

Flashcards

Strategic Engagement on Chinese Initiatives for Green Supply Chains



An overview of Chinese approaches with recommendations for stakeholders in policy making, diplomacy and advocacy.

June 2024

The cultivation of soft commodities such as timber, soy or beef for international trade is one of the main drivers of deforestation. More and more global attention and policy making is geared towards halting deforestation to mitigate climate change and biodiversity loss. In particular, the EU has made a noticeable move in regulating products and activities that lead to forest loss: The EU Deforestation Regulation (EUDR) obliges member states to reduce deforestation driven by their imports. China, as the biggest importer of soft commodities, should also play a role in transforming global supply chains, but has so far not implemented comprehensive legislative or regulatory measures. However, numerous initiatives show that China is beginning to address the challenge. Therefore, more concerted endeavours are needed to move the agenda forward together with decision-makers, media and multipliers based on well-established relations between the European and Chinese networks.

About these flashcards

This collection of info slides is published by Germanwatch in the context of the “Transnational Network for deforestation-free supply chains” project with the aim to provide an overview of what are considered to be the most important and recent international and domestic efforts made by China to prevent or reduce global deforestation in its supply chains. The slides also present recommendations gathered from relevant experts, which we hope will provide insights for more constructive international dialogue and cooperation.

Content

- **Recommendations for further EU-China advocacy**
- **An overview of key Chinese ministries, government agencies, and industry actors involved in greening the global supply chain**
- **International commitments**
- **Chinese policies and guidelines**
- **Annex: further notable initiatives**

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Navigation

Click on the Link (underlined) to jump to a chapter.

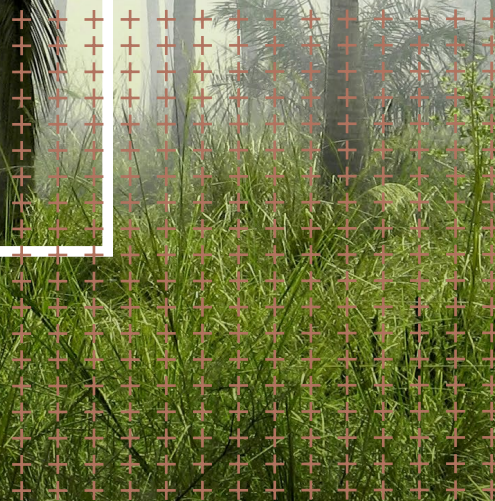
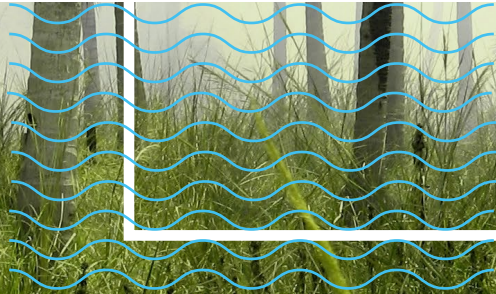
- [Recommendations](#)
- [Chinese Actor Map](#)
- [International Commitments](#)
- [Chinese Policies and Guiding Documents](#)
- [Annex: Further notable initiatives](#)

More to read ...



“Assessing policy approaches to halt deforestation in EU agricultural supply chains”, Germanwatch, 2022.

Recommendations



Recommendations for further EU-China engagement

China and the EU are the largest and second-largest global market for most forest-risk commodities. They therefore have a shared responsibility and great potential for continued transnational efforts with civil society, academic, political and business actors to address deforestation-risks in their supply chains. The following recommendations are meant to facilitate constructive engagement with Chinese actors on this issue:

- **Continued dialogue with China on the topic of greening global supply chains**, for example as part of the EU-China High-Level Environment and Climate Dialogue.
- **Facilitating Chinese policy benchmarking with global best practices** such as the EUDR and building implementation capacity in China are the keys to advancing effective policy. **Specifically the Forestry Law should be further developed and implemented** in China to ensure **legality of commodity imports**. To engage systemically, **promoting a sense of political ownership among ministries (or agencies under their supervision)** can carry forward the efforts that have been made.
- **Linking deforestation issues to China's climate goals** can facilitate communication between the EU and China on governance practices and sharing best practices, such as integrated land use policies. Mainstreaming the agenda requires global and local advocates who can curate dialogues. In terms of research and data collection, **reaching data consensus between international and Chinese institutions** plays a strong role in promoting traceability.
- Furthermore, while formal cooperation at the government level has great potential, **facilitating policy dialogue and capacity building with industry and business** around topics such as EUDR implementation can offer more opportunities for viable business cases as well as building mutual trust.

