

**Coordinate a consultation and provide a report of the consultations with a range of Chinese timber buyers to better understand the timber and wood products trade and investment flow between the LMR and China**

**EXECUTING AGENCY**

Secretariat of the Global Green Supply Chain Initiative (GGSC)



## Summary

This report, prepared by the Secretariat of the Global Green Supply Chain Initiative (GGSC) for the Food and Agriculture Organization of the United Nations (FAO) and the International Tropical Timber Organization (ITTO), provides an outline of the work undertaken and findings of a task to "*consult with a range of Chinese timber buyers to better understand the timber and wood products trade and investment flow between the LMR and China*". The key findings of this study are as follows:

### **1. China has introduced new policy requirements for legal and sustainable timber trade and investment.**

In recent years, green development has been an important consideration in China's foreign investment and trade, and many regulations have been developed to encourage enterprises to actively fulfill their environmental protection responsibilities, strictly abide by the laws and regulations of the host country, and promote the coordinated development of local economies, societies and ecological environments. In terms of timber trade, Chinese enterprises must comply with several laws and regulations, such as the "Forest Law", "Foreign Trade Law", "Customs Law", and "Law on the Inspection of Import and Export Commodities". In the area of foreign investment, Chinese enterprises must follow the "Guidelines on Sustainable Overseas Silviculture by Chinese Enterprises", and the "Guide on Sustainable Overseas Forest Management and Utilization by Chinese Enterprises". In addition to these policies, the newly issued (2020) "Guidance on Promoting Investment and Financing to Address Climate Change" will assist in regulating the overseas investment and financing activities of financial institutions and enterprises and encourage them to actively fulfill their social responsibilities. The "Green Development Guidelines for Overseas Investment and Cooperation", issued in 2021, encourages enterprises to implement green procurement and prioritise the purchase of environmentally friendly products and services. The guidelines also encourage enterprises to comply with the United Nations Framework Convention on Climate Change, the 2030 Sustainable Development Goals, and the "Belt and Road" green investment principles. In terms of enterprise management, the Chinese government has issued a few policies to regulate the business

activities of overseas enterprises in terms of corporate culture, orderly market competition, security incident handling, and bad credit monitoring. These policies include "Several Opinions on Cultural Construction of Overseas Chinese Enterprise", and "Provisions on Regulating Competitive Behaviors in the Fields of Foreign Investment Cooperation", etc.

## **2 The impacts of implementation of key policies differ**

The five policies differ in terms of their implementation progress, effects and influence. These policies include the "Forest Law", "Guidelines for Environmental Protection in Foreign Investment and Cooperation", "Guidelines on China's Sustainable Agricultural Overseas Investment", "Guidelines on Sustainable Management and Utilization of Overseas Forest by Chinese Enterprises", and "Guidelines on Sustainable Overseas Silviculture by Chinese Enterprises". The findings of a survey questionnaire of 300 timber enterprises and telephone interviews of 19 enterprises with manufacturing facilities in the LMR or importers of LMR timber, are as follows.

(1) **Forest Law.** Following implementation of the "Forest Law", the Chinese government has carried out publicity and training to guide the local forestry and grassland authorities on their legal obligations regarding forest resource protection and management. Meanwhile, the government has launched a revision of implementation regulations and strengthened administrative law enforcement. The research shows that enterprises are most familiar with "Forest Law", with about 75% of the companies interviewed familiar with this law. One enterprise said: *"As the Forest Law is one of the main laws of our country, every citizen has the responsibility and obligation to abide by it"*. Another company also stated that *"according to the provisions of Article 65 of the Forest Law, the company is already making a ledger for entering and leaving the warehouse"*. The survey shows that 60.7% of the respondents believe that the implementation of Article 65 of the new Forest Law creates a fair and transparent timber trade environment, and 39.3% of the respondents believe that it contributes to sustainable development of forest resources in the LMR. Overall, Chinese timber enterprises have the ability and conditions to comply with Article 65, and actively support its implementation. Although the "Regulations on the Implementation of the Forest Law" has not yet been issued (being put forward for public consultation), the

relevant provisions of the Forest Law have been gradually implemented by strengthening the supervision of imported timber and monitoring abnormal trade behaviour, and this has achieved remarkable results. For example, in December 2020, China found abnormalities through big data analysis of trade behaviour and collaboration with the customs risk department, and took rapid action to combat multiple smuggling criminal groups. The case is suspected to have smuggled and imported about 100,000 m<sup>3</sup> of wood, valued at about 520 million RMB

**(2) Guidelines for Environmental Protection in Foreign Investment and Cooperation.** On 11 January 2022, the Ministry of Ecology and Environment and the Ministry of Commerce introduced a new "Guide to Eco-Environmental Protection for Foreign Investment Cooperation Construction Projects", which enhances the requirements for addressing climate change and biodiversity conservation. In the survey, all timber enterprises considered that they have complied with the relevant laws and regulations of environmental protection in host countries and China in their wood processing operations, do a good job in environmental assessment, and have protected the legitimate rights and interests of local workers. For example, a plywood and veneer enterprise with mills in Thailand and Lao PDR has carried out an environmental assessment and complied with local policy requirements for the construction of the plant. In Lao PDR, Chinese enterprises are managing the plywood plant, and their plant construction also complies with local emission requirements. The company considers that environmental protection requirements in Lao PDR are relatively high.

**(3) Guidelines on China's Sustainable Agricultural Overseas Investment.** This is a reference guideline formulated by social organizations, which has no binding effect on enterprises. As such, it only serves as a reference tool. The China Agricultural International Cooperation Promotion Association promotes the guidelines within the Association. The guidelines aim to improve agricultural overseas sustainable investment methods through pilot cases, seminars and other methods. At present, the guidance has been applied in some local agricultural universities and agricultural enterprises, assisting in foreign sustainable investment. However, the influence of this guideline in Chinese forestry enterprises is relatively low. Telephone interviews show that Chinese forestry enterprises are unaware of the guidelines.

**(4) Guidelines on Sustainable Management and Utilization of Overseas Forests by Chinese Enterprises.** Since publication, these guidelines have been translated into French, Russian and Portuguese, country manuals have been published for Russia and Guyana, and pilot projects have been carried out in Russia, Gabon, Guyana, Mozambique and other countries. Nearly 100 Chinese enterprises in these countries have participated in training associated with the guidelines. In recent years, this guideline has been utilised by overseas investment forestry enterprises. Many Chinese forestry enterprises investing offshore have either joined the guideline initiative or consciously guide their own management according to the guideline. The survey showed that companies were well informed of the "Guidelines on Sustainable Management and Utilization of Overseas Forest by Chinese Enterprises". Although some companies in telephone interviews had not heard of the guidelines, they indicated that procurement of timber, the import trade, investment in factories and other business activities were conducted in accordance with local policy provisions in the host country. In order to ensure that procurement of timber comes from sustainably managed forests, B Company gives priority to procurement of timber certified by FSC and PEFC; ZJL company prefers Cambodian timber with FSC and PEFC certification; imports of Myanmar timber generally require MTLAS or MFCC certification; ZW Furniture company requires all suppliers to provide proof of origin.

**(5) Guidelines on Sustainable Overseas Silviculture by Chinese Enterprises.** The Working Group of Guidelines and the Chinese Government have organised training for foreign enterprises and the integration of enterprise performance into the government 's assessment, supervision and certification of forest cultivation activities of enterprises. At the beginning of the publication of "Guidelines on Sustainable Overseas Silviculture by Chinese Enterprises", there had been widespread concern regarding SFM in foreign countries and the Guidelines were well received by China's forestry enterprises. Eight companies were willing to engage in overseas business under the guidelines. Some enterprises said that they widely operated in accordance with the guidelines, taking into concern the interests of the host country and local residents. A timber enterprise in Yunnan has taken the initiative to contact relevant institutions and hoped to pilot cooperation on the leased ground in Lao PDR. As a result of the

guidelines, in recent years Chinese enterprises have gradually standardised their forest cultivation activities abroad, and their awareness of rational, effective and sustainable protection and utilisation of global forest resources has gradually increased.

### **3. Main findings of the survey questionnaire and telephone interviews**

Telephone interviews, a survey questionnaire and expert consultations were conducted with Chinese forestry enterprises who were mainly engaged in wood processing and trade in the LMR, and with only a few enterprises directly investing in forest growing. In general, there are more Chinese forestry enterprises in Vietnam than those in other countries. The main findings include:

(1) Chinese forestry enterprises have enhanced awareness of their legal obligations and can consciously abide by the policies and laws of the host country and China.

(2) The environmental protection concept of Chinese forestry enterprises has improved, and they can comply with the requirements of local environmental protection policies when investing in factories in LMR.

(3) Some Chinese forestry enterprises have taken measures to purchase legal and sustainable timber.

(4) The sustainable forest cultivation ability of Chinese forestry enterprises has improved and most of them have actively implemented scientific and feasible forest cultivation programs according to the host country's policies.

(5) Some Chinese forestry enterprises have taken the lead in social responsibilities, promoting the employment of local residents, and participating in technical training.

The enterprises interviewed also considered that the main issues with timber trade and investment in the LMR are the following:

(1) The political environments in Lao PDR, Cambodia, and Myanmar are unstable, and this has affected the operations of enterprises.

(2) The political instability in some countries has led to policy instability. It is difficult for enterprises to adapt to the changing external environment.

(3) The existence of illegal logging activities in the host country and the difficulties in ensuring the legality and sustainability of imported timber are a great concern of timber enterprises.

(4) Because of the high cost and variation of forest certification schemes, enterprises urgently need reliable, convenient and low-cost certification methods.

(5) There is lack of comprehensive understanding of local policies by some timber enterprises due to linguistic and cultural differences.

(6) Corruption exists in some local grass-roots units, and there is “flexible law enforcement” against Chinese forestry enterprises.

#### **4. Suggestions on promoting sustainable timber trade and investment between China and LMR**

Based on China 's practice in promoting sustainable trade and investment in timber in recent years, suggestions are made for the Chinese government, LMR governments, private enterprises, associations and international organizations.

(1) For the Chinese government, it can further strengthen the intergovernmental dialogue with the LMR, select some representative pilot enterprises in the LMR to carry out pilot projects on the key provisions of the guidelines, support the establishment of a communication platform to promote information exchanges and cooperation between Chinese forestry enterprises and timber enterprises in the LMR, strengthen the training of Chinese forestry enterprises, encourage the use of information technology to carry out wood traceability from “forest land-terminal consumers”, actively promote green procurement and green finance, and give priority to purchasing legal and sustainable timber and its finished products in government procurement.

(2) For the LMR governments, create a fair, transparent and relaxed market environment for Chinese forestry enterprises; strengthen the supervision of illegal logging activities, and cooperate with the Chinese government to combat illegal logging; adopt fiscal and tax preferential policies and financial incentives to encourage third party certification of forestry enterprises (especially foreign enterprises); support the establishment of a platform to promote exchanges and cooperation between Chinese forestry enterprises and local enterprises in the LMR; listen to the voice of enterprises,

shift the focus to economic construction, and stabilise the political situation as soon as possible.

