



# In pursuit of legality and sustainable conduct in forest lands

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Since 2014 China and the UK have been working together in their joint International Forest Investment and Trade (“InFIT”) programme to address potential negative impacts arising from China’s growing demand for forest products and other commodities and to fight illegality in timber trade.

The partnership through InFIT shares a common objective to help low-income countries, accelerate growth and job creation through increasing trade and improving the quality of Chinese outward investment. China’s view on environmental issues in itself embodies certain practices and beliefs that deepen the understanding of ecological civilization, green development and shared future. InFIT is a joint initiative of China’s Ministry of Commerce

(MOFCOM), State Forest Administration (now the National Forest and Grassland Administration - NFGA) and the UK Department for International Development (now Foreign Commonwealth and Department Office - FCDO). InFIT is part of the UK government’s broader international initiative on climate change – Forest Governance, Markets and Climate Programme – aimed at addressing governance failures in developing countries and supporting markets for legally produced timber and commodities grown on forest land.

Opposite page: Dr. Junzuo Zhang (3rd from the right) during her visit to rubber plantations in Cameroon in November 2019 together with the InFIT CCCMC delegation. Photo: Mr. Xiao Jianmin, member of the delegation.

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## China is the world-processing hub for wood products and the world's largest producer and exporter of wood-based panels, wooden furniture and wood flooring.

**INFIT I (2014-18)** In the InFIT's first phase of work (2014-18), the programme implementation embraced a series of activities and results, including:

- The development of a Chinese Timber Legality Verification System (CTLVS), which aims to ensure that Chinese timber imports have been legally produced;
- The establishment of a "China Responsible Forest Products Trade and Investment Alliance" (RFA) and development and provision of due diligence tools and information on market demands for Chinese wood-product exporting businesses;
- The preparation and dissemination of voluntary best-practice guidelines for Chinese forest sector investors in Gabon, Guyana and Myanmar to help them comply with national laws and meet sustainable forest management standards in those countries;

- The documentation of lessons learned from China's forest tenure reforms and sharing them with developing countries that are undergoing their own reforms;
  - The development and dissemination of voluntary guidelines for sustainable establishment and the management of natural rubber investment in environmentally and politically vulnerable countries;
  - The development and dissemination of voluntary Guides for Overseas Investment and Production of Sustainable Palm Oil by Chinese Enterprises.
- Findings from an external review conducted in 2016 showed that significant research insights were developed through InFIT I and it has become clear that, in accordance



Sawmill in Gabon Special Economic Zone.



Meeting of Chinese company representatives, forest officials from Cameroon and members of the InFIT team.

### ILLEGAL LOGGING AND REPUTATIONAL RISKS

Alongside the Chinese 'Going Global' (or 'going out') strategy, China's demand for natural resources has grown dramatically since 2000 and this, together with the implementation of the Belt and Road Initiative, has resulted in a spectacular increase of Chinese outward investment. In recent years about 55% of the total commercial timber consumed domestically in China was imported (this rate was 45.3% in 2019). Issues of legality and sustainability need to be addressed and so do reputational risks to Chinese enterprises, especially to those operating in many of the developing countries where governance and enforcement of laws relating to forests is weak. Illegal logging is still commonplace in many countries, including in Central

and West Africa. In these areas, forest sectors are poorly governed, corruption is common, high value timber is available and alternative income-generating activities in rural areas are limited. Illegal logging undermines the rule of law and leads to the loss of significant tax revenues. Communities and individuals standing up to illegality risk persecution and violence. With regard to the aforementioned, many initiatives are already underway in China. Many of them are supported by industry associations, NGOs or others through already established working relationships. Several of these are supported/coordinated through the InFIT Programme, which to a great extent acts as a hub for legality-related initiatives regarding imported timber in China.

with these insights, China's 'route' is towards a greater alignment and coordination with other international efforts to tackle illegal logging and deforestation. However, efforts to operationalize InFIT insights through the CTLVS, the China Responsible Forest Alliance, and investment guidelines to influence market behavior concretely and substantially, which would reduce the impact of China's trade and investments on global forests, were at a very early stage at the time.

**INCREASE** China is the world-processing hub for wood products and the world's largest producer and exporter of wood-based panels, wooden furniture and wood flooring. Since the beginning of this century, China's wood consumption increased year by year, from 109 million cubic meters in 2000 to 539 million cubic meters in 2014. The total consumption was 4.9 times that of the year 2000, an increase of 394%. China has become the world's largest consumer of timber and the largest importer of logs and sawn timber.



Made in Gabon Special Economic Zone.

## It is important for China to have and implement strong standards in support of responsible and sustainable investment and trade on a global level.

With a dramatically increased consumption of wood on a domestic level, China has seen a considerable diversification of its wood imports in recent years. The expanded and broadened scale in outward forestry investment and trade, especially in environmentally and politically fragile developing countries in Africa and South America, has increased the complexity of supply chain management, which makes it even more important for China to have and implement strong standards in support of responsible and sustainable investment and trade on a global level.

