PDG and seven former opposition parties, won 99 seats out of 120. The five remaining opposition parties secured only 16 seats and the main opposition party (eight seats) is expected to join the majority. In this framework it was easy to introduce an amendment to the Constitution in 1997 to extend the presidential mandate to seven years, and another one in 2003 to remove the limit of two consecutive terms, which will allow Omar Bongo to run for a third term in the presidential elections scheduled for 2012.

Gabon occupies a leading position in Central Africa. This is mostly due to Bongo, who enjoys a high regional profile due to his leadership position in Central Africa's forums and his mediation role in the resolution of several conflicts in the continent (those in Chad, Côte d'Ivoire, the Democratic Republic of the Congo and the Central Africa Republic). Notwithstanding, Gabon has had an unsolved territorial dispute with Equatorial Guinea since the 1970s over three

small islands near Libreville believed to possess rich oil resources. A mediation process supported by the United Nations (UN) started in 2004, but Equatorial Guinea has refused a joint management offer, and currently the case is expected to be referred to the International Court of Justice in the Hague.

France is still Gabon's main ally and partner. Ties between the two countries have been very close since independence, mostly due to France's strong economic interests in Gabon, which have frequently involved political elites, resulting in financial scandals also involving these elites. French companies are dominant in most sectors: oil, manganese, infrastructure and timber. France is also the main source of Gabon's imports, its major development aid provider and its main military ally. Gabonese-French relations are, however, expected to weaken in the coming years following closely the declining curve of oil production and also as a result of Gabon's search for new partners to diversify its economy and revitalise its dwindling oil sector. In this setting, strong links are emerging with the US and China, not only as trading partners, but also as investors attracted by Gabon's natural resources.

Economically, Gabon has enjoyed a good position over the years, which is closely linked to its oil production. Until 2003 the country was sub-Saharan Africa's third largest oil producer after Nigeria and Angola. In 2006 it was overtaken by Equatorial Guinea and Congo-Brazzaville, and currently occupies fifth position in the ranking.<sup>2</sup> Oil production peaked in 1975 at 222,000 barrels per day (b/d), and after many years of a steady decline it peaked again in 1997 (370,000 b/d) following the bringing on stream of new oilfields. Despite a substantial increase in oil revenue due to a sharp rise in oil prices, Gabon currently faces a long-term decline in production if new wells are not discovered. This has led to the exploration of marginal oilfields and to an additional effort to diversify into other economic sectors in order to prevent the pending fall in oil income. Structural reforms in the timber and mining sectors introduced in the early 2000s have resulted in new investments, mostly foreign (France,

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2 EIU, *Cameroon Country Profile 2007*. London: EIU, 2007, p.17.

US, China and Brazil), resulting in revenue in these sectors increasing significantly in the last few of years, largely in the timber and manganese industries. The potential is enormous, considering that Gabon's mining sector remains largely untapped (with large reserves of manganese, iron ore and gold).

## 2. Sino–Gabonese bilateral relations

Although Gabon first recognised Taiwan as the legitimate representative of China, Beijing's persistent diplomatic efforts in the early 1970s produced results, and on 20 April 1974 diplomatic credentials were formally exchanged between Gabon and the People's Republic of China. Bilateral co-operation and trade developed gradually, encouraged by official visits exchanged over three decades of undisturbed diplomatic ties. Among the high-ranking Chinese leaders who have visited Gabon are Chen Muhua (vice premier of the State Council, August 1978), Zhao Ziyang (premier of the State Council, January 1983), Qian Qichen (minister of foreign affairs, January 1993), Li Lanqing (vice premier of the State Council, November 1995), Li Peng (premier of the State Council, May 1997), Tang Jiaxuan (minister of foreign affairs, January 2001)<sup>3</sup> and President Hu Jintao in February 2004. On Gabon's side, and among other official representatives, President Bongo has visited China at least ten times over the last three decades (October 1974, June 1975, May 1977, December 1978, October 1983, February 1987, May 1991, August 1996, September 2004 and November 2006). The fact that Bongo has personally met all the members of the Chinese leadership since the 1970s represents a valuable political asset in bilateral relations, as does his strategic influence in Central African affairs.

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3 According to information posted on the Chinese Ministry of Foreign affairs website, <<http://www.fmprc.gov.cn/eng/gjhdq>>.

