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Bai Shan Lin and the Great Guyana Giveaway

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By **Janette Bulkan**

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“On the occasion of Chinese New Year, the Guyana Chronicle headlined Ambassador Zhang Jungao’s message as ‘Bound to be another fruitful year’ (Guyana Chronicle, February 18, 2007). The ambassador was looking out for China’s interests, as he well should. We ignore Guyana’s interests at our collective peril.” (source: Bulkan, J. 2007. Guyana’s Poverty Reduction Strategy Programme (PRSP) and the forestry sector (Part 6). Sunday Feature – Guyana and the Wider World, Sunday, March 11 2007. Georgetown, Guyana: Stabroek News. <http://www.stabroeknews.com/2007/news/local/03/11/guyana-and-the-wider-world-35/>).

During the period 08-14 August, the daily newspapers Kaieteur News and Stabroek News have published photographs of large stockpiles of timber logs destined for export by Bai Shan Lin (BSL) to China and VHPI to India. Both companies have previously made formal but vague commitments to process logs in Guyana, but appear to be doing little or nothing to build modern processing facilities. Both companies secured generous foreign direct investment (FDI) tax and other concessions from the Jagdeo administration which give them unbeatable competitive commercial advantages over Guyanese-owned enterprises. A recent hearing by the natural resources sectoral committee of the National Assembly established that neither Go-Invest nor the Guyana Forestry Commission had copies of the FDI arrangement(s) made by Cabinet with Bai Shan Lin, and the Minister certainly did not offer copies.

Although in 2007 the then junior Minister for Forestry (Robert Persaud, now Minister for Natural Resources and the Environment) banned Bai Shan Lin from exporting logs, that ban was soon rescinded. Bai Shan Lin publicised in late 2012 that it had negotiated ‘joint ventures’ with Guyanese rentiers of logging licences. In exchange for a nominal rent, Bai Shan Lin can now use the licences and associated permits and permissions to harvest, transport and export large quantities of logs for processing in its furniture and flooring factories in China instead of in Guyana.

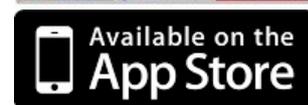
This is what Bai Shan Lin (Board chairman and CEO Chu WenZe) claimed in late 2012 to have gained in links to Timber Sales Agreements (TSAs) and its own (legally-acquired)

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State Forest Exploratory Permits (SFEPs):

Concession number	Concession name	Area in hectares	Source
TSA s			
02/1991, 03/1991	Demerara Timbers Ltd.	485,692	BSL mid-2007, reported in Stabroek News
01/1999	WAICO (Wood Associated Industries Ltd.)	26,074	Chu WenZe 2012
04/2009	Kwebanna Wood Products	87,356	Chu WenZe 2012
?	Karlam South American Timber (Guyana) Inc.	105,056	Chu WenZe 2012
01/2011	Haimorakabra Logging Company Inc. A	16,271	Chu WenZe 2012
01/2011	Haimorakabra Logging Company Inc. B	35,859	Chu WenZe 2012
01/2007	Puruni Woods Products Inc.	107,665	GFC full-page ad in Kaieteur News, 15 August 2014
In addition, it is widely alleged that Bai Shan Lin also controls the following -			
02/1985	Nagasar Sawh	29,175	
03/2005	Garner Forest Industries	92,737	
Sub-total - TSA s		985,885	By addition
State Forest Permissions	unknown	8,170	Letter from James Singh to Kaieteur News, 07 August 2014
SFEP s			
01/2007	Sherwood Forests Inc.	167,066	Chu WenZe 2012
01/2011	Baishanlin International Forest Industry Development Co. Ltd. A	41,414	Chu Wenze 2012
01/2011	Baishanlin International Forest Industry Development Co. Ltd. B	63,360	Chu Wenze 2012
Unknown or additional areas	Unknown	73,009	Derived from letter from James Singh to KN, 7 August 2014
Sub-total - SFEP s		344,849	Letter from James Singh to KN, 7 August 2014
Total - Bai Shan Lin		1,338,904	By addition of sub-totals

Thus, in a remarkably short period, Bai Shan Lin has become the second-largest holder or operator of logging concessions in Guyana (one-fifth of all logging concessions), after the 1.611 million hectares (Mha) of the Malaysian-owned Barama Company Ltd. (23 per cent of all logging concessions).

Incidentally, the recently published third edition of the GFC's code of practice for

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TSA's expressly prohibits joint-venture arrangements: 'The concessionaire shall not transfer, sublet, mortgage or otherwise dispose of any interest arising under the concession agreement' (item 11 in the general terms and conditions relative to TSA/WCL agreements, page 195).