(3) For Chinese forestry enterprises, pay attention to industry information issued by the government, associations and international organizations, actively participate in various activities organised by the above institutions, and consciously learn from the laws and regulations governing legal and sustainable trade and investment in timber; continuously improve the internal management system of enterprises, and carry out forest cultivation, processing and manufacturing business with higher standards when conditions permit; large forestry enterprises should take the lead in purchasing legal and sustainable timber to promote the green and sustainable development of the industry.

(4) For industry associations, members should strengthen industry self-discipline, and carry out legal production and forest management practices; industry associations should encourage members to purchase legal and sustainable timber; group standards and industry standards can be used to further regulate the procurement behaviour of timber enterprises, but attention should be paid to the consistency of standards issued by various associations; strengthen cooperation with other foreign industry associations and international organizations, actively participating in the international community's initiatives on the procurement of legal and sustainable timber, building a green and sustainable supply chain, and demonstrating the determination and capacity of Chinese forestry enterprises to purchase legal and sustainable timber and undertake social responsibility.

(5) For international organizations, intergovernmental organizations can play an important role in promoting intergovernmental negotiations between China and countries in the LMR; international organizations can use global forestry market resources to encourage qualified countries to explore the use of blockchain and other information technologies to carry out cross-border timber traceability; international organizations could investigate the establishment of standards for access for legal and sustainable timber and coordinate third-party certification for mutual recognition.



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## **1. Foreword**

The UN-REDD Programme supports countries to reduce the likelihood of forest crime by strengthening forest and land use governance. In this context, the Government of Norway requested the UN-REDD Programme to implement a regional initiative (within the framework of the current UN-REDD Global Technical Assistance) to address forest crime through improved governance and trade in the Lower Mekong Region (LMR). A reduction of forest crime will improve sustainable management of forests across the LMR and beyond, and ultimately lead to reduced emissions from deforestation and forest degradation.

Regional dynamics of investment and trade play a particularly important role in determining land use change, and thereby act as a significant underlying driver of forest degradation and deforestation in the LMR. There is a clear trend of investments from the expanding economies of China, Thailand and Viet Nam to the lower income, higher forest cover countries of Cambodia, Lao PDR and Myanmar. Given that the gap between global supply and demand of wood products is predicted to widen significantly by 2050 due to an increase in demand from rapidly growing populations, pressure on forest resources can also be expected to increase. In 2017, Asia had the largest share (46%) of the global forest footprint embodied in demand for timber. The goal of the SFT-LMR initiative is to increase national commitment to legal and sustainable trade and investment in wood products across the LMR (and China).

According to the project's requirement, this study is to coordinate a consultation and provide a report of the consultations with a range of Chinese timber buyers to better understand the timber and wood products trade and investment flow between the LMR and China.

## **2. Methodology**

The project's methodology included document reviews, a survey questionnaire, telephone interviews, and expert consultations. The details are as follows.

(1) Document reviews. A review of relevant documents from departments such as the Standing Committee of the National People's Congress, the Ministry of Commerce, the National Development and Reform Commission, the State Forestry and Grassland

Administration, and the Ministry of Ecological Environment Protection was carried out, involving the collection and analysis of 21 laws, regulations and policy documents issued by China to promote timber investment and sustainable trade. The analysis also investigated implementation progress of the five key policies mentioned by SSA, including Forest Law and Guidelines for Environmental Protection in Foreign Investment and Cooperation.

(2) Survey questionnaire. A questionnaire for timber companies was designed and distributed to more than 300 timber enterprises via WeChat, including both GGSC members and non-member enterprises. In total, 28 valid questionnaires were collected.

(3) Telephone interviews. 25 timber enterprises were requested to conduct a telephone interview. Among them, 19 enterprises were interviewed by telephone, 4 enterprises completed the questionnaire instead, and 2 enterprises declined the interview. The 19 enterprises have manufacturing facilities or have imported timber from the LMR. The interviews were recorded and summarised.

(4) Expert consultations. Experts from associations and research institutions were consulted in one-on-one interviews by telephone to obtain their opinions and suggestions on promoting investment and trade of timber and wood products between China and the LMR. The experts were from organizations such as the Shanghai Timber Association, Guangdong Timber Association, and Chinese Academy of Forestry, etc.

### **3. China's policy requirements for legal and sustainable timber investment and trade**

#### **3.1 Policy requirements for legal timber trade**

China is the largest global timber importer and the most important producer, consumer and trader of forest products. As such, the country plays an important role in promoting global forest governance and combating illegal logging and related trade initiatives. In recent years, China has continued to strengthen the cooperation with countries in the LMR, focusing on strengthening forestry legislation, law enforcement and management, and has sound policies for timber trade.

On December 28, 2019, the " Forest Law of the People's Republic of China" was revised and officially took effect on July 1, 2020. Article 65 stipulates that "Any timber

operating or processing enterprise shall keep a standing book for entry and exit of raw materials and products of woods. No organization or individual may purchase, process, and transport wood in full awareness of their illegal origins such as illegal felling or wanton deforestation". This regulation provides a clear basis for China to crack down on the processing and transportation of illegal timber, and also provides clear legal guidelines for domestic timber enterprises to perform due diligence on timber legality.

In addition to the new " Forest Law", Chinese enterprises are also required to follow other laws and regulations when importing timber, such as the "Foreign Trade Law", "Customs Law", and "Law on the Inspection of Import and Export Commodities", etc. (see Table 1).

**Table 1: China's timber trade laws, regulations and policy documents**

No.	Policy name	Issuing authority	Issuing date (Year/month/day)	Main content
1	Forest Law	Standing Committee of the National People's Congress	2019/12/28	Article 65: Any timber operating or processing enterprise shall keep a standing book for entry and exit of raw materials and products of wood. No organization or individual may purchase, process, and transport woods in full awareness of their illegal origins such as illegal felling or wanton deforestation.
2	Foreign Trade Law	Standing Committee of the National People's Congress	2016/11/7	This Law applies to foreign trade and the protection of trade-related aspects of intellectual property rights. Article 22: The state shall implement origin management in respect of the imported and exported goods. Specific measures therefore shall be laid down by the State Council. Article 23: Where the import or export of cultural relics, wildlife animals, plants and the products thereof are prohibited

				or restricted by other laws or administrative regulations, the provisions of relevant laws and regulations shall be observed.
3	Customs Law	Standing Committee of the National People's Congress	2021/4/29	Inward and outward means of transport, goods and articles, must go through locations set up by Customs to enter or exit the country.
4	Law on the Inspection of Import and Export Commodities	Standing Committee of the National People's Congress	2021/4/29	Article 4: The import and export commodities shall be inspected in adherence to the principles of protecting human health and safety, animal and plant life and health, and the environment; preventing deceptive practices and preserving security of the State. The State administration for commodity inspection shall compile and readjust the catalogue of import and export commodities subject to compulsory inspection (hereinafter referred to as the Catalogue, in short) and publish it for implementation.
5	Law on the Entry and Exit Animal and Plant Quarantine	Standing Committee of the National People's Congress	1992/4/1	Animals and plants, their products and other quarantine objects, containers and packaging materials used for carrying animals and plants, their products or other quarantine objects, as well as means of transport from animal or plant epidemic areas shall, on entry or exit, be subject to quarantine inspection in accordance with this Law.

6	Regulation on the administration of import and export of goods	Ministry of Commerce	2001/10/31	The state allows the free import and export of goods and maintains a fair and orderly import and export trade of goods in accordance with the law.
7	Regulations on the administration of the import and export of endangered wild animals and plants	Ministry of Commerce	2019/3/2	For wild animals and plants under special state protection and their products approved for export by the department in charge of wild animals and plants under the State Council, and endangered wild animals and plants and their products whose import or export is restricted by conventions, a certificate of import and export permission shall be issued.
8	Administration Measures on Goods Import License	Ministry of Commerce	2004/12/10	The state implements a unified system of import licenses for goods. The state implements import license administration for goods which are restricted for import.

At present, Chinese enterprises importing timber need to provide the customs authority with the following documentation: official phytosanitary certificate and related reports or documents of the exporting country or region; other documents issued by the official or third-party testing agency of the exporting country or region, such as the certificate of origin; trade contracts, credit certificates, bills of lading or packing lists, invoices and other trade documents; if it involves endangered protected timber, CITES certificates should be provided.

### **3.2 Policy requirements for overseas sustainable investment**

China regards the concept of green development as an important element of foreign investment and cooperation, and it has issued many regulations to promote enterprises to actively fulfill their environmental protection responsibilities, strictly abide by the laws and regulations of host countries, and promote the coordinated development of local economy, society and the ecological environment.

In order to regulate the overseas forest management of Chinese enterprises, since 2007, National Forestry and Grassland Administration (NFGA), the Ministry of Commerce and other relevant departments have successively issued policies to regulate Chinese enterprises' overseas forest cultivation, management, utilization and other activities. These include the "Guidelines on Sustainable Overseas Silviculture by Chinese Enterprises", and the "Guide on Sustainable Overseas Forest Management and Utilization by Chinese Enterprises". In 2020, the Ministry of Ecology and Environment, the National Development and Reform Commission, the People's Bank of China and other departments jointly issued the "Guidance on Promoting Investment and Financing to Address Climate Change", proposing to regulate overseas investment and financing activities of financial institutions and enterprises and promote their active participation in fulfilling their social responsibilities. On July 9, 2021, the Ministry of Commerce and the Ministry of Ecology and Environment issued the "Green Development Guidelines for Overseas Investment and Cooperation" to encourage enterprises to implement green procurement and give priority to the purchase of environmentally friendly products and services; promote enterprises to comply with the United Nations Framework Convention on Climate Change, the 2030 Sustainable Development Goals, and the "Belt and Road" green investment principles.

**Table 2 China's laws, regulations and policy documents on overseas sustainable investment**

No.	Policy name	Issuing authority	Issuing date Year/month/day	Main content
1	Guide on Sustainable Overseas Forest Silviculture by Chinese Enterprises	State Forestry Administration, Ministry of Commerce	2007/8/27	Regulates and guides the process of overseas forest silviculture activities by Chinese enterprises. It is applicable to Chinese enterprises engaged in forest silviculture and can also be used to guide Chinese enterprises that provide non-wood forest products and other services, to promote Chinese enterprises to protect and develop forest resources in a reasonable, effective and sustainable manner.
2	Guide on Sustainable Overseas Forest Management and Utilization by Chinese Enterprises	State Forestry, Administration, Ministry of Commerce	2009/3/23	Provides industrial operation guidelines for Chinese enterprises engaged in overseas forest management and utilization activities.
3	Guidelines for Environmental Protection in Foreign Investment and Cooperation	Ministry of Commerce, Ministry of Environmental Protection	2013/2/18	Guides Chinese enterprises to further regulate environmental protection behaviour in overseas investment and cooperation activities, identify and prevent environmental risks in a timely manner, guide enterprises to actively fulfill their social responsibilities for environmental protection, establish a good external image of Chinese enterprises, and support the sustainable development of host countries.
4	Guidelines on China's Sustainable Agricultural Overseas Investment	China Association for the Promotion of International Agricultural Cooperation, Research Center for Rural Economy. Ministry of Agriculture and Rural Affairs, Beijing Huinong Xingye Agricultural Research Center	2018/5/1	Provides relevant matters for attention for enterprises involved in overseas agricultural investment. This includes the establishment of due diligence systems, investment location and project selection, compliance operation, strengthening of information disclosure and social responsibility awareness, etc.