Who does what? A map of key Chinese ministries, government agencies and industry actors involved in greening the global supply chain

To systematically support and implement green supply chain strategies in China, the **agenda needs to be mainstreamed with Chinese ministries, government agencies and industry actors**. Various Chinese ministries and officials have commitment and shared responsibility to formulate national policies and initiatives ranging from international cooperation, foreign trade and investment to food security or timber legality etc. Based on the relevant Chinese policy instruments collected, the actor map on the next page illustrates the roles of key actors in greening global supply chains in China.

▼ [Chinese Actor Map, next page](#)

Navigation

Click on the Link (underlined) to jump to a chapter.

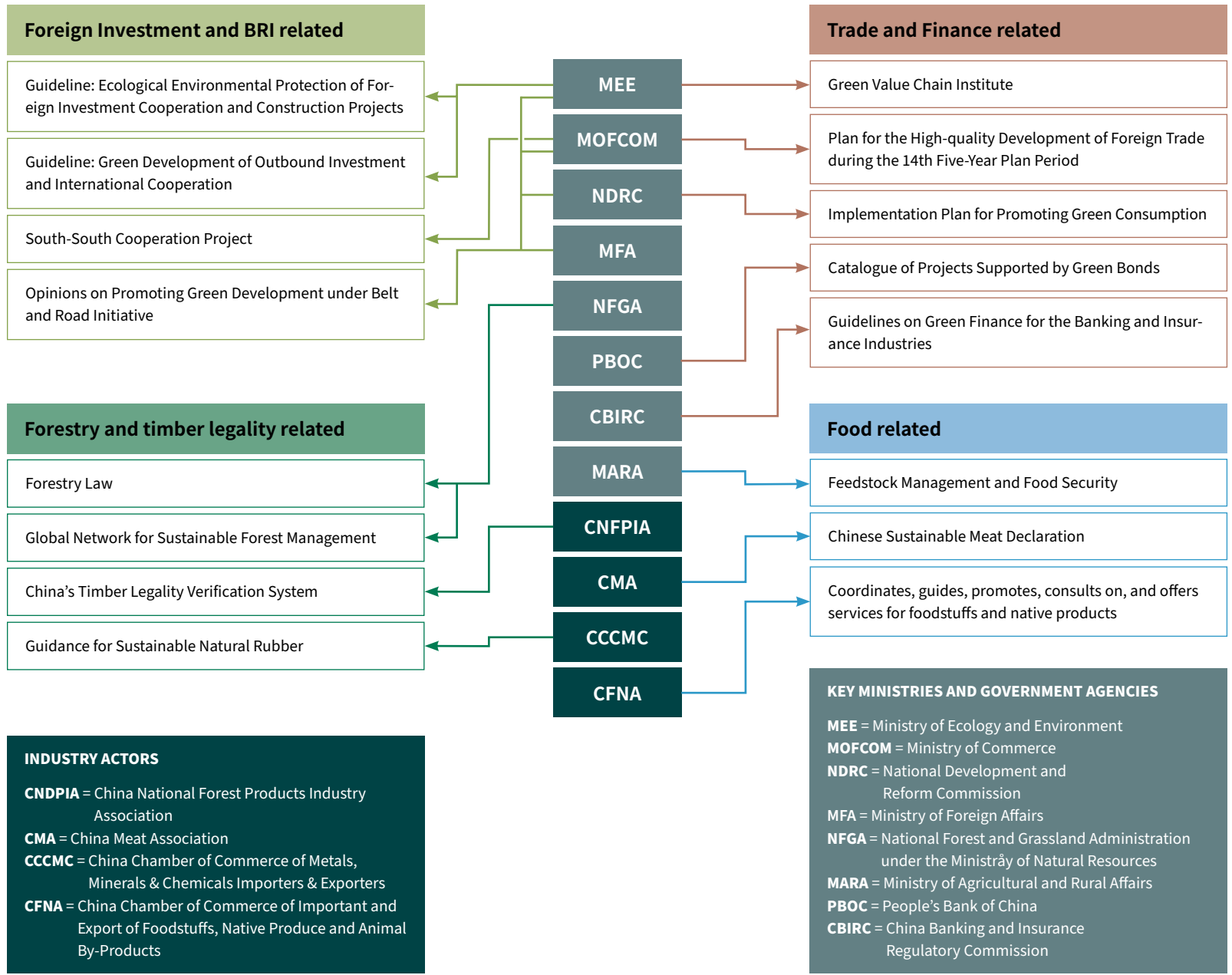
- [Recommendations](#)
- [Chinese Actor Map](#)
- [International Commitments](#)
- [Chinese Policies and Guiding Documents](#)
- [Annex: Further notable initiatives](#)

