

Bai Shan Lin's seven years of broken promises

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Promising not to export logs and to establish the “largest wood-processing factory in Guyana” as well as introduce “advanced wood processing technology” and an eventual move to forest certification, Chinese company Bai Shan Lin introduced itself to Guyanese in 2007 beginning a rapid rise that seven years later, encompasses several sectors even as its failed to live up to many of its commitments.

BRIDGE Schedules
Closure to Road Traffic for:

Demerara Harbour Bridge

Sunday	August 31, 2014	08:30 hrs
Monday	September 01, 2014	08:30 hrs
Tuesday	September 02, 2014	09:30 hrs

For Ocean Going Vessels the opening lasts about 1-1½ hrs
For Trawlers the opening lasts about ½ hrs

Berbice River Bridge

Sun	August 31, 2014	07:15 - 08:45hrs
Mon	September 01, 2014	08:00 -09:30 hrs

The opening lasts for 1 1/2 hours

Officially, the controversial company currently controls 627,072 hectares of forest but in the past, it has had links with several logging companies and in 2012, stated that it controls over 960,000 hectares of forest in Guyana, a claim that until last month was not denied by the authorities despite being widely reported. Further, since 2008, the company, according to data from the Guyana Forestry Commission (GFC), has exported 35, 832 cubic metres of logs despite the company being banned from exporting logs in 2007 by then Minister of Agriculture and now Minister of Natural Resources and the Environment Robert Persaud.

It is not clear when the ban was lifted and Persaud has not responded to multiple requests by Stabroek News for clarification on matters related to Bai Shan Lin and several other matters.

In 2007, the minister had cited the fact that Bai Shan Lin did not comply with its commitment not to export round logs as the reason for the ban. It is not clear when the ban was lifted but the company, according to data supplied by the GFC, began exporting logs in 2008. Stabroek News had requested a breakdown of how much logs Bai Shan Lin has exported on an annual basis since it began exporting but the GFC did not include figures for 2007. The GFC provided data regarding the Joint Ventures (JV) engaged in by the company but did not indicate logs Bai Shan Lin would have purchased from other concessions.

Since setting up in Guyana, Bai Shan Lin has been ensnared in a number of controversies.

Bai Shan Lin first came into the spotlight in January 2007, when Stabroek News reported that the company was investing US\$4.5 million in a wood-processing plant to process logs cut from the troubled Jaling Forest Industries Inc concession. At the time, Bai Shan Lin claimed to have the rights to 400,000 hectares of forest for a period of 20 years.

The company had said that it would be processing logs harvested from the Jaling concession and at the time, a source from Bai Shan Lin told Stabroek News that in addition to this, the company would be purchasing lumber for processing and resale both locally and overseas. In ads, the company had also invited local companies to submit proposals to supply Bai Shan Lin with lumber for processing.

A week later, at a press conference on February 8, 2007, Chu WENZE, the President of Bai Shan Lin, disclosed that when Jaling was considering setting up a veneering plant, he fronted money to Jaling for the purchase of equipment but things went wrong and the business relationship went sour. In relation to the intention of the company to process lumber from Jaling's concession, Chu said that the arrangement was no longer being pursued in light of the soured relations between the two companies.

Planned timber processing factories

Company officials had stressed that they plan to invest approximately US\$100 million dollars over three years, up to 2009 for value-added processing as well as timber harvesting and hoped to have an annual production capacity of 300,00 to 500,000 cubic metres. This has not yet happened.

"We plan to establish two large-scale timber processing factories in Linden and Georgetown, with a total log capacity of 300,000 cubic metres per year," the company's then Administrative Manager Karen Canterbury had said. "Towards this end, the company has purchased a saw mill in Linden, which has been previously owned by Jaling Company and discussions have commenced with the government officials about the expansion of the factory site," she added.

"Bai Shan Lin Company will introduce the advanced wood processing technology and the advanced processing equipment. We will also train a group of local personnel who will be able to master the technology thereby increasing production of value added products," Canterbury said.

She added that the operations will place emphasis on the processing of finished products in accordance with the government's policy. "We intend to operate our business legally, based on the law of Guyana and to pay relevant taxes. Bai Shan Lin is determined to be a good corporate citizen and a household name in Guyana," she had said.

At the time, according to WENZE, Bai Shan Lin planned to have the largest wood-processing factory in Guyana and was in talks with government to acquire land to expand a factory at Linden as well as to build a saw mill in Georgetown. He had said that his company needed a large amount of raw materials and had commenced a process of procuring this from smaller concessions while it acquired its own concessions.