How does this Asian takeover of the forest sector match national policy? Both the parliamentary-endorsed 1997 and the as-yet unendorsed 2011 revision of the National Forest Policy call for in-country added-value processing of forest products. The election manifestos of the PPP/C promised 'promotion of value-added products and value-added industries, such as kiln dried lumber and furniture manufacturing industries, . . . increasing direct and indirect employment through value-added industries and new investments . . . training and capacity building at all levels in the sector' (Manifesto 2006). Likewise, 'encourage more value-added forestry by working closely with all stakeholders on addressing constraints while continuing to support the development of our timber and non-timber resources in a sustainable way' (Manifesto 2011).

In practice, these Asian-owned loggers are doing almost nothing to match either national or party-political commitments. Still, according to Philip Bynoe, the erstwhile champion of small-scale loggers and now friend of Bai Shan Lin (letter in SN 14 August 2014), BSL is putting money into the pockets of small-scale operators in Region Ten. According to Mr Bynoe, BSL is paying US\$ 60/m³ for logs at tree stump, presumably in cash. In contrast, according to information from members of the Upper Berbice Forest Products Association, the logging cost is about US\$ 55/m³, including tractor-trailer extraction from stump to roadside. So the net profit to a logging crew and holder of a GFC logging permission is between 5 and at most 25 US\$/m³, while the declared FOB log export price is about US\$ 250/m³ for the timbers preferred for manufacture in China, and a great deal more when real prices are considered.

The GFC ignored the recommendation in 2006 to hire an international specialist in tropical timber trades, to devise a fiscally effective log export tax in support of processing within Guyana. The GFC's small and creeping tax is less than half the equivalent levied in Sarawak, Malaysia. And the penalties for increased forest product which are included in the Norway-Guyana MoU are likewise fiscally useless. No wonder SN reported 'With news of Bai Shan Lin's massive exportation of logs from Guyana without a permit, the Finance Minister yesterday announced a massive increase in growth by the forestry sector' (SN, 'Forestry sector projected to grow five times initial projection', 10 August 2014).

With so much guidance readily available on the negotiation of FDI arrangements (including the OECD Guidelines for Multinational Companies), it seems extraordinary that the Hoyte and Jagdeo regimes were so comprehensively outwitted by Malaysian and Chinese investors, such that the benefits to Guyana of allowing Asian enterprises are vanishingly small while the cost of and time for forest recovery after repeated logging are large and long.

The Cabinet negotiators appear not to have appreciated the Chinese tactic, notwithstanding the report that Bai Shan Lin's Board chairman and CEO in Guyana had been criminally charged in China (see the Bai Shan Lin pages in www.globaltimber.org.uk). Claiming control of large areas of forest in Guyana has allowed BSL to obtain equipment on credit; some 200 trucks and 50 pieces of forest extraction equipment, according to Kaieteur News on 12 August. Based on experience of the related company BUCC in West Africa, these machines have been obtained in a barter deal, such that payment will be wholly or mainly in raw unprocessed logs, not cash, and Bai Shan Lin will follow Barama in claiming no taxable profits in Guyana.

Perhaps Go-Invest, the Ministry of Natural Resources and the Environment (MNRE) and the Cabinet can remind Chu WenZe of BSL's advertisements for Guyanese workers in January 2013? Perhaps Cabinet can join the rest of the world in re-negotiating FDI arrangements transparently, and including verifiable progress indicators, so that the National Assembly can track exactly what has been promised by each side and how Guyana is and will be benefitting, as the MNRE and GFC are apparently not capable or willing to do such tracking. Let us see some firm and time-bound verifiable commitments to functioning technically-advanced factories for flooring and furniture to make best use of our technically excellent timbers, training and upskilling for Guyanese employees, tapering limits on temporary employment of Asian specialists, rising tax revenues, and investments which are socially responsible and environmentally sound. As the Cabinet has usurped the decision-making authority of Ministries and agencies, it is Cabinet which has to explain this giveaway to the people of Guyana.

In 1992, a major PPP/C advertisement declared: 'What does October 6th 1992 [date of national elections] mean to you? ... It means you want a say on how and to whom your resources are divested, instead of the transfer of ownership at rock-bottom prices to foreign interests' (quoted by Ralph Premdas in 'Guyana: the critical elections of 1992 and a regime change', Caribbean Affairs, 1993, p. 121). Then as now, censuring the Cabinet for its failure to deliver on its promise to act in the national interest is a matter for the ballot box.

Aangeboden door **Ken Fisher** (Forbes columnist)

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