More to read ...



“Policy Study of Global Green Value Chains Strategies – Action Plan for Greening China’s Soft Commodity Value Chains”, Tropical Forest Alliance, 2022

Chinese Actor Map



Navigation

Click on the Link (underlined) to jump to a chapter.

- [Recommendations](#)
- [Chinese Actor Map](#)
- [International Commitments](#)
- [Chinese Policies and Guiding Documents](#)
- [Annex: Further notable initiatives](#)

More to read ...

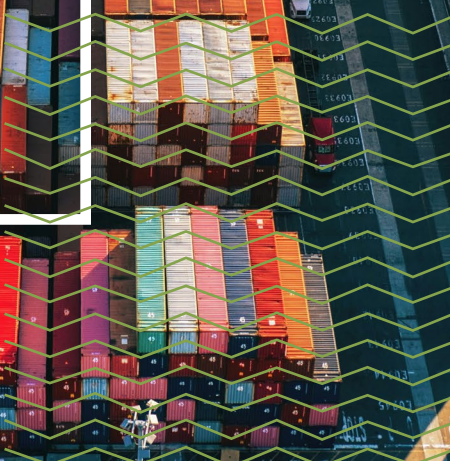
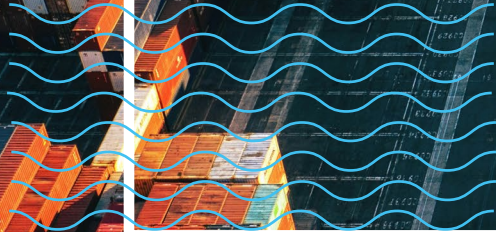


“Prospects and challenges for policy convergence between the EU and China to address imported deforestation”, Trase, 2024



“The Role of NGOs in engaging China to address deforestation”, Tropical Forest Alliance, 2023

International Commitments



Global Network for Sustainable Forest Management

Date: October 2023

Instrument: Global network

Launched by: Various

The idea of the global network was endorsed at a [high-level dialogue on global development](#) hosted by China in June 2022, and was launched in October 2023 by representatives from the National Forestry and Grassland Administration of China, Fiji's Ministry of Fisheries and Forestry, and the forest authorities of Laos, Myanmar, Nepal and Sri Lanka. **The network is to promote ecosystem conservation and forest economy** by conducting international forestry policy dialogue, demonstration projects, capacity-building and information-sharing, and is operated by the [Asia-Pacific Network for Sustainable Forest Management and Rehabilitation \(APFNet\)](#).