According to company officials at the time, their main markets will be China "for now" and the company would strictly abide by all the laws and regulations of Guyana for the industry. In addition, once more markets are garnered, forest certification would have to be sought, they said.

China remains the main market for Bai Shan Lin, it has not begun to engage in value-added processing and forest certification seems a long way off.

Canterbury had also said that in order for the company to maximise the use of the forest resources, it would embark on a project to utilise the bark, branches, defective wood and factory waste to make high density boards. At the time, she had estimated that the company would be able to produce 200,000 cubic metres of high density boards within the next three years.

Seven years later, the company is yet to live up to its promises.

Wenze had stressed that Bai Shan Lin would deliver everything it promised and reinvest its profits for the further development of the industry.

Ban on log exports

Shortly after, however, on April 20, 2007, Minister Persaud announced that Bai Shan Lin was banned from exporting logs since that was contrary to earlier commitments given by the company to the government to become engaged immediately in value-added activities.

In a statement, the ministry had said that in discussions between the government and the company, the management of Bai Shan Lin emphasised its interest was in promoting value-added activities in the forestry sector, and a commitment was made not to engage in the export of round logs. Based on these commitments, the government continued to talk with officials of Bai Shan Lin on the procedures to be followed to acquire suitable land for the establishment of value-added facilities and to access forest resources, the release said.

“Unfortunately, Bai Shan Lin did not comply with its commitment not to export round logs. After observing requests for the exports of round logs by the company, it was advised that this was in breach of their commitment. No further export of round logs would be allowed by the company and all relevant agencies have been so advised,” the ministry had stated.

It is not clear when the ban was lifted but according to the GFC, Bai Shan Lin began exporting in 2008. In January 2008, Commissioner of Forests James Singh had said that Bai Shan Lin had made a request to the GFC to establish a wood processing facility. “The GFC is currently reviewing the documentation submitted, and conducting a due diligence of the company. After these activities have been completed, the GFC will then make a recommendation to the Government of Guyana,” he had said.

Bai Shan Lin had also faced other issues. In August 2007, during a visit to Bai Shan Lin’s operations at Coomacka in Region Ten, workers complained about poor working conditions and breaches of safety and health regulations. Workers bitterly complained of harsh treatment and little reward for their work.

Later that month, it was reported that Demerara Timbers Limited was to be taken over by Bai Shan Lin. The company’s site manager Earl Julien had confirmed this to Stabroek News and also assured that the logs from the new supplies will all be processed at the company’s sawmilling facility at Coomacka. Meantime, Canterbury had said that the company would be providing more information on the details of the takeover in due course.

S K Chan, the Chief Executive Officer of DTL subsequently said that his company had a Technical Assistance Management Agreement with Bai Shan Lin “to secure the market linkages in China so as to add processing equipment to our existing mills at Mabura to produce a wider range of value-added timber products.” He added that DTL was in full control of itself.

Subsequently, Minister Persaud said that the GFC had on August 28, 2007 held a meeting with the senior management of DTL and Bai Shan Lin and received assurances that there has been no transfer of

shares or assets from DTL to Bai Shan Lin. The minister had stated that DTL was still in control of both the management and administrative aspects of its operations. He said that DTL had formed a strategic alliance with Bai Shan Lin for product development/marketing.

Persaud had disclosed that Bai Shan Lin was considering either a complete or partial takeover of DTL in the future.

It was also disclosed that Bai Shan Lin benefited from over US\$1 million in tax waivers in 2007.

Joint ventures

For a while, Bai Shan Lin was under the radar then in 2012, Chu Wenze now identified as the company's chairman at a presentation at the second World Congress on Timber & Wood Products Trade in China, gave a presentation outlining his company's plans for Guyana. He said that Bai Shan Lin is part of a group of 11 companies operating in Guyana with China Forest Industry Group Company Ltd being the parent company.

The subsidiaries in Guyana included Bai Shan Lin International Forest Industry Development Co Ltd, Haimorakabra Logging Company Inc, Demerara Timbers Inc, Karlam South American Timber (Guyana) Inc, Wood Associated Industries Inc, Kwebanna Wood Products Inc, Sherwood Forests Inc, Bai Shan Lin Mining Development Co Ltd, Bai Shan Lin Real Estate Development Co Ltd, Bai Shan Lin International Shipmaking Co Ltd and Bai Shan Lin Guyana Chinese

Products Mall.

According to the GFC data, Bai Shan Lin has Joint Ventures (JVs) with four companies who already have Timber Sales Agreements that allows them to harvest logs. These are Haimorakabra Logging Company Inc, Wood Associated Industries Company (WAICO) Puruni Woods Inc and Kwebanna Wood Products Inc.

