

‘Red Star over Guyana’: colonial-style grabbing of natural resources but new grabbers

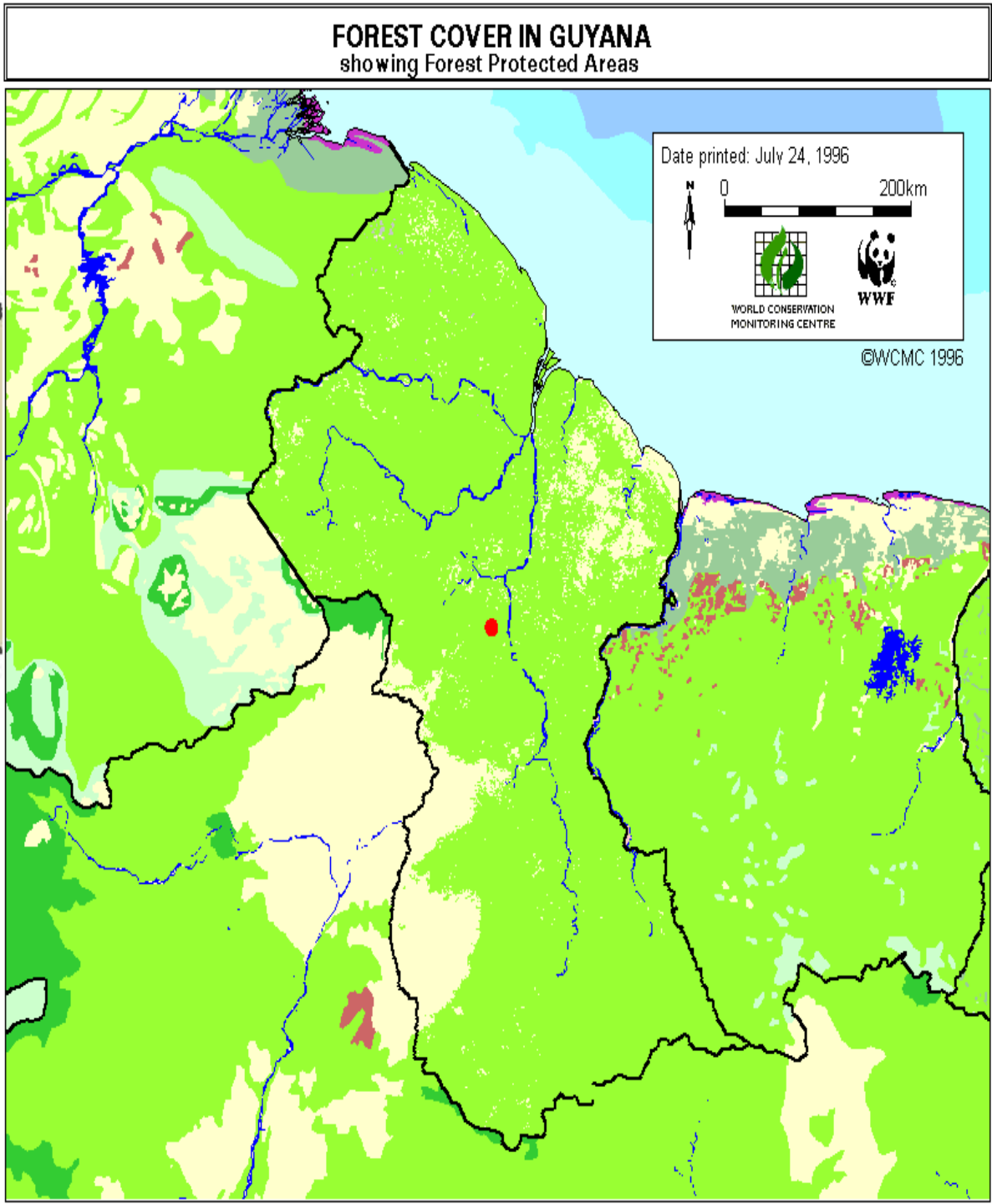
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The Field Museum, Chicago, IL

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Grabbing

Land Deal Politics Initiative

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'the great sucking sound of China' - Kaimowitz (2004)

- Bauxite, gold, timber
- All extracted in State Forests allocated under concessions
- Within 20 years, Chinese companies had established control over the resource (bauxite, timber) or over a major part of the trade (gold)
- Set up enclave economies, de-linking these products from existing local or foreign markets