### Sino-Gabonese co-operation: Areas of engagement

China's co-operation with Gabon grew steadily in the 1970s and 1980s to include multiple areas, stretching from health, education and agriculture to military assistance. As with most African countries, **co-operation in health** was the first area to be affected in China's relations with Gabon. In June 1975 a protocol was signed between the two countries setting out the terms for the regular posting of Chinese medical teams to Gabon. The first team, composed of 27 medical technicians, arrived the following year. Since then a total of 15 teams of about 20 people have worked in Gabon for two years each,<sup>4</sup> totalling over 300 medical officers in the last 32 years. In the 1980s two hospitals were built by the Chinese, one in Libreville (Hôpital de Coopération, 1980) and another in Franceville (Hôpital de l'Amitié, 1985), both staffed by Chinese doctors. These hospitals were renovated under an intergovernmental agreement signed in 2005.<sup>5</sup> Traditional Chinese medicines have become very popular in Gabon over the years and there are now several clinics spread around the main urban centres offering acupuncture and plant-based medicine at affordable prices to locals.

China has also been very active in **educational co-operation**. In 1975 Chinese started granting annual scholarships to Gabonese students who wished to pursue their studies in China. The number of studentships provided has grown sharply in the last few years from 10 to 13 in 2004, then 20 in 2006 and 31 in 2007,<sup>6</sup> prompted by the rapid increase of Chinese economic interests in the country (see the discussion of the Belinga mining project below) and the consequent need to train Gabonese who are familiar with the Chinese language and Chinese technology. As a consequence, the number of students trained in China increased sharply from 46

4 CCS (Centre for Chinese Studies), chap. 4, 'Gabon', in *China's Engagement of Africa: Preliminary Scoping of African Case Studies*. Stellenbosh: CCS, University of Stellenbosh, November 2006, p.88, <<http://www.ccs.org.za/>>.

5 Xinhua, 'Le Gabon e la Chine réhabilitent les hôpitaux de la coopération sino-gabonaise', 14 January 2005, <<http://www.bdp.gabon.org/articles/categories/sante/EEpVZyFIEFBVmiLH8pl.shtml> (date accessed 16 November 2007).

6 CCS, *op. cit.*, p.89.

in 1997 to 215 in 2007.<sup>7</sup> In 1986 a protocol was signed to send Chinese teachers to Gabonese secondary schools, although only five teachers were actually placed.<sup>8</sup> Co-operation is to be further strengthened with the opening of a Confucius Institute at Omar Bongo University in Libreville. Furthermore, public officers from various ministries have benefitted from administrative training courses in China in various fields within the framework of the Forum of China-Africa Cooperation.

Cooperation in **agriculture** has also been an important area of assistance, mainly in small-scale rice cultivation. In January 2007 China and Gabon reached an agreement, under the auspices of the UN Food and Agriculture Organisation (FAO),<sup>9</sup> by which China will send 44 Chinese agricultural technicians to nine Gabonese provinces for a period of 18 months.<sup>10</sup> This project aims at diversifying the sector and increasing local production by helping small farmers improve their agriculture methods, irrigation, aquaculture and food processing. Depending on the final results of this project, the number of technicians can be expanded in the following years. In the 2000s China has also made a relevant contribution to building the capacity of women to participate in the economy by donating agriculture equipment (twice since 2002) and sewing machines (2004).<sup>11</sup>

Although the content of the meetings remains secretive, **military exchanges** have been frequent since the 1970s,<sup>12</sup> which, in addition

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7 *Ibid.*

8 According to information posted on the Chinese Ministry of Foreign Affairs website, <<http://www.fmprc.gov.cn/eng/gjhdq>> (date accessed 16 November 2007).

9 FAO, 'Des agronomes chinois au Gabon', Rome, 18 January 2007, <<http://www.fao.org/news-room/fr/news/2007/1000481/index.html>> (date accessed 16 November 2007).

10 Agence France Press, 'Gabon: Les agriculteurs à l'école chinoise', Libreville, 13 July 2007, <<http://www.afriquenligne.fr/actualites/agriculture/gabon:-les-agriculteurs-a-l%92ecole-chinoise-200707132516/>> (date accessed 16 November 2007).

11 Xinhua, 'La Chine offre des machines à coudre aux femmes gabonaises', 16 December 2004, <<http://www.bdp.gabon.org/articles/socioculture/EEpFkukpZZgoKuJQPF.shtml>> (date accessed 16 November 2007).

12 Office of the State Council of the People's Republic of China, *National Defence White Paper 2004*; *National Defence White Paper 2006*, Appendix II. Beijing, <<http://www.china.org.cn/english/China/194339.htm>> (date accessed 15 February 2008); and according to information posted on the Chinese Ministry of Foreign Affairs website, <<http://www.fmprc.gov.cn/eng/gjhdq>>

to the presence of a military attaché in Gabon's embassy in Beijing, suggests a certain degree of military assistance. Nevertheless, defence is an area that remains heavily dominated by the French.