China and Brazil – A New Joint Statement on Combating Climate Change

Date: April 2023

Instrument: Joint statement

Signed by: China and Brazil

Recognising the need to deepen bilateral cooperation on climate change, China and Brazil agreed at a [joint statement](#) to work together to help eliminate global illegal logging and deforestation **by effectively enforcing their respective laws prohibiting illegal imports and exports**. This is a joint commitment to broaden, deepen and diversify bilateral cooperation on climate change. The two countries will continue to cooperate in the development and exchange of technology, including the new China-Brazil Earth Resources Satellite Programme 6 satellite (CBERS6), which **will enable improved monitoring of forest cover**. They will also promote the **exchange of**

knowledge, best practices and other forms of cooperation for the conservation and sustainable management of forests, and the regeneration and reforestation of degraded areas.

Joint Statement by the French Republic and the People's Republic of China

Date: April 2023

Instrument: Joint declaration

Signed by: China and France

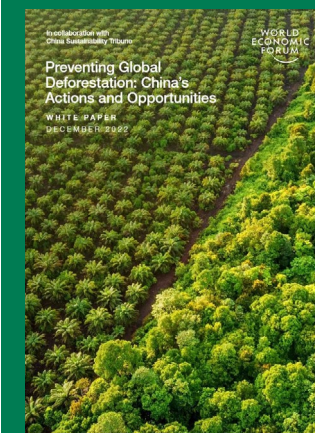
In the [joint statement](#), “France and China are committed **to protecting and sustainably managing forest ecosystems, supporting scientific research on more sustainable value chains, combating illegal logging and associated trade**. They intend to advance cooperation on nature conservation as well as the protection, restoration and sustainable use of the steppe. France and China are delighted with the active cooperation between the French Office for Biodiversity and the National Forestry and Grassland Administration of China.”

Navigation

Click on the Link (underlined) to jump to a chapter.

- [Recommendations](#)
- [Chinese Actor Map](#)
- [International Commitments](#)
- [Chinese Policies and Guiding Documents](#)
- [Annex: Further notable initiatives](#)

More to read ...



“Preventing global deforestation: China's actions and opportunities”, World Economic Forum, 2022

Upgrading of the South–South Cooperation Assistance Fund into the Global Development and South–South Cooperation Fund

Date: June 2022

Instrument: Cooperation fund

Issued by: China

The Chinese government has pledged an additional contribution of US\$1 billion to the existing US\$3 billion in the South-South Cooperation Assistance Fund, during the High-level Dialogue on Global Development in 2022. The increase is aimed at accelerating the implementation of the 2030 Agenda for Sustainable Development in developing countries and supporting cooperation under the Global Development Initiative. Another outcome is to strengthen cooperation with international partners, especially developing countries, is the establishment of the Global Network for Sustainable Forest Management to promote ecosystem conservation and forest economy.

Glasgow Leaders' Declaration on Forests and Land use

Date: November 2021

Instrument: Declaration

Signed by: 141 nations at the UNCCC COP26 initially and 4 more joined later, total 145

China and 144 other nations have signed the Glasgow Leaders' Declaration on Forests and Land Use, committing to halt and reverse forest loss and land degradation by 2030 to work together to conserve forests and other terrestrial ecosystems and facilitate trade that does not drive deforestation, while achieving sustainable development and promoting inclusive rural transformation. It is **the first global commitment China has signed to reduce**

deforestation at the global level, which sends a strong signal of commitment ahead of the 15th Conference of the Parties to the United Nations Convention on Biological Diversity (CBD COP15). The negotiations of COP15 led to the adoption **The Kunming-Montreal Global Biodiversity Framework** by 196 countries in December 2022, setting out global goals to halt and reverse biodiversity loss by 2030. All Parties are responsible for setting national targets and communicating the commitments in a standardized format.

U.S.–China Joint Glasgow Declaration on Enhancing Climate Action in the 2020s

Date: November 2021

Instrument: Declaration

Signed by: the U.S. and China

The joint declaration was released at the ongoing 26th session of the COP26. China and the U.S. are committed to tackling the climate crisis through their respective accelerated actions in the critical decade of the 2020s, as well as through cooperation in multilateral processes, including the UNFCCC process, to avoid catastrophic impacts. Both sides recognize that **eliminating global illegal deforestation through effective enforcement of respective laws prohibiting illegal imports** will be an important contribution to achieving the Paris Agreement goal.