5	Guidance on Promoting Investment and Financing to Address Climate Change	Ministry of Ecology and Environment National Development and Reform Commission People's Bank of China, China Banking and Insurance Regulatory Commission China Securities Regulatory Commission	2020/10/20	Strengthens international cooperation in climate change related investment and financing; actively promotes bilateral and multilateral cooperation in investment and financing to address climate change, and carry out third-party market cooperation in key countries and regions; encourages financial institutions to support the low-carbon construction under the "Belt and Road" and "South-South Cooperation", and promote the implementation of climate mitigation and adaptation projects overseas; regulates overseas investment and financing activities of financial institutions and enterprises, encouraging them to actively fulfill their social responsibilities, and effectively prevent and resolve climate risks; encourages research and international cooperation on climate change related investment and financing standards, and promotes the application of Chinese standards in overseas investment and construction.
6	Green Development Guidelines for Overseas Investment and Cooperation	Ministry of Commerce, Ministry of Ecology and Environment	2021/7/9	Encourages enterprises to adhere to the concept of green development in their outbound investment. Encourages enterprises to actively fulfill their environmental protection responsibilities, strictly abide by the laws and regulations of the host country, and promote the coordinated development of the local economy, society and ecological environment. Enterprises are encouraged to carry out high-standard planning and design of overseas infrastructure projects, properly handle the relationship between projects and local residents, environment, ecology, etc., and formulate practical and feasible environmental protection measures. Encourage enterprises to carry out foreign investment and cooperation under the conditions of complying with the requirements of the United Nations Framework Convention on Climate Change,

				Convention on Biological Diversity, the 2030 Sustainable Development Goals, and the “Belt and Road” green investment principles. Support enterprises to actively participate in the activities of relevant international organizations and promote the establishment of green investment rules and standards with more appealing execution, more authoritative and effective. "
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In addition to overseas sustainable investment, the Chinese government has issued policies to regulate the business activities of overseas enterprises in terms of corporate culture construction, orderly market competition, security incident handling, and bad credit monitoring, such as "Several Opinions on Cultural Construction of Overseas Chinese Enterprise", and "Provisions on Regulating Competitive Behaviors in the Fields of Foreign Investment Cooperation". (See Table 3). For example, the "Trial Measures for Bad Credit Records in the Field of Foreign Investment Cooperation and Foreign Trade" states that the government should collect, investigate, and publish the illegal acts of enterprises and individuals (including damage to the local ecological environment), establish and improve the credit management system for import and export enterprises, and strengthen investigation and supervision of bad credit enterprises.

**Table 3 China’s laws, regulations and policy documents on the management of overseas enterprises**

No.	Policy name	Issuing authority	Issuing date Year/month/day	Main content
1	Several Opinions on Cultural Construction of Overseas Chinese Enterprise	Ministry of Commerce, CCP External Propaganda Office, Ministry of Foreign Affairs, National Development and Reform Commission, State-owned Assets Supervision and Administration	2012/4/9	Overseas enterprises should carefully study and be familiar with local laws and regulations, for survival and development in accordance with the law. Overseas enterprises should: fulfill their social responsibilities, benefit the local community and people, and establish a responsible image for Chinese enterprises; strive to provide the best goods and services for the local community and promote the

		Commission, National Bureau of Corruption Prevention, All-China Federation of Industry and Commerce		prosperity of host country and region; disclose corporate information to the public in a timely manner to ensure open and transparent business activities; actively participate in local public welfare undertakings and solve problems for the local society; make positive contributions in environmental protection, pay attention to resource conservation, and minimize the pollution and damage to the environment caused by the production and operation of enterprises; actively cultivate local management and technical talents and promote local employment.
2	Provisions on Regulating Competitive Behaviors in the Fields of Foreign Investment Cooperation	Ministry of Commerce	2013/3/18	Regulate overseas business behaviour of enterprises involved in foreign investment and cooperation: Enterprises should follow the principles of equality, fairness, honesty and trustworthiness in their operations, and abide by recognized business ethics. Enterprises should not take unfair competition actions to damage the legitimate rights and interests of other enterprises and disrupt the order of foreign investment and cooperation.
3	Provisions on Emergency Response and Handling of Security Incidents in Overseas Investment and Cooperation	State-owned Assets Supervision and Administration Commission, State Administration of Work Safety	2013/7/1	Regulate the procedures for handling overseas security incidents, ensure the safety of life and property of overseas Chinese-funded enterprises, and promote the healthy and sustainable development of foreign investment and cooperation
4	Trial Measures for Bad Credit Records in the Field of Foreign Investment Cooperation and Foreign Trade	Ministry of Commerce, Ministry of Foreign Affairs, Ministry of Public Security, Ministry of Housing and Urban-Rural Development,	2013/7/5	Collect, compile and publish information on violations of laws and regulations (including damage to the local ecological environment, threats to local public safety, etc.) by Chinese enterprises, institutions and individuals, as well as overseas investment and joint venture partners,

		General Administration of Customs, State Administration of Taxation, State Administration for Industry and Commerce, General Administration of Quality Supervision, Inspection and Quarantine, and Foreign Exchange Administration		project owners, general contractors, overseas employers, intermediaries and individuals.
5	Administration Measures for Overseas Investment	Ministry of Commerce	2014/10/6	Enterprises should require the overseas enterprises they invest in to abide by the laws and regulations of the host country, respect local customs and habits, perform social responsibilities, make positive contribution in environment protection, labor protection, corporate culture construction, etc., and promote integration with the local community.
6	Guiding Opinions on Further Leading and Regulating the Direction of Overseas Investment	National Development and Reform Commission, Ministry of Commerce, People's Bank of China, Ministry of Foreign Affairs	2017/8/4	Encourage efforts to "strive to expand overseas agricultural cooperation and carry out mutually beneficial and win-win investment and cooperation in agriculture, forestry, animal husbandry, fishery and other fields", and strictly limit "overseas investment that does not meet the environmental protection, energy consumption and safety standards of the host country".
7	Administrative Measures for the Outbound Investment by Enterprises	National Development and Reform Commission	2017/12/26	Strengthen the macro-guidance of overseas investment, optimize comprehensive services for overseas investment, improve the whole-process supervision of overseas investment, and promote the sustainable and healthy development of overseas investment. Advocate investors to innovate

				overseas investment approaches, adhere to the principle of honest operation, avoid unfair competition, protect the legitimate rights and interests of employees, respect local public order and good customs, perform necessary social responsibilities, pay attention to ecological environment protection, and establish a good image for Chinese investors.
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## **4. The implementation effects and impacts of five main policies**

### **4.1 Forest Law**

#### **4.1.1 Background**

Since its implementation in 1985, China's Forest Law was revised in 1998 and 2009, and it has played a very important role in protecting and optimising use of forest resources and promoting forestry development. On December 28, 2019, the fifteenth meeting of the Standing Committee of the 15th National People's Congress voted to adopt the new revised "Forest Law", which has 9 chapters and 85 articles, and the law came into force on July 1, 2020.

#### **4.1.2 Content**

The revised "Forest Law" consists of 9 chapters and 85 articles. Article 65 of the new "Forest Law" clearly stipulates: "Any timber operating or processing enterprise shall keep a standing book for entry and exit of raw materials and products of woods. No organization or individual may purchase, process, and transport woods in full awareness of their illegal origins such as illegal felling or wanton deforestation." This regulation not only puts forward systematic requirements for the management of raw materials and inventory of enterprises, but also aims to help enterprises and individuals to record and preserve information such as the origin, species and quantity of timber by requiring the establishment of a standing book to assess the risk of illegally sourced timber and provide them with an actionable method for fulfilling their due diligence obligations. It is of great significance for China to further strengthen the management of imported timber, combat illegal logging and trade, require enterprises to make efforts in timber legality, promote the sustainable development of Chinese forest product trade, accelerate industrial transformation and upgrading, and promote global forest governance.

#### **4.1.3 Implementation progress**

The "Forest Law" is the fundamental law of China's forestry industry. Based on the open-access materials, NFGA has made significant progress in its implementation. The main implementation progress is as follows.

(1) **Training.** In February 2020, NFGA issued a "Notice on Implementing the Newly Revised Forest Law", requiring forestry and grassland authorities in different

provinces to conduct training on the Forest Law for administrative law enforcement personnel, forest workers and forest owners etc. In response to Article 65, NFGA organised experts to give lectures on standing book management. Forestry departments in Shandong, Guizhou, Hunan, Heilongjiang, Gansu, Jiangxi, Liaoning and other places organised their subordinate units to watch the training video of the newly revised Forest Law and study the revised content.



**Figure 1: Zhangjiajie Forestry Bureau carried out training on the new “Forest Law”**

(2) **Promotion.** Media are widely used in various places, and various forms of publicity has been carried out. By making the law apply to the campus, community and rural areas, forestry operators have promptly become familiar with the law and its correct application, to protect their legitimate rights and interests according to law. For example, in Shangdong province, more than 300,000 foresters listened to the rural broadcast network video live broadcast video programs '12316 rural hotline' Forest Law programme. Fujian Forestry Bureau organised experts and volunteers to carry out promotion of the new Forest Law “popularization” in Fuzhou Botanical Garden. Experts explained to the audience the main changes in the new revision of Forest Law and its impacts in a user-friendly way.



**Figure 2: Shandong Radio Station launched the Q&A "Forest Law" popularisation program**

(3) **Revisions to the regulation.** To ensure the effective implementation of the Forest Law, NFGA has launched a revision of the "Regulations on the Implementation of the Forest Law". With regard to Article 65, some experts pointed out "that the regulations should clearly put forward the management requirements for imported timber, and further refine the management measures for imported timber". The revision work is currently in progress. At the same time, NFGA has organised a comprehensive revision, and all the laws, regulations, normative documents and standards related to the protection and management of forest resources that do not conform to the requirements of the new Forest Law will be revised.