### China's development assistance to Gabon

China has provided several aid packages to Gabon over the years, mostly aimed at infrastructure construction/rehabilitation. As with the rest of Africa, this trend has clearly intensified in the new century. At the end of 2000 China granted Gabon a combined sum of \$73 million in interest-free and concessional loans to develop a number of co-operation projects. These were the new National Assembly building in Libreville (built by the Chinese Overseas Engineering Company and completed in 2002), two medical centres (including the sending of 12 medical teams), two primary schools, a pharmaceutical laboratory in Franceville, a factory for processing kassava and two timber-processing factories near Owendo port.<sup>13</sup> In December 2002 another co-operation agreement was signed to provide an interest-free loan for an undisclosed amount for economic and technical co-operation, which funded the building of the new Senate House, built by the Shanghai Construction Company between 2002 and 2004.

During Hu Jintao's first state visit to Gabon in February 2004, two more co-operation agreements were signed between the two countries, this time to provide for a \$1.2 million grant for economic and technical assistance and an interest-free loan of \$6 million for co-operation projects.<sup>14</sup> The joint statement issued at the end of the visit called for further co-operation in agriculture, infrastructure and resources exploration.<sup>15</sup> A giant broadcasting facility (Cité

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dq> (date accessed 16 November 2007).

- 13 Māo Xueliang, 'Chine-Gabon: 27 ans de coopération économique et commerciale', 28 April 2001, <[http://french.peopledaily.com.cn/french/200104/28/fra20010428\\_46754.html](http://french.peopledaily.com.cn/french/200104/28/fra20010428_46754.html)> (date accessed 16 November 2007).
- 14 Xinhua, 'Chine-Gabon: Signature de deux accords de coopération', 3 February 2004, <[http://french.china.org.cn/foreign/archives/hujintao2004/txt/2004-02/03/content\\_2100135.htm](http://french.china.org.cn/foreign/archives/hujintao2004/txt/2004-02/03/content_2100135.htm)> (date accessed 16 November 2007).
- 15 *People's Daily* (Beijing), 'Chine-Gabon: Communiqué conjoint publié à l'issue de la visite d'État du Président Chinois au Gabon', 4 February 2004, <[http://french.china.org.cn/foreign/archives/hujintao2004/txt/2004-02/04/content\\_2100486.htm](http://french.china.org.cn/foreign/archives/hujintao2004/txt/2004-02/04/content_2100486.htm)> (date accessed 16 November 2007).

des Informations) is being built by CEMEC<sup>16</sup> in Libreville to house the Ministry of Communication and the state radio and television stations, which is supposed to be completed in 2008. More recently, at the end of January 2008, China and Gabon signed a framework agreement for a \$83 million concessional loan to part fund a hydroelectric dam (Grand Poubara) linked to the Belinga mining development project.<sup>17</sup> This soft loan is to be repaid over 20 years at an interest rate of 3%, and there is a grace period of seven years.<sup>18</sup>

### The Sino-Gabonese commercial profile

Despite ups and downs throughout the 1990s and the first half of the 2000s, trade between China and Gabon seems to be following a general upward trend, one that has been clearly reinforced in the last few years. Bilateral trade increased from \$88 million in 1994 to over \$300 million in 2000<sup>19</sup> and \$440 million in 2005,<sup>20</sup> doubled to over \$800 million in 2006 and was \$1.2 billion by the end of 2007.<sup>21</sup> In the early 2000s Gabon was China's second largest trading partner in Central Africa<sup>22</sup> (after Angola) but, despite growing trade flows, Gabon was eventually overtaken by Congo-Brazzaville and Equatorial Guinea, mostly due to a sharp rise in these countries' oil exports to China.

Unlike Cameroon, Sino-Gabonese bilateral trade is dominated by Gabonese exports, which in 2007 represented 86% of total trade. Exports to China are mainly constituted by crude oil, timber

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16 China National Machinery and Equipment Import and Export Corporation.

17 Panapress, 'La Chine accordée au Gabon un prêt de 37,2 milliards de FCFA', Libreville, 26 January 2008, <<http://www.panapress.com/freenews.asp?code=fre042127&dte=26/01/2008>> (date accessed 15 February 2008).

18 Reuters, 'China signs to lend Gabon \$83 mln for hydro dam', Libreville, 27 January 2008, <<http://africa.reuters.com/business/news/usnBAN732858.html>> (date accessed 15 February 2008).