Navigation

Click on the Link (underlined) to jump to a chapter.

- [Recommendations](#)
- [Chinese Actor Map](#)
- [International Commitments](#)
- [Chinese Policies and Guiding Documents](#)
- [Annex: Further notable initiatives](#)

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Joint Press Communiqué following the Second EU–China High Level Environment and Climate Dialogue (HECD)

Date: October 2021

Instrument: Communiqué

Signed by: The EU and China

With a focus on **enhancing actions and bilateral cooperation on environment** and in the fight against climate change, various aspects of the climate and biodiversity loss issues were covered in the second [HECD](#). The dialogue concluded with commitments to protect biodiversity and combat deforestation:

- “Both sides agreed to make joint efforts to facilitate an ambitious, realistic and balanced “**post-2020 global biodiversity framework**” to be adopted at the COP15 with clear and where feasible, measurable goals and targets and appropriate mechanisms for monitoring, reporting and review, as well as strong provisions for implementation and planning, and means to support implementation [...] China and EU will strengthen cooperation and work together to ensure all the success of the COP15 to be held in Kunming.”
- “Both sides agreed to engage collaboratively in support of reducing global deforestation through enhancing cooperation in conservation and sustainable management of forests, **making supply chain more sustainable, and combating illegal logging and associated trade.**”

Navigation

Click on the Link (underlined) to jump to a chapter.

- [Recommendations](#)
- [Chinese Actor Map](#)
- [International Commitments](#)
- [Chinese Policies and Guiding Documents](#)
- [Annex: Further notable initiatives](#)

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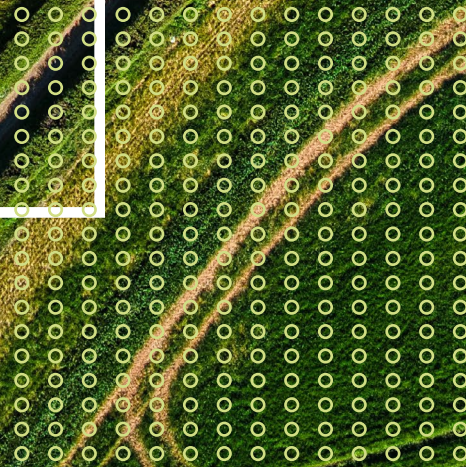
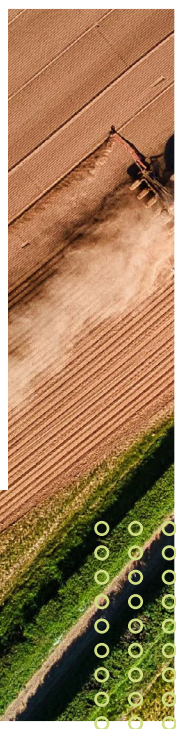
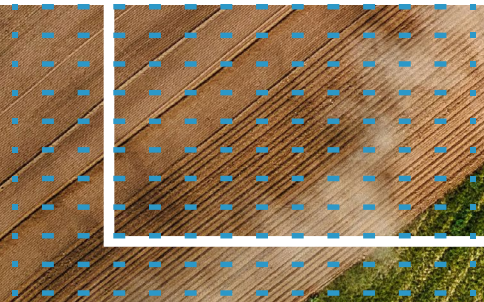
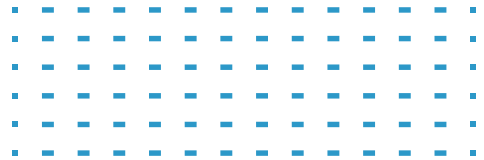
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Chinese Policies and Guiding Documents



Implementation Plan for Promoting Green Consumption

Date: January 2022

Instrument: Implementation Plan

Issued by: National Development and Reform Commission (NDRC)

Issued by the NDRC and other departments, this [plan](#) envisions the Chinese economy in 2030, in accordance with carbon peaking goal. It is to be implemented by relevant departments of the central and state organs and the relevant directly affiliated institutions, which could also have important coordinating capacities.