(4) **Strengthening law enforcement.** In accordance with the new "Forest Law" requirements, Forest Law enforcement inspection is carried out in China, and the inspection content includes forestry policy implementation, forestry development planning implementation, forest resources protection, etc. The Chinese government has been combating illegal logging and trade with remarkable results. For example, in December 2020, China Customs detected an abnormal trade practice using big data

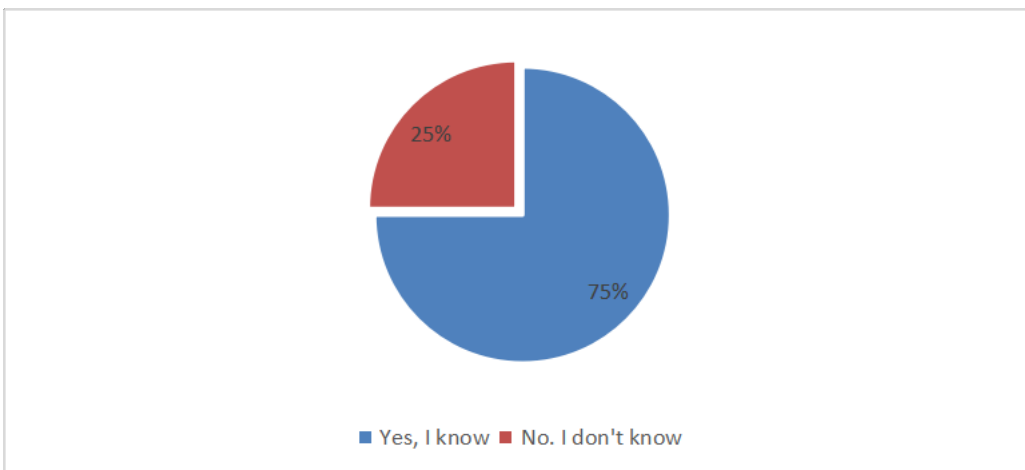


analysis. Quick action was taken to crack down on multiple criminal smuggling gangs. The case is related to timber smuggling amounting to about 100,000 m<sup>3</sup> valued about 520 million RMB.



**Figure 3: The Standing Committee of the People's Congress of Luoning, Henan Province held the "Forest Law" enforcement mobilisation meeting**

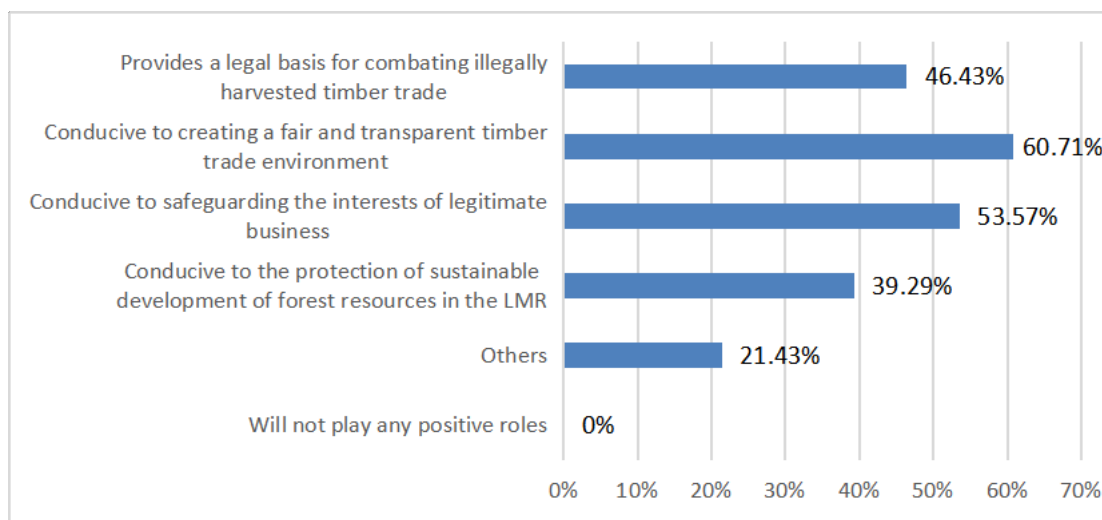
#### 4.1.4 Implementation effect



**Figure 4: Survey of enterprises' understanding of Article 65 of China's new Forest Law**

To date, the new Forest Law has been widely promoted and training has been conducted, with the relevant regulations now widely known by Chinese forestry workers and timber enterprises. The survey questionnaire shows that 75% of enterprises understand the provisions of Article 65 of the new Forest Law.

Among the company telephone interviews, enterprises are most familiar with the "Forest Law", with about 80% of the companies interviewed acknowledging their familiarity with the Forest Law. One enterprise said: "Forest Law as one of the main laws of our country, every citizen has the responsibility and obligation to abide by". One company also stated that "according to the provisions of Article 65 of the Forest Law, the company is already making a standing book for entry and exit of the warehouse". The survey shows that 60.7% of the respondents believe that implementation of Article 65 of the new Forest Law is good for creating a fair and transparent timber trade environment, and 39.3% of the respondents believe that it is conducive to the protection of sustainable development of forest resources in LMR.



**Figure 5: The implementation effect of Article 65 of the new Forest Law in promoting legal and sustainable timber trade between China and LMR**

In response to Article 65, before the drafting of the law, NFGA conducted a special study on the standing book of timber processing enterprises. After the implementation of the new law, extensive training was provided for timber enterprises. According to the survey of key timber enterprises in Jiangxi, Guangdong and Guangxi, 95.7% of the enterprises have established a management system of the standing book of entry and exit, and the vast majority of them have established a standing book of entry

and exit. Among them, the established rate of standing book of raw material entry is 95.7%, and the established rate of standing book of product exit is 97.8%. Approximately half of the enterprises update their standing book information of entry and exit of raw material weekly, and 21.7% register their updates according to actual occurrences.

**Table 4: Update frequency of standing book information of entry of raw material**

<b>Options</b>	<b>Subtotal (Number of enterprises)</b>	<b>Percentage</b>
Daily	13	14.1%
Weekly	46	50.0%
Monthly	9	9.8%
By actual situation	20	21.7%
Unbuilt storage accounts	4	4.3%

Sources: National Forestry and Grassland Administration, International Economic Research Center

The survey results show that the vast majority of enterprises have established key indicators for the standing book of entry and exit. For example, about 90% of the company's standing book indicators include the raw material name, raw material specification, raw material variety, raw material quantity, time, supplier information (name, contact person, contact information, etc.) and others.

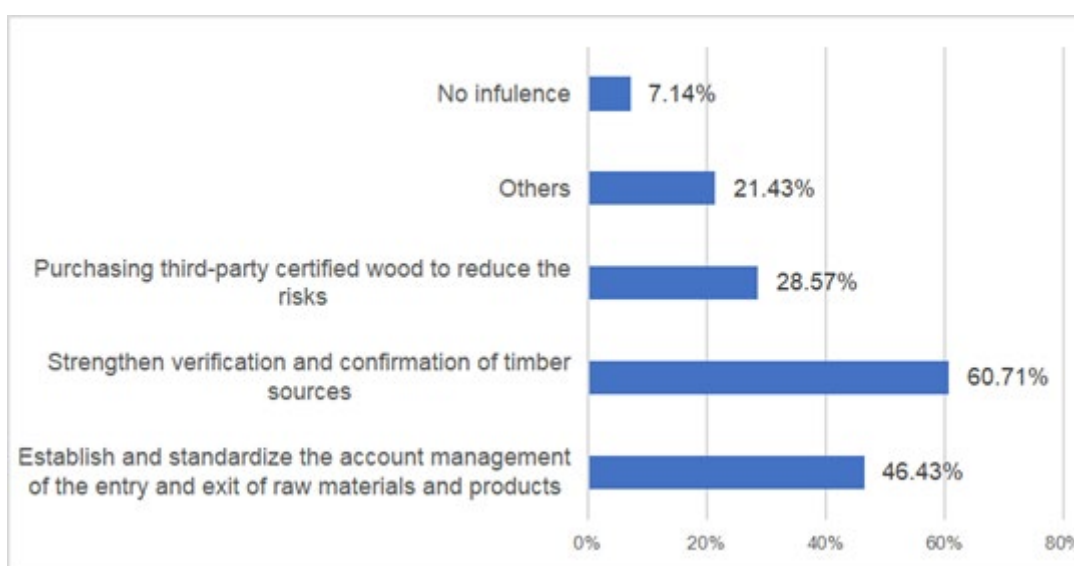
**Table 5: The standing book information of entry of raw material**

<b>Options</b>	<b>Subtotal (Number of enterprises)</b>	<b>Percentage</b>
Inventory number	52	56.5%
Raw material name	89	96.7%
Raw material scale	85	92.4%
Raw material species	86	93.5%
Raw material quantity	89	96.7%
Raw material price	84	91.3%
Enter time	88	95.6%
Supplier information (name, contact person, contact information, etc.)	86	93.5%
Handler	63	68.5%
Acceptor	49	53.3%
Other unlisted indicators	4	4.4%

Sources: National Forestry and Grassland Administration, International Economic Research Center

Overall, Chinese timber enterprises have the ability and conditions to comply with Article 65, and actively support the implementation of Article 65. The survey revealed that 60.7% of enterprises consider that verification and confirmation of timber sources need to be strengthened to adapt to Article 65; 46.4% of enterprises believe that they need to establish and standardise the account management of the entry and exit of raw materials and products. A total of 28.6% of enterprises indicated that they would purchase third-party certified wood to reduce the risks of non-compliance with Article 65.

At present, the 'Regulations on the Implementation of the Forest Law' are now being put forward for public consultation and the deadline is August 19<sup>th</sup>, 2022. As for Article 65, there are no further provisions in the existing implementation regulations although new provisions may be added or modified based on public opinion. However, the Chinese government is still able to combat illegal trade based on Article 65 as imported timber is not excluded in Article 65. For example, in December 2020, China found abnormalities through big data analysis and comparison of the clues transferred by the customs risk department, taking rapid action to combat multiple smuggling criminal groups. The case is suspected to have smuggled and imported about 100,000 m<sup>3</sup> of wood, with a case value of about 520 million RMB. The case involved various tree species including merbau from Indonesia.



**Figure 6: Enterprises' opinions on how to adapt to the Article 65**

## **4.2 Guidelines for Environmental Protection in Foreign Investment and Cooperation**

### **4.2.1 Background**

The Chinese government not only prioritises domestic environmental protection and energy conservation in its basic national policies, but it has also attached great importance to environmental protection issues in the "going out" of enterprises. To regulate the environmental protection behaviour of Chinese enterprises in foreign investment and cooperation, and promote the sustainable development of foreign investment, on February 18, 2013, the Ministry of Commerce and the Ministry of Environmental Protection jointly issued the "Guidelines for Environmental Protection in Foreign Investment and Cooperation". This is the first time that Chinese government departments have provided directional guidance on enterprises about foreign investment cooperation and environmental protection behaviour.

### **4.2.2 Content**

The "Guidelines for Environmental Protection in Foreign Investment and Cooperation" contain 22 items, which mainly regulate and guide the environmental protection behaviour of enterprises in outbound investment and cooperation from three aspects. The first is to advocate enterprises to establish the concept of environmental protection, fulfill the social responsibility of environmental protection, respect the religious beliefs, customs and habits of the host country, protect the legitimate rights and interests of laborers, and achieve mutually beneficial between their own profits and environmental protection. The second is to require enterprises to abide by the environmental protection laws and regulations of the host country, require investment and cooperation projects to obtain environmental protection permits from the local government, and perform environmental protection legal obligations such as environmental impact assessment, discharge standards, and environmental emergency management. The third is to encourage enterprises to integrate with international standards, and to study and learn from the environmental protection principles, standards and practices adopted by international organizations and multilateral financial institutions.