19 Mào Xueliang, *op. cit.*

20 CCS, *op. cit.*, p.80.

21 MOFCOM (Chinese Ministry of Commerce) statistics online, English site of the Department of General Economic Affairs, <<http://zhs2.mofcom.gov.cn/index.shtml>> (date accessed 15 February 2008).

22 *People's Daily* (Beijing), 'Amitié et coopération entre la Chine et le Gabon', 2 February 2004, <[http://french.peopledaily.com.cn/french/20040202\\_65136.html](http://french.peopledaily.com.cn/french/20040202_65136.html)> (date accessed 16 November 2007).

and manganese. According to the Economist Intelligence Unit, China was the second largest Gabonese export destination, accounting for 16% of Gabon's exports, behind the US (27%) and having overtaken France (8%) in 2006.<sup>23</sup> China's share in Gabonese exports is expected to expand in the coming years as Chinese enterprises further penetrate the mining sector, more so considering that it will import the full production of the Bilinga project's iron ore when the project becomes operational in 2011.

As for imports into Gabon, China holds an insignificant share when compared to France (35%) or the US (8%).<sup>24</sup> Since very few things are produced in Gabon, it imports most of its manufactured goods from the West (Europe and the US), while agriculture products come from neighbouring countries, mainly Cameroon. Gabon's main imports from China are mechanical and electrical appliances, construction materials and machinery. Nevertheless, China's share in Gabonese imports is expected to change in the near future. Imports from China increased moderately since Hu Jintao's visit in February 2004 and are likely to rise further in the coming years. Indeed, general imports are set to increase sharply in 2008 and 2009<sup>25</sup> because of new investments in the mining, energy and infrastructure sectors, in which Chinese companies will play a large part, mainly through the development of the Bilinga mining project, since it is known that most of the equipment used will be imported from China.

China's share in Gabon's foreign trade has been growing at a rapid rate, and China has become an important trading partner in only half a decade. Considering China's strong interest in Gabon's mining sector, it might soon become a more important Gabonese trading partner. Gabon's relevance for China is, thus, rooted in the former's abundant primary goods (oil, manganese, iron ore and timber) and not so much as a market for Chinese goods, a fact that is explained by Gabon's small population.

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23 EIU, *Gabon Country Report*, *op. cit.*, p.15.

24 *Ibid.*

25 *Ibid.*, p.7.

## Chinese investment in Gabon

Not surprisingly, Chinese companies are active in Gabon's main economic sectors: forestry exploitation, mining (primarily manganese and iron ore), oil and infrastructure. Companies from Jiangsu, Tianjin and Dalian provinces in China are especially active in agriculture, fisheries, pharmacy and public works in Gabon.<sup>26</sup> Several initiatives have been taken throughout the years to promote economic co-operation and investment between the two countries. One of these initiatives was the creation of a bilateral economic commission in December 1982, which, however, met only twice (in 1983 and 1985) and remained forgotten until it was revived in 2006, with a third meeting taking place in August of that year. This commission is linked to a joint committee in the National Assembly on Sino-Gabonese relations, which is supposed to discuss all proposals made by Chinese companies and oversee implementation of the resulting projects, although reportedly, the largest contracts are directly decided by the President's Office.<sup>27</sup> Another instrument for co-operation in investment has been the signing of an agreement on investment protection between the two countries in 1997.

Notwithstanding these formal sets of agreements on investment and co-operation, it was not until the new century that conditions were met for a thriving relationship. According to a Gabonese diplomat,<sup>28</sup> this was particularly true in the wholesale and retail sectors, especially in textiles, the bazaars and the advertising press, which flourished after 2000. Chinese entrepreneurs are also positioning themselves in the agriculture sector (fresh vegetables) in Gabon. Notably, while the vast majority of Chinese operators in the Gabonese market are small enterprises, which are truly private, a significant portion of the medium-sized enterprises have support from the Chinese state and all large Chinese enterprises in Gabon are public enterprises. Chinese enterprises benefitted from a series of state-to-state agreements that gave them privileged access to

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26 *People's Daily* (Beijing), 'Amitié et coopération entre la Chine et le Gabon', *op. cit.*

27 CCS, *op. cit.*, p.74.

28 Interview, Gabon Embassy in Beijing, 10 December 2007.

the Gabonese market. Chinese working habits are perceived as more efficient and people tend to prefer Chinese enterprises. The Gabonese government encourages joint ventures, but Chinese enterprises seem to prefer to enter the market alone, as legal regulations allow direct investment.