Core features are that the import of green and low-carbon products should be expanded, **with state-owned enterprises taking the lead in the transformation**. Furthermore, policy measures should improve standards, certification and labelling systems.

However, the definition of ‘green consumption’ and its scope and implementation plan stay unclear. This plan maybe at odds with higher priorities for the government, first and foremost ensuring food security and self-sufficiency, which means providing rising amounts of staple crops and responding to rising demand for meat. Connections this plan and the progress within the value chains of individual products are not being made. For products such as [rubber](#) and [meat](#), **public-private alliances have developed product-specific guidelines and standards for responsible sourcing** that are being adopted up by major industry actors.

Plan for the High-quality Development of Foreign Trade during the 14th Five-Year Plan Period

Date: 18 November 2021

Instrument: National development Plan

Issued by: Ministry of Commerce

For the period between 2021 and 2025, **green development and the emphasis on green trade are woven into broader strategic goals**. This [plan](#) by the Ministry of Commerce to promote high-quality development of foreign trade has strong coordinating functions and capabilities and can therefore be **expected to have a transformative impact on Chinese trade policy**. Nevertheless it only outlines guidance for future policy and does not include any binding commitments itself. The trade in agricultural commodities can be expected to play a significant role in the implementation of this plan as China aims to further increase trade with the main exporters of forest-risk commodities, which tend to be developing and emerging economies. This is particularly true for to products that are in short supply domestically and for which China is seeking to **increase the quality and quantity of imports**.

In the context of [foreign trade](#), key actions include the establishment of green and low-carbon trade standards and certification systems, a green trade development platform, a policy environment for green trade development, and the development of green and low-carbon trade cooperation, especially with Belt and Road Initiative (BRI) countries, the strengthen of risk prevention and control system, and participation in the international green trade policy-making process.

Navigation

Click on the Link (underlined) to jump to a chapter.

- [Recommendations](#)
- [Chinese Actor Map](#)
- [International Commitments](#)
- [Chinese Policies and Guiding Documents](#)
- [Annex: Further notable initiatives](#)

More to read ...



“Establishing fair and sustainable forest economies: Lessons learned from tackling illegal logging”, CHATHAM HOUSE, 2022

Revised Forestry Law

Date: 1 July 2020

Instrument: Law

Issued by: National Forest and Grassland Administration (NFGA) under the Ministry of Natural Resources

China's Forest Law was adopted in 1984, the entire law is meant to govern the domestic forest issues. 20 years after the first amendment, China revised its Forest Law in July 2020. Since then, **Article 65 was added, stipulating those individuals and enterprises "shall not knowingly purchase, process or transport illegally sourced timber from illegal logging or illegal deforestation"**. China had an opportunity to clarify if this article applies to imported timber, in the drafting of the implementation rules to the law. Yet, the scope of the revised law is inadequate, **a clear prohibition of illegal timber imports is lacking**. It also remains unclear on the level of due diligence. **Obtaining documents from source countries' for assuring legality is still a problem to be addressed**. A consultation on the law was held in August 2022, stakeholders were encouraged to give feedback on the endorsement of mandatory legality verification standards as well as due diligence principles.

China is actively engaged in upstream and downstream dialogue towards better timber governance. Training programmes are in place and a voluntary based timber legality verification system has been developed by the China National Forest Products Industry Association and a ledger management system was established to record the input and output of raw materials and timber products.

Guidelines for Greening the Belt and Road Initiative (BRI)

Date: various

Instrument: various

Issued by: various

In recent years, the BRI has claimed to pursue green development and green growth. The BRI builds trade infrastructure and is a major factor in China's foreign relations and economic decision-making; it does not govern agricultural supply chains and the biodiversity impacts of deforestation are less considered in the planning of large infrastructure projects. General guidelines for investments abroad state that they have to meet minimum standards against pollution and encourage the adoption of more stringent standards. There is no further clarification of what these standards are.