### 4.2.3 Implementation progress

(1) Since its release in 2013, Zhejiang, Henan, Jiangsu, Guangdong and other provinces have interpreted the policy content through the internet, training courses, and "going out" service platforms. Official media such as Xinhua News Agency and People's Daily have also published the policy interpretation content. "Environmental Protection" and other magazines have also reprinted and spread the policy, and CNKI, Daogebaba, Baidu Encyclopedia have all analyzed and interpreted articles by a large number of experts.



Figure 7: Interpretation of 'Going Out' Public Service Platform of Ministry of Commerce

(2) Guide enterprises to carry out green 'Belt and Road Initiative' construction. The government departments guide enterprises to fulfill their environmental responsibility in accordance with the requirements of the 'Guidelines for Environmental Protection in Foreign Investment and Cooperation'. At the end of 2016, the Ministry of Environmental Protection, the Development and Reform Commission and the Ministry of Commerce supported several enterprises to jointly issue the "Belt and Road Initiative" to fulfill corporate environmental responsibility. In 2017, the Ministry of Environmental Protection, the Ministry of Foreign Affairs, the Development and Reform Commission and the Ministry of Commerce jointly issued the "Guiding



*Opinions on Promoting the Construction of Green: The Belt and Road*”, which put forward specific requirements for the implementation of the “Environmental Protection Guidelines for Foreign Investment Cooperation” and the promotion of enterprises to fulfill their social responsibilities.

(3) Continue policy exchanges with other countries. The Ministry of Ecological Environment has carried out environmental protection exchanges and cooperation with more than 100 countries, signed nearly 150 cooperation documents with more than 60 countries and international organizations, established cooperation



**Figure 8: The scene of the 2019 China-ASEAN Environmental Cooperation Forum**

mechanisms with multiple countries, international or regional organizations, built cooperation platforms, and better guided enterprises to comply with the laws and regulations of the host country and fulfill international obligations.

Revision and refinement of guidelines. On January 11, 2022, the Ministry of Ecology and Environment and the Ministry of Commerce issued a new “*Guidelines for ecological environment protection of foreign investment and cooperation construction projects*”, which replaced “*Guidelines for Environmental Protection in Foreign Investment and Cooperation*” to further improve the ecological environmental protection of foreign investment cooperation construction projects. Compared with previous guidelines, the management measures of new guidelines are more specific and operational, with the greatest highlight being the encouragement of enterprises to adopt the prevailing standards of international organizations and multilateral institutions or stricter standards in China for investment cooperation activities, especially in the

absence of the standards or low standards in the host country. The main changes are:

- First, further clarify the scope of application. The new guidelines are applicable to new (including reconstruction and expansion) projects, acquisitions and mergers, and contracted projects that Chinese enterprises invest and construct overseas. The above types of projects can refer to the guidelines when carrying out project ecological environment management
- Second, clarify the definition of the ecological environment. The guidelines clearly define the ecological environment including pollution control, climate change, ecosystem and biodiversity protection.
- Third, define the project life cycle management process. The guidelines have adjusted and supplemented the relevant provisions regarding project investment before construction, construction period, operation period, exit and other major links.
- Fourth, highlight the requirements of key industries. According to the development of key industries in foreign investment cooperation, the guidelines provide specific provisions for ecological environment protection in energy, petrochemical, mining, transportation infrastructure and other industries.
- Fifth, enhance the response to climate change and biodiversity conservation requirements. With the increasing importance of climate change and biodiversity protection, the guidelines indicate relevant requirements for the project in the field of climate change and biodiversity protection.

#### **4.2.4 Implementation effect**

In recent years, the awareness of environmental protection and social responsibility of Chinese timber enterprises in foreign investment and cooperation has been continuously increasing, and many projects have been highly recognized by the local government and the public. For example, the Indian Gudalore coal-fired power station project was undertaken by a Chinese company who won the Environmental Protection Award from the India Foundation for Promoting Scaled Power Generation in 2016. China is responsible for the construction of the coal-fired power station project in Sahiwar, Pakistan, where emissions are reportedly considerably below the local emission standards.



In the survey, timber enterprises all stated that they abide by the laws and regulations of environmental protection in host countries and China. When building a new plant, the surveyed enterprises state that they complete the required environmental assessment and obtain permission from the local government. For example, S Company has a rotary cutting factory and a medium-sized sheet factory in Thailand and Lao PDR, with the construction of its factories complying with the local policy requirements. Z Company has built a plywood plant in Lao PDR. An environmental assessment of the plant was carried out according to the requirements of the local emission requirements. The company believes that environmental protection requirements in Lao PDR are relatively high. G company built a plywood plant for Bolapa Agroforestry, Sweden, meeting the local environmental protection requirements and taking the initiative to purchase a sewage treatment system for the plant and associated housing. These cases show that most Chinese enterprises have complied with local environmental protection laws when investing forestry overseas and have been recognized by the local government and the public.

### **4.3 Guidelines on China's Sustainable Agricultural Overseas Investment**

#### **4.3.1 Background**

On August 17, 2018, supported by Oxfam (Hong Kong), the China Association for the Promotion of International Cooperation in Agriculture (CAPIAC), the Rural Economic Research Center of the Ministry of Agriculture, and the Beijing Huinong Industrial Agricultural Research Center, jointly issued the "Guidelines on China's Sustainable Agricultural Overseas Investment". It is worth noting that this guideline is not a policy document issued by Chinese government departments, but a reference guide formulated by joint research institutes.

#### **4.3.2 Content**

The "Guidelines on China's Sustainable Agricultural Overseas Investment" are applicable to various types of enterprises interested in or already engaged in overseas investment in agriculture, including enterprises in the fields of crop cultivation, poultry breeding, forest and fruit production, agricultural and sideline products processing and agricultural trade. The guideline consists of 5 chapters, systematically sorting out the key points for attention, potential risks and foreign traditional customs of overseas agricultural investment.

### **4.3.3 Implementation progress**

When the guidelines were officially released, they were available in written publications. This is a reference guideline formulated by social groups, so it has no binding or motivating effect on enterprises, only serving as a reference tool. In the process of implementation, CAPIAC as the main promotion body, promotes practices within its membership. CAPIAC improves its methods by developing pilot cases and holding seminars, although only one official meeting related to this guideline can be found. The details are as follows:

On November 19, 2019, with the support of Oxfam (Hong Kong), the Rural Economic Research Center of the Ministry of Agriculture and Rural Affairs organised the *China Agricultural Overseas Sustainable Investment Conference* in Beijing. The conference introduced the concept of agricultural overseas sustainable investment and various analytical tools, and shared relevant cases. The participating experts and entrepreneurs discussed issues such as sustainable Chinese agricultural foreign investment, the construction of global agricultural supply chains, and the opportunities and challenges faced by overseas agricultural investment.

### **4.3.4 Implementation effect**

On the whole, “Guidelines on China’s Sustainable Agricultural Overseas Investment” has made significantly less progress and impact than the policy documents issued by government departments. Since 2020, the guidelines have been mentioned less frequently, and their influence has tended to weaken. In the field of agriculture, the guidelines have been used by some agricultural academies and agricultural enterprises as a reference book and have played an important role in guiding these enterprises to carry out sustainable foreign investment.

However, the influence of this guideline in Chinese timber enterprises is relatively low. In the telephone interviews, Chinese timber enterprises said that they had basically never heard of the guidelines, indicating that the guidelines, as an unofficial tool, were not attractive enough to forestry enterprises.

## **4.4 Guidelines on Sustainable Management and Utilization of Overseas Forest by Chinese Enterprises**

### **4.4.1 Background**

In order to further strengthen foreign technical and economic cooperation and standardise the sustainable management and utilization of foreign forests by Chinese enterprises, in March 2009, NFGA and the Ministry of Commerce formulated the "Guidelines on Sustainable Management and Utilization of Overseas Forest by Chinese Enterprises". This guideline is another management and technical specification for Chinese enterprises engaged in overseas forestry and follows the "Guidelines on Sustainable Overseas Silviculture by Chinese Enterprises". These guidelines further demonstrate China's determination and efforts to promote sustainable development of global forests to the international community.

### **4.4.2 Content**

The "Guidelines on Sustainable Management and Utilization of Overseas Forest by Chinese Enterprises " consists of 7 parts. It puts forward normative requirements in terms of forest resource management, wood processing and transportation, personnel training and technical guidance, establishing a multi-stakeholder publicity and consultation system, strengthening environmental protection and biodiversity protection, and promoting the development of local communities. It also ensures that Chinese enterprises engaged in overseas forest resource harvesting, wood processing and utilization and other related activities will reasonably carry out overseas forest management, utilisation and protection, and improve industry self-discipline.

### **4.4.3 Implementation progress**

Since the publication of the "Guidelines on Sustainable Management and Utilization of Overseas Forest by Chinese Enterprises", the guidelines have been translated into French, Russian and Portuguese, and country manuals for Russia and Guyana have been prepared to provide good examples of their implementation. NFGA actively promoted the pilot of the guidelines in Russia, Gabon, Guyana, Mozambique, although not in LMR countries. Nearly 100 Chinese enterprises in these countries participated in the training of the guidelines. At the same time, China has incorporated the promotion and implementation of the guidelines into the long-term

sustainable development of forest products trade and forestry among countries, and gradually encouraged all Chinese foreign forestry enterprises to follow the guidelines through pilot projects. Some of the main pilot work includes:

**(1) An initiative for Chinese enterprises to sustainably manage and utilise overseas forests**

On 22 June 2011, the International Trade Research Centre for Forest Products of National Forestry Administration, the Beijing Representative Office of the World Natural Foundation (WWF) and the China Liaison Office of the World Conservation Union (IUCN) organised the "Initiative on Sustainable Management and Utilization of Forests by Chinese Enterprises" in Shanghai. At this meeting, 10 enterprises signed the "Sustainable Forest Management Initiative for Overseas Chinese Enterprises", indicating that they would unite and work together to contribute to the protection of forests and make forests benefit mankind.

**(2) Pilot project of Greater Khinganling Xinlin Company in Russia**

In 2011, Greater Khinganling Xinlin Company carried out pilot work on "Guidelines on Sustainable Management and Utilization of Overseas Forest by Chinese Enterprises". A pilot training seminar on guidelines for managers, front-line staff and Russian partners of Xinlin Company was held in Aringui. The pilot working group introduced the background and specific content of the guidelines, combined with on-the-spot investigations, and one-on-one discussions on specific provisions of the guidelines. With the pilot promotion of Greater Khinganling Xinlin Company, the Chinese government actively encourages foreign enterprises in Russia to use these guidelines.

**(3) The pilot project of Sanli Wood Industry of China Oil & Foodstuffs Corporation (COFCO) in Gabon**

In 2011, Gabon COFCO Sanli Wood Industry Co., Ltd. carried out pilot work. The company had invested in five timber companies in Gabon, covering forest cultivation, management, harvesting, logistics and primary processing. The proportion of foreign employees is high (at about 77%). In general, the employees of Sanli wood enterprises in Gabon are familiar with the Forest Laws and regulations of the Gabonese government. Regarding social responsibilities, Sanli Wood has a large investment in

staff training and education, and employees have a high awareness of environmental protection, security and community development. In daily business activities, enterprises are strictly managed in all aspects of work, using harvesting systems which minimize the impacts on biodiversity, wildlife, natural landscape, and soil etc., to ensure the rapid recovery of the forest ecosystem. Some surveys show that foreign employees get along well with Chinese employees. Enterprises often provide assistance to local society and residents in various forms (material donations, cash donations, engineering assistance, etc.) to contribute to local roads and education, with an average annual donation of 100,000 euros. Through these activities, enterprises and residents have established good mutual trust, gained respect from local residents, promoted the development of local economy, and created a good external environment for the development of enterprises.