Despite the rapid progress by Chinese enterprises in gaining market share in Gabon, strategic sectors formerly controlled by the Gabonese state and recently privatised are in the hands of European companies. These include electricity and water distribution (a 51% French stake and 20 year monopoly acquired in 1997), Gabon Telecom (a 51% French stake finalised in 2007), the Transgabonais railway line (the French won a 30 year concession in 2005), Owendo and Port Gentil ports management (a 25 year Spanish concession was granted in 2003) and agribusiness (palm oil and rubber are controlled by a Belgian company and sugar by a French company).<sup>29</sup>

### The forestry sector

Over three-quarters of Gabon is covered with virgin forests and, as a result, timber exports account for 77% of export revenue and comprise Gabon's second largest source of income after oil. The forestry sector is the most important private employer after the state, employing an estimated 10% of the active population.<sup>30</sup> Although the sector has been dominated by European companies for some time, mostly French, the presence of Asian firms in the sector, especially Chinese and Malay firms, has sharply increased in recent years and China is becoming a major destination of Gabonese log exports, alongside traditional export destinations like France, Italy, Portugal and Spain. Chinese firms have been operating in the forestry industry in Gabon for over two decades and are now taking over smaller companies in financial difficulties or helping them with their debt in exchange for access to their sources of supply.<sup>31</sup>

<sup>29</sup> EIU, *Gabon Country Profile 2007*, *op. cit.*, pp.15 & 21-24.

<sup>30</sup> *Ibid.*, p.25.

<sup>31</sup> CCS, *op. cit.*, p.85.

Chinese companies in this sector seem to be facing difficulties, mostly due to the pressure from Western NGOs and institutions to respect reforms introduced in the sector since 2001 (mainly comprising a forestry code in 2001 and the creation of a national parks system in 2002). Apparently, the bulk of timber exported to China remains unprocessed and a significant proportion of Chinese companies seem to disregard sustainable logging practices, which have been strictly enforced in China itself since the early 2000s. This was, however, also a common practice among European logging companies working in Gabon until recently, when the European Union (EU) started enforcing strict import regulations. According to the Timber Trade Action Plan (TTAP), additional problems facing Chinese logging companies, including the strong euro (the CFA, used in Gabon, is pegged to the euro), EU restrictions on imports of Chinese okoumé plywood,<sup>32</sup> declining log availability and freight problems,<sup>33</sup> have all encouraged Chinese importers to divert from Gabon in recent years. Nevertheless, continued domestic Chinese demand — by 2010 China will only be able to meet half its demand for industrial wood<sup>34</sup> — and the recent environmental awakening by officials in Beijing may encourage Chinese firms to gradually comply with new regulations and by doing so reinforce their position in this sector.

### **The oil sector**

According to authoritative industry sources, Gabon has proven oil reserves of 2.2 billion barrels,<sup>35</sup> which at present exploration rates should last for another 25 years.<sup>36</sup> Despite facing a long-term decline in production, Gabon's oil output is expected to grow

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32 China imported 66% of Gabonese okoumé logs in 2003, which represented 50% of Gabon's total log exports.

33 TTAP, <[http://www.timbertradeactionplan.info/sub\\_approach.php?approach\\_id=6&sub\\_approach\\_title=Gabon](http://www.timbertradeactionplan.info/sub_approach.php?approach_id=6&sub_approach_title=Gabon)> (date accessed 16 November 2007).

34 <[http://news.mongabay.com/2005/0420x-tina\\_butler.html](http://news.mongabay.com/2005/0420x-tina_butler.html)> (date accessed 16 November 2007).

35 British Petroleum, *BP Statistical Review of World Energy*, June 2007, p.6, <<http://www.bp.com/statisticalreview>>.

36 EIU, *Gabon Country Profile 2007*, *op. cit.*, p.26.

moderately in 2008 and 2009 as a result of further investment in mature oilfields, combined with the coming on stream of new small oilfields. Over 20 oil companies from 10 different countries operate in Gabon (three French, six US, three Canadian, four South African, one Japanese, one Indian and two Chinese — Sinopec and Sino Gabon), while Total Gabon and Shell Gabon account for two-thirds of total production.<sup>37</sup> The oil industry accounted for 51% of gross domestic product (GDP) and 88% of exports revenue in 2005.<sup>38</sup>

China entered the Gabon oil market in 2004 in the wake of President Hu Jintao's visit to the country. Two oil deals were signed by President's Hu and Bongo, one aiming at guaranteeing a minimum annual supply of crude to China, and a second one between Unipec, a subsidiary of Sinopec, and Total Gabon for exploration and refining.<sup>39</sup> According to the agreement, three onshore fields were to be explored, two of which are located north-east and the other south-east of Port Gentil.<sup>40</sup> The latter field lies within the limits of one of the natural parks created in 2002, Loango National Park. Prospecting work, which included using seismic techniques, started before the approval of the legally required environmental impact study by the Gabonese Environment Ministry.