Strategic approach, highly capitalized

- Natural resources never treated as strategic by Guyana government;
- Government as a price taker
- In contrast, Chinese companies are strategic
 - direct concessions
 - renting
 - management contracts
 - through control of trade in final product

Commodity exports in 2009

Commodity	2009 export value (millions of USD)
Gold	285
Bauxite	80
Timber	42
Total value	407
Total value of 6 export commodities in 2009	768
Gold, bauxite, timber as % of total exports	53 %

Chinese takeaway in other sectors

- Import-export trade
- People smuggling, linked to restaurants
- Construction projects (factories, electricity transmission system, fibre optic telecom network)
- Hydro electric power dam - USD 450 million
- Geologists, medical and other technical experts embedded in government agencies



The governance context in Guyana

- Highly centralized and secretive allocation process
- Foreign investment contracts are handled by the Office of the President
- Regulations are commercially negotiable, whatever the law may require.
- FDI contracts are written by the external investors themselves

Bauxite – high grade, high volume, no managerial capacity

- Ore bodies - 700 M tonnes - include some of the highest grades in the world.
- Thick overburden and poor shipping facilities raise costs.
- Economy of scale requires large capital investment and skilled management.
- 85% of university students emigrate in first 5 years after graduation.

BOSAI Minerals Group

- Listed in the top 500 privately owned enterprises in China
- 2007: acquired 70 % of shares in Guyana's major bauxite company for USD 46 M
- Tax concessions worth ~ USD 3 M annually
- Bosai now controls ~ 95 % of world production of refractory grade bauxite
- Chinese investment promises of USD 1 billion conditional on world price
- Local employment - < 500 workers

Gold – can be mined at all levels of skill and capital

- Mainly the rentiers of mining licences make fortunes.
- High world price for gold and almost no effective environmental controls encourage many entrants in spite of low recovery rates.
- Smuggling 30-80% of output to avoid 7 % taxes.
- Chinese buyers in Suriname pay higher prices in cash for Guyanese gold - ~ USD 50-70 M

Timber – 15 years of increasing demand for logs in China and India

Systemic regulatory capture
pioneered by Malaysian Chinese
logger in 1991.

FDI arrangements favour Asian
loggers over local loggers.

Under-capitalised Guyanese rent
legally to Asians.

Political selectivity in application
of legislation and code of practice.



Zheng He in modern dress

- Super-profits on log exports equal declared FOB price.
- Circumstantial evidence for semi-planned resource grabbing.
- Dark, hard and heavy timber species favoured
- Chronic scarcity of wood for domestic processing
- Few local jobs created - IPO of Samling: 400 Guyanese employed



'Great ecological exchange'

- Last remaining frontier forests fast degraded by scale and intensity of logging and mining

Geopolitical context

- Guyana is not strategically important in global politics.
- Provides opportunities for easy pickings for Chinese companies
- Strong support from Chinese Embassy



China's expanding role in the IDB, World Bank

- 2008: China issued new Policy Paper on Latin America and the Caribbean
- October 2008: 48th member country in the Inter-American Development Bank; committed USD 350 million - of which -
- USD 125 million committed to the IDB's Fund for Special Operations, which provides soft loans to Bolivia, Guyana, Haiti, Honduras and Nicaragua

Leverage in multilateral and regional institutions

- Additional USD 30 million committed to the Caribbean Development Bank for expanded bilateral grant aid and loans to governments on preferential terms
- Seats on IDB's Board of Executive Directors and Board of Governors

China - playbook repeated globally

- But poor communication between countries hosting Chinese loggers and miners prevents countries to regulatory capture

'Workshop of the world'

- Discrete international processes need better coordination
- Insist on independent multi stakeholder processes
- Less lip service to Govt. and insist on independent forest monitoring



And from Guyana's perspective?

- National Development Strategy 1995-6 never implemented, no action plan.
- Integrated national land use planning never implemented.
- Award of NR licences – sometimes auctioned, sometimes under the table.
- Trading of carbon from avoided deforestation simultaneous with logging and mining? – President's intention.
- Corrupt regime flooded with laundered drug money and guns.

Concluding thoughts

Multilateral institutions -
ineffective in face of high-
level corruption

Although small for China,
volumes of NR harvested
without formal controls in
host developing countries
forestall future possibilities
for sustainable
development

Need for joined-up policy
at local and international
levels, and support for civil
society watchdogs