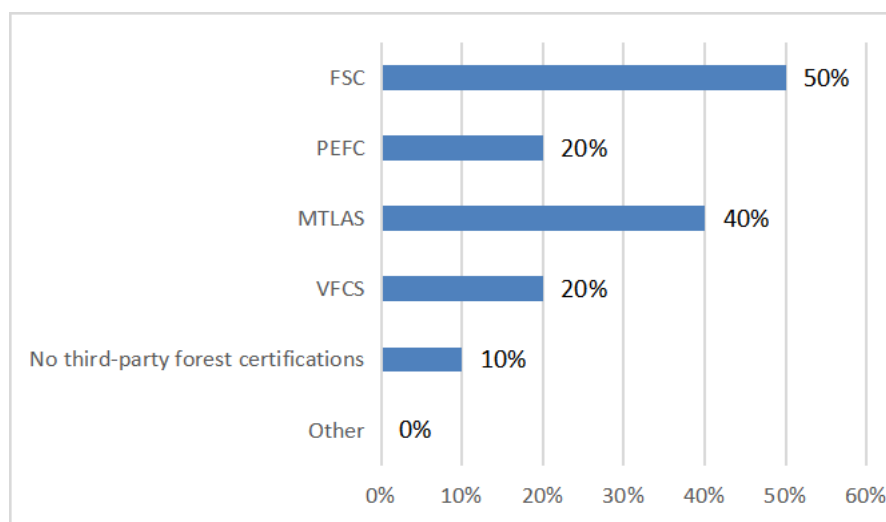
#### **4.4.4 Implementation effect**

Overall, after the release of the "Guidelines on Sustainable Management and Utilization of Overseas Forest by Chinese Enterprises", a series of publicity and training and pilot work has been carried out, and the experience and practices of the pilot countries have been summarized in a reference book, which has been well utilised among Chinese forestry enterprises with overseas investments in Russia, Gabon, Guyana, Mozambique and other countries, and has achieved positive results. Chinese forestry enterprises in many countries have either joined the guide initiative or consciously guide their own management according to the guide. The guide has become one of the important tools for enterprises to manage overseas investment risks.

The telephone survey showed that companies were better informed of the "Guidelines on Sustainable Management and Utilization of Overseas Forest by Chinese Enterprises", with 16 of the 19 interviewed companies having knowledge of the guidelines. Although 3 companies had not heard of the guideline, they indicated that timber procurement, plant construction and other business activities were conducted in accordance with local policy provisions in the host country. In order to ensure that the purchased timber comes from sustainable forest management, B company gives priority to purchasing timber with FSC and PEFC certification; ZJL company stated that Cambodian timber with FSC and PEFC certification is preferred; imports of Myanmar

timber generally require MTLAS or MFCC certification. One company said they require all the suppliers to provide a certificate of origin.

According to the questionnaire, 50% of the enterprises have FSC certification or have purchased timber with FSC certification, 40% of enterprises have MTLAS certification or have purchased timber with MTLAS certification, 20% of enterprises have PEFC certification or have purchased timber with PEFC certification, and only 10% enterprises have no third-party certification.



**Figure 9: The proportion of enterprises carrying out third-party certification**

In general, enterprises have complied with relevant laws and regulations and international conventions according to the requirements of the guide and commit to responsible forest management. The forestry departments in some pilot countries (e.g., Guyana, Gabon, Mozambique) have valued the guidelines highly, hoping to promote sustainable management and utilisation of their own forests by cooperating with China.

## **4.5 Guidelines on Sustainable Overseas Silviculture by Chinese Enterprises**

### **4.5.1 Background**

In the early 21st century, the restoration and protection of forest vegetation have become leading forestry issues. In particular, the global forest protection movement, which has triggered the crackdown on illegal logging and the protection of biodiversity, has brought serious challenges to overseas forestry development of Chinese enterprises. In order to standardise and guide the overseas forestry development behaviour of

Chinese enterprises, NFGA and the Ministry of Commerce jointly issued the "Guidelines on Sustainable Overseas Silviculture by Chinese Enterprises" on August 28, 2007.

#### **4.5.2 Content**

The "Guidelines on Sustainable Overseas Silviculture by Chinese Enterprises" is the first management and technical specification for Chinese enterprises to engage in forest cultivation. According to the guidelines, Chinese enterprises should strictly implement the relevant laws and regulations of the host country, protect forest land according to law, strictly protect high-value forests, and strictly prohibit illegal conversion of forest land use.

#### **4.5.3 Implementation progress**

The Chinese government actively encourages both domestic and overseas enterprises to implement the "Guidelines on Sustainable Overseas Silviculture by Chinese Enterprises" in accordance with the actual situation of the host country, organises the working group who compiled the guidelines to carry out training for overseas enterprises, and incorporates the implementation of enterprises into the government's assessment, supervision and certification of forest cultivation activities of overseas enterprises. In the area of training, the experts invited by National Forestry and Forestry Administration gave lectures to enterprises on hot topics such as climate change, sustainable forest cultivation and ecological protection, forest certification, sustainable forest product trade, and promotion of local community development. China has organised a number of seminars on non-Chinese enterprises to promote the contents of the guidelines. For example, at the end of 2014, the National Forestry Grassland Bureau Survey and Planning Design Institute organised a "Seminar on Promoting China's Overseas Investment and Sustainable Development in Africa" focusing on the operation of Chinese enterprises in Africa, sustainable development and cooperation in forestry in China and Africa. The survey of 500 enterprises shows that 71.4% of enterprises have received or read the guideline.

#### **4.5.4 Implementation effect**

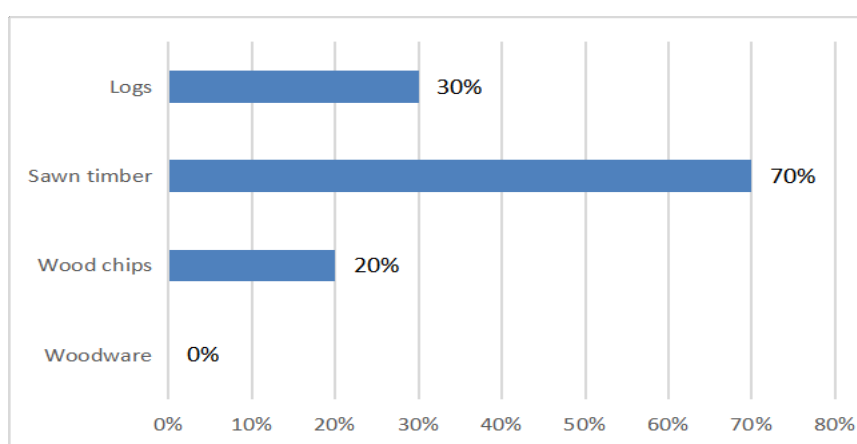
At the beginning of the publication of "Guidelines on Sustainable Overseas Silviculture by Chinese Enterprises" China's forestry enterprises overseas had attracted widespread criticism but had also been welcomed by host countries. The questionnaire indicated that eight companies were willing to operate overseas businesses under the guidelines. Some enterprises said that overseas enterprises widely followed the guidelines, considering the interests of both their own and the host countries, and both the interests of enterprises and local residents. A timber enterprise in Yunnan took the initiative to contact relevant institutions and hoped to do the pilot on his leased forestland in Lao PDR. In recent years, using the guidelines, Chinese enterprises have gradually standardised their forest cultivation activities abroad, and their awareness of sustainable protection and utilisation of global forest resources has gradually increased.



## 5. Interview summary: Operations and demands of Chinese enterprises in timber trade and investment in LMR

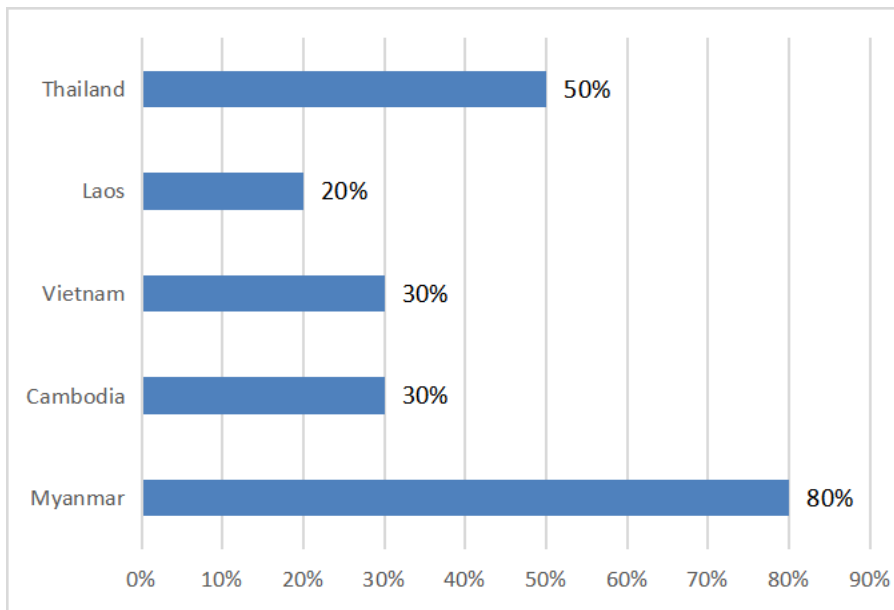
### 5.1 Main practice

Through telephone interviews, questionnaires and expert consultations, it is known that Chinese forestry enterprises are mainly engaged in timber processing and trade in the LMR, although only a few enterprises have invested directly in local forest land. Overall, there are more Chinese forestry enterprises located in Vietnam than other LMR countries. In the questionnaire, 70% of enterprises imported sawnwood from the LMR, 30% of enterprises imported logs and 20% imported woodchips.



**Figure 10: The type of product imported from LMR**

Based on the questionnaire, 80% of enterprises imported timber from Myanmar, 50% of enterprises from Thailand, 30% of enterprises from Vietnam and Cambodia, and 20% of enterprises from Lao PDR.



**Figure 11: The source of surveyed company's imported timber**

According to the surveyed enterprises, there may be no more than 10 Chinese forestry enterprises in Thailand, and many enterprises in Lao PDR are in a state of shutdown due to the unstable political situation. Focusing on the five major legal requirements, we conducted interviews and consultations with Chinese forestry enterprises, and the main findings are summarised as follows.