After several months under fire from Western NGOs and donors (mainly the World Bank, which has established a huge fund in support of Gabonese conservation), prospecting works were halted in September 2006 by the National Parks Council, although not without causing a bitter struggle between the Ministry of Forestry and National Parks and the Ministry of Mines, which supported Sinopec.

This conflict has, in the end, produced a positive outcome for all concerned. For the first time, the Gabonese government has invited

37 Republique Gabonaise, *ITIE Rapport 2005 sur les revenus pétroliers et miniers*. Libreville, 15 April 2007, p.18.

38 *Ibid.*, p.15.

39 *Chine-Gabon: accords pétroliers*, 2 February 2004, <[http://www.questionschine.net/article.php3?id\\_article=989](http://www.questionschine.net/article.php3?id_article=989)>; 'China's Sinopec, Total Gabon sign oil deal', 1 February 2004, <<http://www1.cei.gov.cn/ce/doc/cenm/200403171549.htm>> (accessed 16 November 2007).

40 *China Daily*, 'Sinopec signs evaluation deal for three oil blocks in Gabon', 4 February 2004, <[http://www.chinadaily.com.cn/en/doc/2004-02/04/content\\_302948.htm](http://www.chinadaily.com.cn/en/doc/2004-02/04/content_302948.htm)> (date accessed 16 November 2007).

NGO members to join an independent commission to monitor the process. A new feasibility assessment was made, Sinopec agreed to follow the procedures laid down and the World Bank seems satisfied with standards now followed in Gabon by the second largest Chinese oil company.<sup>41</sup> Sinopec is likely to collaborate with Total Gabon in gas exploration between Libreville and Port Gentil, since it has exploration acreage in the region.<sup>42</sup> Although only beginning to import Gabonese oil in 2004, China is becoming a large customer. Nevertheless, despite Chinese enterprises' strong interest in the sector, they still play an insignificant role in the Gabonese oil industry due to the poor performance of their concessions, as most of the profitable oilfields are dominated by French and US companies.

### The mining sector

This is perhaps the most promising sector for Chinese investment. Gabon possesses large minerals reserves, i.e. manganese (where it is estimated to have the fourth largest reserves in the world and is the fourth largest producer),<sup>43</sup> iron ore, gold and diamonds, all of which remain mostly untapped. Despite its enormous potential, in 2005 the mining sector represented only 2% of Gabon's GDP and 6% of export revenue, according to a government report.<sup>44</sup> This situation is mostly due to poor or non-existent infrastructure. Manganese has been the main contributor to increased production, with exploration having started in the south-east of the country in the mid-1960s, and it benefitted later from the completion of the Transgabonais railway line in 1986. Due to a sudden increase in world demand, Gabon's manganese production has risen sharply in recent years and is expected to reach six million tons in 2008, up from 2.8 million tons in 2005.<sup>45</sup> The main exploration site is in Moanda, in the south-east, and it is run by Comilog (Compagnie Minière de l'Ogooué), a joint

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41 CCS, *op. cit.*, p.96.

42 EIU, *Gabon Country Profile 2007*, *op. cit.*, p.27.

43 US Geological Survey, *Mineral Commodities Summary 2008*. Washington, DC: US Department of the Interior, 30 January 2008, p.105.

44 République Gabonaise, *op. cit.*, p.22.

45 *Ibid.*, pp.22-23.

venture between the Gabonese state and the French group Eramet (which has a 67% equity share). Fifty per cent of its production is exported to China.<sup>46</sup>

Recent reforms in the mining sector have attracted many foreign investors to Gabon in the last few years. Some major mining companies are already active in Gabon, namely the Australian company BHP Billiton, the Brazilian CVRD (Companhia Vale do Rio Doce) and the South African diamond giant De Beers. Chinese mining companies are increasingly involved in this sector as well. Sinosteel (Sinosteel Gabon SA) owns prospecting licences for iron ore, manganese and nickel, while Xuzhou Huayan and Ningbo Huafeng Kuangye have merged to create a company under Gabonese law — *Compagnie Industrielle et Commerciale des Mines de Huazhou*, which has a licence to prospect for manganese in Ndjolé, starting in early 2007. In 2005 this company was given a place in Owendo port to build its own port facilities, next to Comilog's.<sup>47</sup> However, the biggest Chinese achievement in the mining sector in Gabon was the awarding of the monopoly for the development of the Belinga iron ore reserves in June 2006. The deposit, thought to be one of the largest untapped deposits in the world, was discovered in 1895 in the north-east of the country in the surroundings of the Ivindo river. However, due to its remote location and the prohibitive costs of building the infrastructure necessary for its exploitation, it remained untouched until recently, when high demand and rocketing commodity prices encouraged foreign investors to come forward.