- The BRI includes multilateral platforms such as the BRI International Green Development Coalition (BRIGC) (see especially 2022 review). In 2020, one of their research products was a Green Commodity Supply Chain Index
- In 2021, Guidelines for Green Development of Outbound Investment and International Cooperation was issued by the Ministry of Ecology and Environment (MEE) and Ministry of Commerce (MOFCOM), **emphasizing the acceleration of the green development of foreign investment cooperation and a new development paradigm**.
- Another set of Guidelines for Ecological Environmental Protection of Foreign Investment Cooperation and Construction Projects was released in 2022 by MEE and MOFCOM, providing further recommendations for environmental risk management in Belt and Road projects. Chinese companies are **encouraged to comply with international or Chinese environmental regulations and standards where the host country has inadequate environmental standards**, with particular reference to environmental

Navigation

Click on the Link (underlined) to jump to a chapter.

- [Recommendations](#)
- [Chinese Actor Map](#)
- [International Commitments](#)
- [Chinese Policies and Guiding Documents](#)
- [Annex: Further notable initiatives](#)

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risk management for the energy, petrochemical, mining and transportation sectors.

- In 2022, a document published by the NDRC, Ministry of Foreign Affairs (MFA), MEE and MOFCOM - '[Opinions on Promoting Green Development under the Belt and Road Initiative](#)', which provided the guidance on following core sectors of the BRI, infrastructure, energy and transport. Cooperation in promoting green development that could be relevant to the building of green soft commodity supply chains, such as green financing in the international market and more active participation in the development of green standards to align with international standards, were mentioned-

Guidelines on Green Finance for the Banking and Insurance Industries

Date: June 2022

Instrument: Guideline

Issued by: China Banking and Insurance Regulatory Commission (CBIRC)

The [first green credit guidelines](#) were released by CBRIC* in 2012 to encourage banking institutions to develop green credit and strengthen environmental and social risk management. **Due diligence is required by assessing a company's exposure to environmental, social and governance risks**, policy commitments, and capacity and track record to address and manage such risks.

The **[new guidelines in 2022 extend the scope to insurance institutions](#)**, emphasizing that the promotion of green finance actively serves various economic activities with both environmental and social benefits, better contributes to pollution prevention and control, and promotes carbon peaking and carbon neutrality in an orderly manner. [Research](#) shows that the Chinese banking sector appears to

have **deforestation 'blind spots'**, with little commitment to ending support for deforestation-related companies.

*Note: CBRIC has been merged into the National Administration of Financial Regulation since 2023.

Catalogue of Projects Supported by Green Bonds

Date: 2021

Instrument: Guideline and catalogue

Issued by: Peoples' s Bank of China (PBOC)

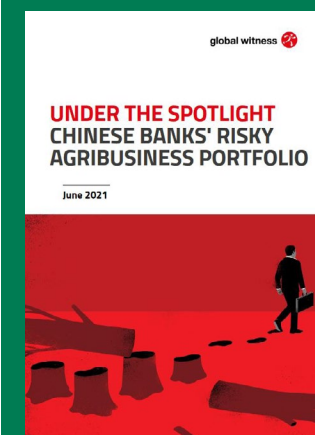
The latest [catalogue](#) were jointly issued by the PBOC, the National Development and Reform Commission and the China Securities Regulatory Commission. Official requirements for green projects to be eligible for financing through a Chinese domestic bond were set. For instance, in the latest catalogue, in the ecological agriculture sector, **programs that involve illegal deforestation of cultivated land are prohibited.**

Navigation

Click on the Link (underlined) to jump to a chapter.

- [Recommendations](#)
- [Chinese Actor Map](#)
- [International Commitments](#)
- [Chinese Policies and Guiding Documents](#)
- [Annex: Further notable initiatives](#)