(1) Chinese forestry enterprises have enhanced their awareness of the policies and laws of the host country and China. In recent years, with the advancement of the rule of law in China, the awareness and ability of Chinese forestry enterprises to know and abide by the law have been significantly improved. The survey questionnaire indicates that enterprises have high awareness and satisfaction with the five policies and regulations. For the "Forest Law", 75% of enterprises understood Article 65. The results of telephone interviews show that 16 of the 19 interviewed companies have heard of the relevant regulations, such as the "Forest Law" and the "Guidelines for Environmental Protection in Foreign Investment and Cooperation". Although the other 3 enterprises have not heard of it, they have demonstrated that they have met the policies and regulations of the import and export countries. Among the five policies and regulations, forestry enterprises are most familiar with the Forest Law. Some companies said that "Forest Law is the main law in the forestry industry", and "*Forest Law is one of the*

*main laws in my country, and every citizen has the responsibility and obligation to abide by it". One company also stated that "according to the provisions of Article 65 of Forest Law, the company is already making a ledger for inbound and outbound of the warehouse".*

(2) The environmental protection concept of Chinese forestry enterprises has improved, and they have the tools to comply with the requirements of local environmental protection policies when investing in the LMR. The “Guidelines for Environmental Protection in Foreign Investment and Cooperation” requires investment projects to obtain environmental protection permission from local governments and fulfill environmental protection obligations such as environmental impact assessment, emission compliance, and environmental emergency management. The "Guidelines on Sustainable Overseas Silviculture by Chinese Enterprises" requires that the solid, liquid, gaseous waste and noise generated by timber processing projects should meet the emission standards and requirements proposed by the local environmental protection department. In recent years, Chinese forestry enterprises have been impacted by the environmental protection concept that “*Clear waters and green mountains are as good as mountains of gold and silver*”. When investing and operating abroad, they now pay more attention to the protection of the local ecological environment, actively complying with local environmental protection legal requirements, and discharge sewage and exhaust gas according to the provisions of local environmental protection departments.

Telephone interviews show that S company has established rotary veneer and plywood plants in Thailand and Lao PDR. During the construction process, environmental assessments were carried out in accordance with local policy requirements for plant construction. Z company has a plywood plant in Lao PDR, and an environmental impact assessment was carried out during the construction of the plant to meet the local emission requirements; the company believes that Lao PDR’s environmental protection policy is relatively complete, and the environmental protection standards and requirements are clear and reasonable. When G company built a plywood plant for Swedish Bolapa Agriculture and Forestry Company, in addition to meeting the local environmental protection requirements, it also took the initiative to purchase a sewage treatment system for the production facility and associated housing.

(3) Some Chinese forestry enterprises have taken measures to ensure their purchasing is from legal and sustainable timber sources. The main method of ensuring that timber is purchased from legal and sustainably managed forests by requiring suppliers to provide third-party certification (FSC, PEFC, etc.) or certificates of origin. Some other enterprises actively apply for China's green products or environmental labeling products certification to further make their products conform to the concept of sustainable management. For example, B company of wood home furnishing stated that it "ensures that all purchased forest products come from well-managed forests that are certified or meet credible certification standards and will give priority to purchasing timber that has obtained FSC and PEFC certification". ZJL company. stated that *"the Cambodian timber with FSC and PEFC certification is preferred; the import of Myanmar timber generally requires MTLAS or MFCC certification."* ZW Furniture company stated that it *"requires all suppliers to provide certificates of origin, reject illegally harvested timber, and give priority to purchasing certified materials."* ZS flooring company insists on using legal and sustainable timber. The company has also obtained certifications such as China Green Product Certification and Environmental Labeling Products Certification. The procurement of raw materials meets the requirements of laws and regulations.

With regard to third-party forest certification, in addition to forest certification required by Myanmar, Lao PDR and other countries, enterprises are adopting more market-oriented certification such as FSC and PEFC. Among the 19 enterprises interviewed by telephone, 14 enterprises believed that "third-party forest certification has a certain role in promoting sustainable trade and investment in timber", 3 enterprises believed that it did not work, and 2 enterprises said that they were unclear how it worked. For example, T Flooring Company believes that third-party certification is an important means to promote sustainable forest trade. H trade company believes that third-party certification can promote sustainable trade and reduce illegal logging. At present, the purchase of third-party certified timber by some Chinese forestry enterprises is mainly driven by market demand. The product orders from Europe requires certified timber, while the orders from the United States, China and other countries do not necessarily require certified timber.

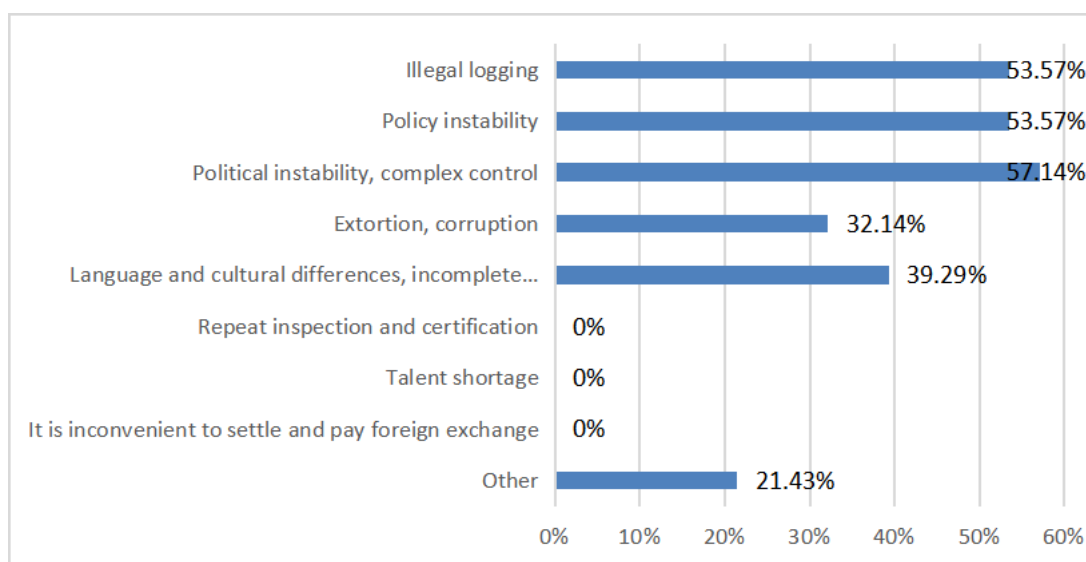
(4) The sustainable forest cultivation capacity of Chinese forestry enterprises has improved, and scientific and feasible forest cultivation plans have been actively implemented according to the host country. In recent years, with the economic and social development and internet knowledge spillover, the management level of Chinese forestry enterprises has been rapidly improved. Under the guidance of “Guidelines on Sustainable Overseas Silviculture by Chinese Enterprises” and “Guidelines on Sustainable Management and Utilization of Overseas Forest by Chinese Enterprises”, sustainable forest cultivation has been further advanced. D Flooring Company said that they have invested in forest land both in Thailand and Myanmar. In the process of operation, it complied with the relevant laws and regulations of China and the host country on forest management and utilisation and carried out business in strict accordance with the business location, area, quantity, species and content approved by the host country. Sa company has strict management in all aspects of work and has adopted harvesting methods which minimise its impact on biodiversity, wildlife living environment, natural landscape and the soil.

(5) Some Chinese forestry enterprises have taken the lead in fulfilling their social responsibilities and set an example in promoting employment of local residents and carrying out technical training. Compared with other industries, the vast majority of forestry enterprises are small and medium-sized, which are small in scale and low in ability to manage risk. Survival and development are their top priorities. The companies interviewed reported that even local companies in Thailand and Lao PDR are mostly small and medium-sized enterprises. Some Chinese forestry enterprises are providing social benefits beyond their company operations, providing more employment opportunities and on-the-job technical training for local residents, conducting technical exchanges with local enterprises, and contributing to society within their capabilities. For example, S company stated that more than 70% of its employees are local residents who undertake technical training before taking up employment. A plywood factory said that local residents lack a source of livelihood with timber sales being an important source of income. Chinese companies' legal procurement of timber to provide employment for local residents is also a manifestation of social responsibility. He said

that if it can assist local residents to find better alternative employment, it “*is the future goal to free them from selling timber for a living*”. Guangxi Forestry Academy assists enterprises to conduct scientific research exchanges with Vietnam and introduces Chinese equipment to build tissue culture factories. From the eucalypts introduced in Guangxi to the native acacia in Vietnam, mature group cultivation techniques have been established in Vietnam.

## 5.2 Main demand and problems

The survey shows that the three major problems and challenges faced by Chinese forestry enterprises in timber trade and investment in LMR are: the unstable political situation and complex control; policy instability; and illegal logging. There is also an incomplete understanding of policies resulting from linguistic and cultural differences, as well as extortion and corruption in the host country.

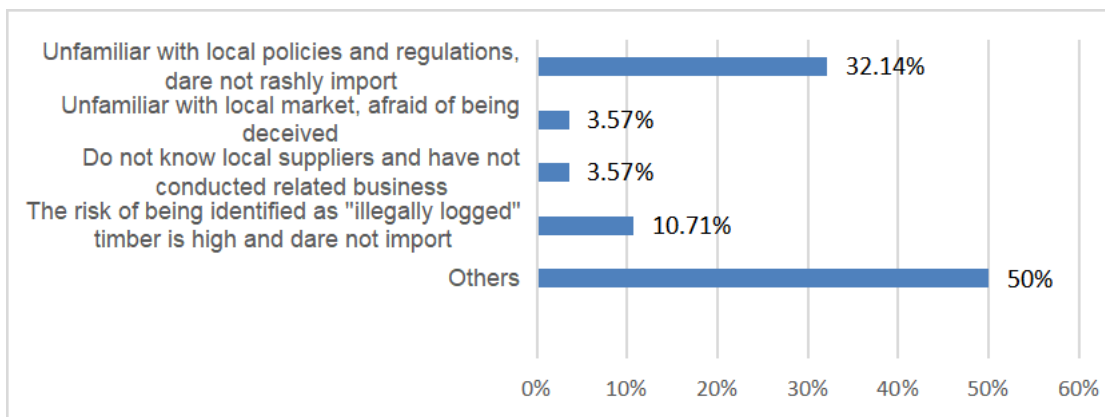


**Figure 12: Main problems and challenges in timber trade and investment with the LMR**

(1) The political environment in Lao PDR, Cambodia, and Myanmar is unstable, affecting the operation of enterprises. According to the feedback of an enterprise investing in plywood factories in Lao PDR, there have been conflicts for more than one year, and enterprises have been unable to operate. The factories remain closed, and employees have been repatriated, which is detrimental to enterprises and local society. Armed clashes in Myanmar's civilian areas have continued, and political clashes

continued in 2021, with some companies shutting down factories for fear of physical and financial security. Similar problems have also occurred in Cambodia. Enterprises hope that these countries will undertake economic reconstruction, stabilise the political environment as soon as possible, resolve internal conflicts, and create a good business environment for foreign enterprises.

(2) Political instability in the host country leads to policy instability, and enterprises have difficulty in adapting to the changing external environment. For example, conflicts have occurred between Myanmar’s government forces and the Civilian Armed Forces in Myanmar's forests. Ethnic conflicts have led to disputes over the ownership of forest resources in Myanmar and unbalanced allocation of forest resources. This policy instability has led to Chinese forestry enterprises backing away from investment in forest land in Myanmar. In the questionnaire, 31.1% of enterprises do not import timber from LMR countries because they are unfamiliar with local policies and regulations, so they dare not rashly import.