In 2005 rights to develop Belinga were granted to a consortium composed of four companies (out of the eight that applied) led by CVRD, with the remaining three being Comilog, China National Machinery and Equipment Corporation (CMEC) and Sinosteel.<sup>48</sup> However, the exorbitant investment required and a quarrel

46 CCS, *op. cit.*, p.83.

47 République Gabonaise, *op. cit.*, p.25.

48 *L'Union* (Libreville), 'Gisement de fer de Belinga: le consortium est constitué', 21 April 2005, <<http://www.bdp.gabon.org/articles/categories/economie/EEEuPlklypQbqQTJty.shtml>> (date accessed 16 November 2007).

between CMEC and CVRD over who was to be in charge of the various operations split the consortium,<sup>49</sup> and separate bids were subsequently presented. The consortium led by CMEC displaced CVRD, which had been granted the exploration rights in 2005.<sup>50</sup> In June 2006 the Chinese consortium was granted the sole rights to develop the Belinga mining complex and the agreement was formally signed in September that year. Aside from a pledge to buy the entirety of Belinga's production, China's proposal offered more in terms of infrastructure development, totalling an investment of \$3 billion. The project includes the construction of a brand new 560 km railway line linking Belinga to the coast (CVRD offered to build only a 200 km branch linking it to the Transgabonais line at Ogoüé),<sup>51</sup> a deepwater mining harbour for transportation located north of Libreville, a hydroelectric dam on the Ivindo river and the iron mining facility itself.<sup>52</sup> Because of the complexity of this project, CMEC carefully chose the other Chinese partners making up the consortium, among which figure Eximbank, Panzihua Iron and Steel Company Mines, China Communication Construction Company, China Harbour Engineering Company Ltd and China Railway Engineering Company.<sup>53</sup> The mines are due to be operational in 2011.<sup>54</sup> This is the biggest infrastructure project since the building of the Transgabonais railway line (1974–86) and will definitively strengthen China's economic presence and influence in Gabon.

A new company, under Gabonese law, was set up to run the overall project: Compagnie Minière du Belinga (Comibel). Initially the Gabonese government was allocated a 15% share in the company, while an 85% equity share was held by the Chinese

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49 Agence France Presse 'China given monopoly to work Gabon's untapped iron ore resources', Libreville, 3 June 2006, <<http://www.busrep.co.za/index.php?ArticleId=3276107#>> (date accessed 16 November 2007).

50 République Gabonaise, *op. cit.*, p.26.

51 Although, according to EIU (*Gabon Country Profile 2007, op. cit.*, p.15), the original Chinese railway plan is likely to change, favouring CVRD's shorter option, due to the high costs involved.

52 Mines and Communities, 'China to fund iron ore mining in Gabon', 8 September 2006, <<http://www.minesandcommunities.org/Action/press1219.htm>> (date accessed 16 November 2007).

53 Interview, Gabon Embassy in Beijing, 10 December 2007.

54 CCS, *op. cit.*, p.93.

consortium, but the government's share was increased to 25% in a new deal signed in December 2007.<sup>55</sup> This change followed several months of NGO protests over the secretive content of the Belinga agreement, concerns over unrestrained foreign access to national resources and environmental alarm over rumours of the construction of a hydropower station on a protected waterfall within the Mindo National Park.<sup>56</sup>

### 3. Future directions of Sino–Gabonese relations

China has acquired a significant role in Gabon's economy in a short time and, as the Belinga project develops, this role is set to grow further in the future. With the Gabonese state anxious to tap into new sources of foreign investment capital, the Chinese will continue to be welcomed. The fact that President Bongo appears to be relying, like the governing MPLA in Angola, on Chinese investment, development co-operation and construction firms as part of his development — and electoral — strategy is an indication of the high expectations placed upon future ties.