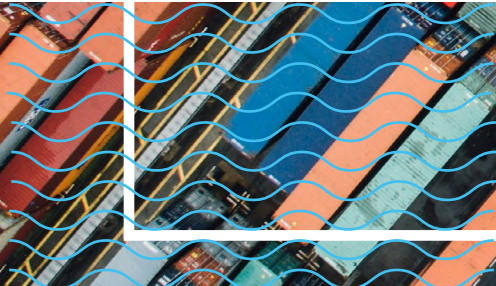
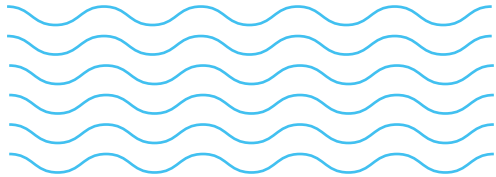
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"Under the spotlight Chinese Banks' Risky Agribusiness Portfolio", Global Witness, 2021



Annex: Further notable initiatives



Other recent efforts towards greening Chinese commodity supply chains by state and non-state actors, including companies, international organizations, cooperation and networks.

Title	Date	By whom?	Details
<u>Memorandum of Understanding for the First Trade of ‘Deforestation-free’ Soybeans from Brazil to China</u>	November 2023	COFCO International and Modern Farming Group (a Mengniu Group subsidiary that produces milk and milk products)	This is the first soybean order in China with a clear “deforestation- and conversion-free (DCF)” clause
<u>The Taskforce on Green Value Chains for China</u>	June 2023	Launched by the Tropical Forest Alliance and global supply chain market leaders operating in China – Bunge, Cargill, China Mengniu Dairy, L’ Oréal, Nestlé have signed up to the taskforce	The taskforce encourages global supply chain actors including governments, producers, traders and retailers entering China’s market to alleviate deforestation caused by soft commodities.
<u>China-Brazil Cooperation Dialogue on Sustainable Agriculture Business and Green Finance</u>	March 2023	The China-Brazil Business Council, the Institute of Finance and Sustainability, China Chamber of Commerce of Import & Export of Foodstuffs, Native Produce & Animal By-Products, Climate Bonds Initiative and the Global Environment Institute	A conference for in-depth discussions on investment opportunities for sustainable agriculture and green agricultural standards in China and Brazil.
<u>Policy Study of Global Green Value Chains - Action Plan for Greening China’s Soft Commodity Value Chains</u>	December 2022	China Council for International Cooperation on Environment (CCICED), together with WEF Tropical Forest Alliance, World Resource Institute China, the Foreign Environmental Co-operation Centre of the MEE	It envisions a timeline for Chinese supply chain regulation with six priorities and 20 action points
<u>Partnership on Biodiversity and Finance</u>	November 2022	Financial institutions, private sector, academic institutions, international development agencies, civil society organizations	The partnership affirms China’s Environmental Information Disclosure System Reform Plan

Navigation

Click on the Link (underlined) to jump to a chapter.

- [Recommendations](#)
- [Chinese Actor Map](#)
- [International Commitments](#)
- [Chinese Policies and Guiding Documents](#)
- [Annex: Further notable initiatives](#)

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Title	Date	By whom?	Details
<u>Global Green Value Chains: China's Opportunities, Challenges and Paths in the Current Economic Context</u>	August 2021	CCICED	It focuses on responsible production and sourcing of commodities and circular economy.
<u>State Council Approves Annual Deforestation Limits</u>	February 2021	The State Council	It urged NFGA to further refine deforestation management measures, while strictly implementing the licensed deforestation mechanism.
<u>CCICED Special Policy Study Report Global Green Value Chains – Greening China's "Soft Commodity" Value Chains</u>	September 2020	CCICED	Policy Recommendations and first steps for action were made with a Chinese approach.
<u>Timber legality guidance template for China</u>	February 2019	Asia-Pacific Economic Cooperation (APEC) Experts Group on Illegal Logging and Associated Trade	It provides APEC member economies with advice on timber legality on the laws and regulations in place in China and other relevant non-government resources.
<u>China's complete commercial logging ban</u>	Since 2017	Ministry of Natural Resources	An expansion Natural Forest Protection Program launched in 2000 to mediate deforestation and restore protective watersheds.

Navigation

Click on the Link (underlined) to jump to a chapter.

- [Recommendations](#)
- [Chinese Actor Map](#)
- [International Commitments](#)
- [Chinese Policies and Guiding Documents](#)
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