Until now the Chinese government has relied on voluntary guidelines to influence the behavior of Chinese companies trading and investing in overseas forest assets. However, there are many thousands of Chinese timber companies, the majority being small and medium sized companies, and only a few are managing or mitigating the risks of illegality in their supply chains. Few are aware of the requirements, let alone the techniques, which are available to them to do this. When the awareness is low and reaching-out has become difficult, the role of industry associations is key in supporting initiatives to drive behavioral change.

**INFIT II (2019-2022)** With the renewed partnership between the UK and China, InFIT II (2019-2022) built on and reinforced efforts of the first phase to address these issues and further increase Chinese engagement in reducing global deforestation. While the two national wood industry associations joined the implementation, InFIT II also involves a wider range of state and non-state stakeholders.

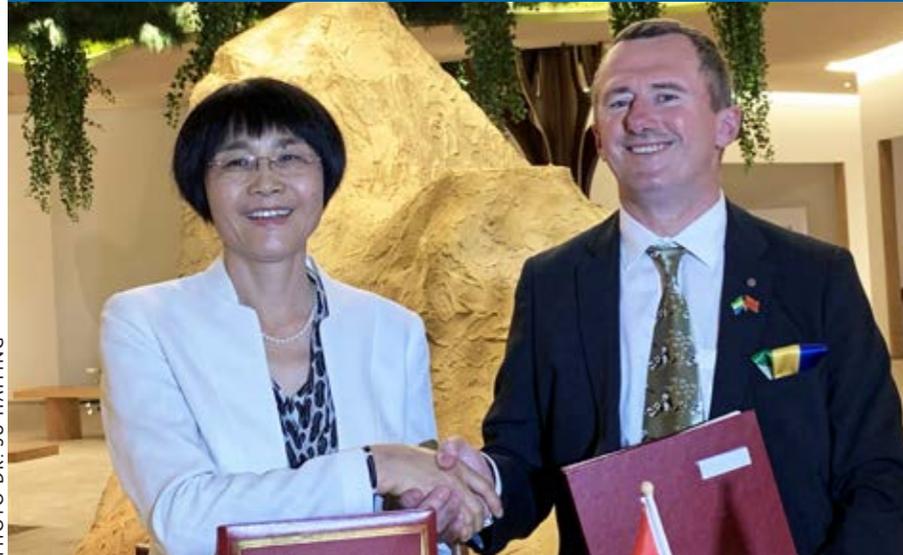
The lead agencies to deliver project actions include: the National Forest and Grassland Administration (NFGA); the Chinese Academy of Forestry Sciences and its Research Institute of Forestry Policy and Information (CAF-RIFPI); the China National Forest Products Industry Association (CNFPPIA); the China Timber & Wood

### CHINA'S CSR ALLIANCE IN AFRICA

At the Beijing Summit of the China-Africa Cooperation Forum, Chinese President Xi Jinping proposed the establishment of "China's Corporate Social Responsibility Alliance in Africa" on September 3, 2018. The establishment of this Alliance aims to strengthen the social responsibility capacity of Chinese companies investing in Africa and advance their CSR performance. It will provide a new exchange platform for a China-Africa policy engagement and promotion of best practices. It will strengthen the China-Africa cooperation under the "Belt and Road Initiative" to contribute to the UN's 2030 Sustainable Development Goals and efforts to build a global community of a shared future. The Alliance is a non-profit organization of Chinese enterprises, associations and chambers of commerce which conduct business in Africa. China Chamber of Commerce of Metals, Minerals & Chemical Importers & Exporters (CCCME) acts as a facilitator and the secretariat of China's CSR Alliance in Africa (i.e. Chinese Alliance for Responsible Business in Africa – an official name in the English language). CCCME will provide new opportunities for the use of responsible resources in all of Africa and for international long-term engagement in governance and market reforms, which reduce the adverse impact on local and global environments and contribute to national development, rule of law and benefit poor people.

With the support of the InFIT project since 2014, CCCME has been continuously promoting best practices in responsible supply chain management in natural rubber and mining sector. This has helped to create a solid basis and accumulation of experience for CCCME to lead in the formation of the Alliance.

## MOU CHINA AND GABON



Madam HU Zhangcui, Deputy Director of China National Afforestation Committee Office, the China National Forest and Grassland Administration and Professor Lee White, Minister of Water, Forestry, Seas, Environment and Climate Strategy of the Republic of Gabon shake hands at the signing ceremony of the Memorandum of Understanding between the two countries in Gabon's capital Libreville, September 2019.