Although tensions may exist at the societal level, they are remarkably limited at this stage. For instance, Chinese private small enterprises have established themselves in the formal (cosmetics, restaurants, textiles, massage parlours, hairdressers) and informal sectors (selling consumer goods in the streets),<sup>57</sup> complaints over competition by local shopkeepers and other entrepreneurial minorities (Lebanese, Koreans, Malians) operating in the same sectors are balanced by the benefits of low prices to local people, who have experienced a growth in purchasing power. The issue of

55 Gabonéco, 'Gabon: les Actions gabonaises portées à 25% dans le project Belinga', 7 December 2007, <[http://www.gabonéco.com/show\\_article.php?IDActu=3622](http://www.gabonéco.com/show_article.php?IDActu=3622)> (date accessed 15 February 2008).

56 info Plus Gabon 'Les ONG exigent la publication du contract sur l'exploitation du gisement de fer de Belinga', Libreville, 11 October 2007, <<http://fr.allafrica.com/stories/200710111195.html>> (date accessed 15 February 2008); Stella N, 'Central Africa's most beautiful waterfall under threat', 1 November 2007, <<http://www.psnews.net/africa/nota.asp?idnews=39894>> (date accessed 15 February 2008).

57 Lawson A, 'Difficile concurrence entre commerçants asiatiques et africains', 28 August 2006, <[http://ipsnews.net/fr/\\_note.asp?idnews=3242](http://ipsnews.net/fr/_note.asp?idnews=3242)> (date accessed 16 November 2007).

Chinese migration to Gabon, a source of controversy in some other African countries, does not seem to be an issue here either. Estimates as to the size of the Chinese community vary from 1,000 to 3,000, according to the Chinese Embassy in Gabon and up to 20,000–30,000 in general estimates that circulate among civil society.<sup>58</sup> Regardless of their actual number, the Chinese community in Gabon, as elsewhere, is known for being discrete and quiet and its members are therefore welcome in the country.

The main grievances seem to be environmental concerns voiced by civil society groups over the methods of Chinese companies operating in the timber, oil and mining industries (e.g. oil prospecting in Loango Natural Park and in a maritime park off Port Gentil, the Belinga project dam on a protected waterfall in a national park, unsustainable timber exploration, etc.), the majority of which are state-owned enterprises. Western NGOs, the EU and international institutions have all been closely scrutinising Chinese activities in these sectors, and through their pressure some progress has been made to the benefit of all concerned, although a lot more has yet to be done.

The success of the Belinga project, the Chinese crown jewel in Gabon, depends not only on the commercial extraction of iron ore, but mostly on how the process will be conducted in the coming years. This concerns not only environmental care, but also the benefits it can bring for locals in terms of improving their living standards by creating jobs and bringing basic infrastructure to one of the most remote and underdeveloped provinces of Gabon. Expectations are already high, as the party of Omar Bongo, PDG, made Belinga the centre of its electoral campaign in 2006, promising thousands of jobs and infrastructure investment, and placed this endeavour at the core of its present term in office. Belinga was further politicised when the president launched a campaign ('Belinga Will Go Ahead') to defend the development and counter protests by foreign and local NGOs in late 2007. Furthermore, Belinga is supposed to be completed around the time

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58 CCS, *op. cit.* p.89.

of next presidential elections (2012), and this will be a powerful argument that Bongo will surely want to use to his advantage.

Despite the abovementioned allegations of misconduct by Chinese companies, Gabon has made considerable progress in regard to transparency and governance in the last few years, which can be partly credited to International Monetary Fund and World Bank aid programmes. According to Transparency International, Gabon is apparently doing much better than the majority of its Central African neighbours, being placed in 90<sup>th</sup> position in the Corruption Index of 2006, in a ranking of 163 countries.<sup>59</sup> Gabon has also made serious progress in repaying its outstanding debt, i.e. to the Paris Club through the issuing of a \$1 billion Eurobond in December 2007, and it is to fully repay its debt to the Club de Libreville (a group of Gabonese private companies) in 2008. Gabon is indeed making an effort to further integrate itself into the international financial market and to foster its domestic financial sector. This underscores the Gabonese state's desire to pursue a healthy relationship with Western countries and institutions and, concurrently, it suggests that the portrayal of Chinese companies as perpetrators of poor practices in Africa is not always borne out in reality. Nevertheless, the risk of the derailment of this tentative process is still possible, considering that Gabon's economy has, until recently, been rooted in a vast and long-established patronage network that is opposed to change.

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<sup>59</sup> Transparency International, *Corruption Perception Index 2007*, p.328, <[http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2007](http://www.transparency.org/policy_research/surveys_indices/cpi/2007)>.



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