In 2007, Danny Chan transferred all the shares in Haimorakabra as well as Karlam Sawmill to Bai Shan Lin chairman Chu Wenze and in April 2009, the JV with WAICO was approved. The GFC board in March this year approved the JV with Bai Shan Lin and Puruni Woods Inc and in April, approved the JV with Kwebanna Wood Products Inc.

At Chu Wenze's presentation in 2012, he spoke of an ambitious plan to develop the company's holdings in Guyana, which includes forest concessions amounting to 960,000 hectares, a 20-kilometre river gold mining concession, a 5km² construction area for a Guyana-China Timber Industry Economic and Trading Cooperation Park and 400-acres land for real estate development.

Minister Persaud last year then said that Bai Shan Lin has guaranteed that the majority of logs harvested would be for local processing since its planned wood processing facility would need a steady supply. According to Persaud, Bai Shan Lin made a number of commitments to the government through the GFC in the forestry sector. "It has been in satisfactory compliance with the GFC guidelines for legal access to state forest areas either through approved joint venture agreements, or via the GFC transparent and public allocation procedures, and guidelines," he had said.

When asked about the size of the area the company had access to, Persaud at the time said that these were acquired through "legally approved JV arrangements."

"Bai Shan Lin has access to three concessions where full scale harvesting operations are being undertaken," he said. Data from the GFC subsequently contradicted the minister's claim. Despite requests,

the minister has not responded to Stabroek News to clarify the issue.

Hiring of local workers

The controversies continue for the logging company. In January last year, the company announced that it was seeking to recruit 700 Guyanese workers to kick-start a number of major investment projects in Guyana and was aiming to provide jobs for up to 10,000 Guyanese in the longer term.

Subsequently, the chairman Chu Wenze told the Government Information Agency (GINA) that over 800 persons were employed following the recruitment drive. Thereafter, in July, he told Stabroek News that only 300 persons were in place. "We advertised for hiring about 700 workers. We can say up to now that there are about 300 workers are in place. They are all actively working in our company," he had said.

Following that, in October, a company official told Stabroek News that Bai Shan Lin had hired some 400 persons and they were deployed in the different areas of the company's forest and wood processing operations around the country. "We have not hired all of the 700 persons as yet. Only about 400 of them," the official had said.

However, in a statement earlier this month on August 14, the company disclosed that only 151 Guyanese are in its employ.

Illegal mining

The company was also ensnared in other issues. Last year May, Bai Shan Lin was found to be illegally mining sand and laterite at Moblissa and Bamia but despite at least three cease-work orders issued by the Guyana Geology and Mines Commission, the company did not stop. Top GGMC officials had said that the company would be prosecuted because it had no permission to mine either sand or laterite. Subsequently, last year July, the Guyana Lands and Surveys Commission (GLSC) put out a public notice informing that Bai Shan Lin was banned from mining laterite.

During the course of the mining, company trucks had badly damaged the \$90M Inter-American Development Bank-funded Moblissa road and while some repairs were done, residents said that it was shoddy and during a visit to the community recently, residents expressed dissatisfaction with the poor state of the road.

GRA car park

Further, last October, Stabroek News reported that Bai Shan Lin was creating a car park for the Guyana Revenue Authority (GRA) along a section of the Lamaha Street embankment. It was pointed out that the construction was occurring in an area that the government had previously said should only be for overhead high tension power lines. The Guyana Power and Light subsequently wrote to the Public Works Ministry complaining about the decision to allow the use of the area by the GRA.

It was also revealed that the GRA has to pay a fee to Bai Shan Lin for use of the park. Amid concerns about the propriety of the arrangement, critics said that an ad hoc deal between the country's tax collecting agency and a foreign company which has been snared in a number of controversies here is inappropriate. GRA Commissioner-General Khurshid Sattaur had defended the deal even as the Guyana Human Rights Association (GHRA) said that the arrangement reeked of impropriety and should be terminated.

This month, the company was again under the spotlight as it was revealed that it had not lived up to its commitments made seven years ago and was exporting logs in large quantities. The company blamed

the authorities for the sloth in setting up its processing plant and said that it was granted a lease for the construction of its processing plant, four years after they applied for it.

This year, it also applied to the Environmental Protection Agency (EPA) for permission to begin large-scale logging and sawmilling operations at its forest concessions in regions Six and Nine, even as concerns have been raised by some analysts that its primary interest is logs for export with little downstream processing. Bai Shan Lin's access to key parts of the economy have also raised questions about the regulation of its business by the forestry commission and associated bodies. It is also logging in several other area.