PHOTO DR. SU HAIYING

Under the authority of the National Forest and Grassland Administration (NFGA), one of the key results in InFIT's first phase of work ("InFIT I – 2014-2018) has been the preparation and dissemination of voluntary country specific guidelines for Gabon with the aim of guiding legal and responsible investment and trade. The Chinese Academy of Forestry, specifically its Research Institute of Forestry Policy and Information (CAF-RIFPI), is taking a lead in helping Chinese enterprises operating in Gabon make wiser business decisions and improve the overall reputation of the business performance by the Chinese enterprises and the forest industry as a whole. In September 2019, the NFGA and the Ministry of Water, Forests, Seas, Environment and Climate Strategy of the Republic of Gabon signed a MoU on forestry cooperation. The MoU encompasses the strengthening of communication and sharing of information regarding investment possibilities and trade in forest products; the exchange of experiences as well as scientific and technological research in various fields; improving operational capacities of employees of China by visits of experts and training in technical services related to forestry, timber industry; joint capacity building on advanced processing of forest products; supporting the development of sustainable forest management practices and reforestation, and support to upgrade Gabon's forest

products processing tools. A regular high-level government dialogue will oversee and monitor progress.

With the support from InFIT 2, there is an opportunity to assist in implementing the China-Gabon cooperation agreement and promoting and supporting the implementation of country guidelines. This is undertaken through the establishment and operation of a technical working group regarding timber legality and local community development. This team will carry out gap assessments of selected Chinese companies, taking the country specific guide and relevant legality/sustainability provisions into account. A leading enterprise group has also been formed to seek commitment and support from participating enterprises to champion good practice for the industry as a whole.

With the log export ban and recent new policies in Gabon in mind, towards FSC schemes for all forestland in the country by 2022 and towards different taxes on forest land, InFIT is investigating the option of a China-Gabon-UK platform which will involve all stakeholders to tackle forest governance failures and the consequent market failures that result in deforestation and the damage to forests and ecosystems inside Gabon.

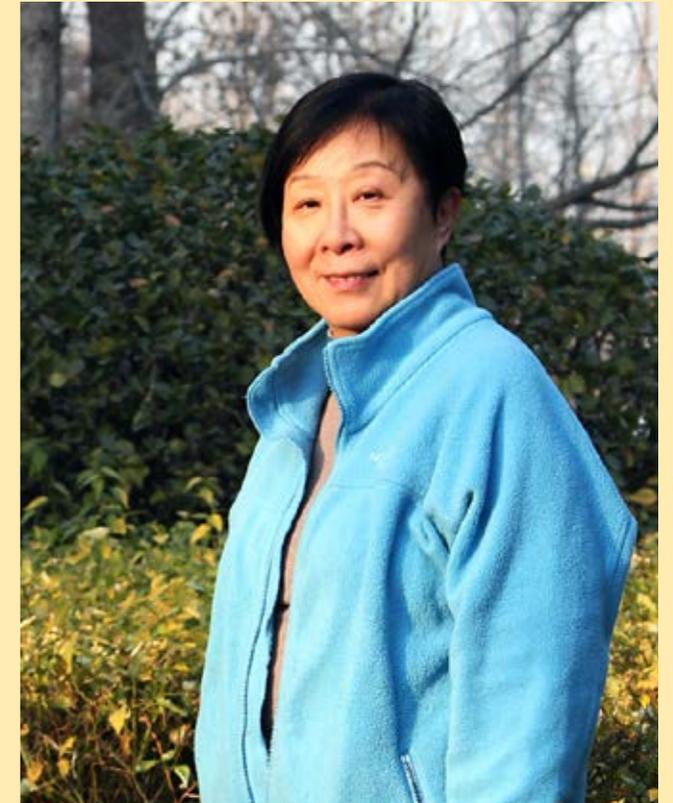
## The role of industry associations is key in supporting initiatives to drive behavioral change.

Products Distribution Association (CTWPDA); the Ministry of Commerce (MOFCOM) which is responsible for formulating policy on foreign trade, export and import regulations; the China Chamber of Commerce of Metals, Minerals & Chemical Importers & Exporters (CCCMC), which works on International Sustainable Natural Rubber standards and other sustainable standards, for example for outbound mining investment by Chinese companies; the China Chamber of Commerce of Import and Export of Foodstuff, Native Produce and Animal By-Products, which works on investment and consumption of sustainable palm oil by Chinese companies.

InFIT II therefore aims to achieve four directly attributable results:

- Government policy/regulations aimed at ensuring that only legally produced forest products are included in China's supply chains;
- Systems and tools for deploying responsible supply chains that enable enterprises importing timber products to comply with Chinese policy and regulations and meet the demands of their customers in export markets;
- Adoption of practices that promote responsible overseas trade and investment by Chinese enterprises in the forest sector and other commodity sectors that have significant impacts on forests, and which complement national stakeholder-led processes in developing countries; and
- Policy partnerships promoting research and analysis that help identify practices that underpin legal and sustainable trade and investment in the forest sector and related commodity sectors in African countries.

Project actions are implemented by agencies, associations and think tanks to build the evidence and analysis to benefit investors and policymakers as well as advance future cooperation with developing countries.



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