\* “Others” mainly include: poor business environment; the working hours of employees are not guaranteed; inadequate industrial chain supporting facilities.

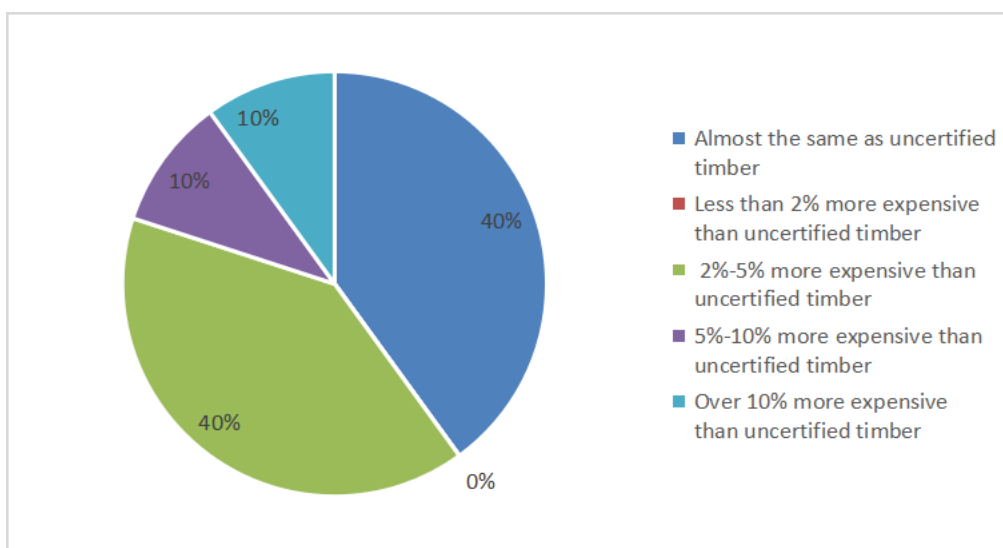
**Figure 13: The reason why enterprises don’t import timber from the LMR**

(3) There are illegal logging activities in the host country, and assurance of the legality and sustainability of imported timber is a great concern for Chinese forestry enterprises. Many enterprises have responded that illegal logging by local residents has increased the difficulty of Chinese forestry enterprises in purchasing legal and sustainable timber. Some enterprises regard third-party certifications as an important

tool to identify legal and sustainable timber, but not all local timber has been certified, so that uncertified timber must continue to be purchased. Enterprises may purchase illegal logging timber accidentally and some large companies have refused to buy timber from the LMR directly to avoid such problems.

(4) Due to the high cost and variety of forest certification, enterprises urgently need reliable, convenient and low-cost certification methods. In the telephone interviews, many enterprises provided feedback that third party certification costs are high. As small enterprises are operating with small margins, there is a risk that they will lose their market competitiveness if they require the use of third-party certification. The survey questionnaire shows that the imported price of certified timber is about the same as that of uncertified timber in 40% of enterprises. Therefore, the cost of forest certification (not including COC certification) is mainly borne by forest owners.

There is also feedback from enterprises that third-party certification has a wide range of types, different standards and different requirements from different countries, which makes it difficult for enterprises to distinguish between different certifications. Some enterprises have obtained all the certifications they can do to reduce risks, but the cost has increased significantly. In this regard, some enterprises suggest that timber traceability using information technology can be developed to prove legal and sustainable wood.



**Figure 14: The price of third-party certified timber, compared with imported timber without third-party certification**



(5) Due to language and cultural differences, some enterprises do not fully understand local policies. Some timber traders are not familiar with the local customs due to lack of language, do not understand the policy content well, and even individual enterprises violate the local policies and regulations. In the survey, some enterprises suggest increasing training and interpretation of the policy to improve the compliance of enterprises with local policies. Some enterprises suggest that government departments increase communication and liaison, to provide a platform enhancing exchanges and cooperation between enterprises in different countries.

(6) Corruption exists in some local grass-roots units, and there is “flexible law enforcement” against Chinese forestry enterprises. In interviews, enterprises generally said that the people in LMR countries are friendly to Chinese forestry enterprises, but there is still some “flexible law enforcement” between grass-roots law enforcement personnel, namely involving the inflated frequency and number of fines for Chinese enterprises. Although some Chinese speculators have imported illegal logging timber for their own personal interests, this is regarded as infrequent and should not deter the legitimate operation of Chinese forestry enterprises and their contribution to local economic and social development. Enterprises hope that local governments can guide the development of enterprises and create a fair and transparent market environment for Chinese forestry enterprises.

(7) There are some difficulties in combating illegal logging and trade from some countries. For example, the total length of the border between China and Myanmar is 2186 kilometers and it is therefore very difficult to monitor illegal logging activities in real time. The government forces in Myanmar sell timber but the “Civilian Armed Forces” regard this timber as illegal, and it is difficult to make a judgement.

## **6. Practical suggestions on promoting legal and sustainable timber trade and investment between China and the LMR**

Based on the practical cases of Chinese government departments, private enterprises and associations in promoting sustainable timber trade and investment in recent years, the following suggestions are put forward.

(1) For the Chinese Government. **a.** In 2021, under the effort of GGSC, the China-Gabon Intergovernmental Working Group was established and held a formal dialogue in which promotion of sustainable trade and investment in timber was an important topic. This model can be used to further strengthen the intergovernmental dialogue with countries in the LMR. This is suggested as a model to implement the “Joint Statement on Strengthening Cooperation in the Sustainable Development of the Lancang-Mekong River Countries”, which aims to encourage cooperation in the management and protection of forest resources, and to promote legal timber trade, jointly combat illegal logging and illegal trade of wild animals and plants and enhance the forestry governance capacity in LMR. **b.** According to the practical experience of the "Guidelines on Sustainable Management and Utilization of Overseas Forest by Chinese Enterprises", training on policies for enterprises about sustainable timber trade and investment is suggested, in addition to the selection of representative pilot enterprises in the LMR to implement key provisions in the guideline. These measures are suggested for Vietnam, Thailand, and Lao PDR, to help enterprises enhance their understanding of the local investment requirements, and reduce potential risks caused by changes in policies and laws. **c.** Support the establishment of a communication platform to promote exchanges and cooperation between Chinese forestry enterprises and enterprises in the LMR, becoming a channel for policy research, information communication and services, and to encourage enterprises to carry out legal and sustainable trade and investment. At the same time, the platform could assist in prediction of illegal logging behaviour using big data analysis and issue potential risk warnings. **d.** Improving cooperation on illegal logging surveillance with LMR countries and encouraging the use of information technology to carry out timber traceability from “forest land-terminal consumers” to effectively improve the reliability of timber sources.

(2) For LMR government departments. **a.** Strengthen the in-country surveillance of illegal logging, cooperate with the Chinese government to combat illegal logging, and reduce the risk of illegal timber procurement by enterprises. **b.** Use fiscal and tax preferential policies and financial incentives to give incentives for third-party certification of forestry enterprises (especially foreign enterprises). At the same time, local enterprises are encouraged to establish a green, stable and sustainable supply chain of forest products to provide legal and sustainable timber for international markets. **c.** Support the establishment of a communication platform to promote exchanges and cooperation between Chinese forestry enterprises and enterprises in the LMR, support the training of policies and regulations on sustainable management and utilization of forests, incentivise the timber associations to guide enterprises enhancing green and sustainable management through industry self-discipline. Support international organizations to carry out activities to promote the legal and sustainable timber trade and investment. **d.** For Lao PDR, Myanmar and Cambodia, where the political situation is not stable, it is recommended to refer to the model of development in Vietnam and China, listen to the voice of enterprises, shift the focus to economic development, stabilize the political situation and resolve internal conflicts as soon as possible.

(3) For Chinese forestry enterprises. **a.** Chinese forestry enterprises should improve their internal management systems to accommodate the requirements of the “Forest Law, “Guidelines on Sustainable Management and Utilization of Overseas Forest by Chinese Enterprises” and “Guidelines on Sustainable Overseas Silviculture by Chinese Enterprises” and be able to carry out their forest growing and wood processing business with higher standards when conditions permit. For example, we can learn from the practice of Bolapa Agroforestry, Sweden. Even if the scale of operation is small, it has been able to install additional sewage treatment system with environmental standards higher than those of the local government and be able to adequately discharge sewage and waste gas. **b.** Large forestry enterprises should take the lead in purchasing legal and sustainable timber to promote the green and sustainable development of the industry. For example, in 2018, 12 leading Chinese forest products enterprises jointly proposed to establish the Global Green Supply Chain (GGSC) initiative, marking the

self-awakening of the Chinese forest industry. In 2019, more enterprises and associations around the world responded positively and joined GGSC, bringing together major players in the tropical timber industry and trade to discuss how best to harness the role of the industry in mitigating climate change and how to move forward in the development of global green timber supply chain. In the future, more Chinese forestry enterprises and timber enterprises in the LMR are encouraged to join the GGSC initiative to jointly promote global timber legal and sustainable trade. **c.** In order to meet the requirement of Article 65, timber enterprises need to strengthen management of the supply chain to ensure the legal source of timber. Third-party verification may still an important means to achieve proof of legality (such as CFCC, PEFC, FSC, etc.).

(4) For industry associations. **a.** The China Forestry Industry Association, China Wood and Wood Products Circulation Association, and other local timber associations, should continue to call on members to strengthen industry self-discipline, carry out production and management according to law, and purchase legal and sustainable timber. **b.** Timber industry associations can use group standards and industry standards to further regulate the procurement behaviour of timber companies, but it should be noted that the standards issued by each association must be consistent. For example, in 2017, the China Forest Products Industry Association and the Forest Products International Trade Research Center of the State Forestry Administration jointly proposed the "China Timber Legality Recognition" group standard to promote processing and trading enterprises to ensure the legality of timber sources and improve their awareness of social responsibility. **c.** Strengthening cooperation with other foreign industry associations and international organizations, actively participating in the international community 's initiatives on the procurement of legal and sustainable timber, building a green and sustainable supply chain, and demonstrating the determination and capacity of Chinese forestry enterprises to purchase legal and sustainable timber and undertake social responsibility.

(5) For international organizations. **a.** Intergovernmental international organizations can play an important role in promoting intergovernmental negotiations between China and countries in the LMR. **b.** International organizations can use global

forestry market resources to encourage qualified countries to explore the use of blockchain and other information technologies to carry out cross-border timber traceability and provide new solutions to enhance transparency in timber sources, reduce the certification cost and improve the reliability of timber traceability. For example, ITTO, FAO and others have supported several research projects in time traceability based on blockchain. **c.** The "Guidelines for Ecological Environmental Protection of Foreign Investment Cooperation and Construction Projects" issued by China stipulates that when the host country (region) does not have environmental protection standards or the standard requirements are low, enterprises are encouraged to adopt the common standards of international organizations and multilateral institutions or China's stricter standards to carry out investment activities. At present, there are many types of third-party certification, the standards are not uniform, and the requirements of different countries are also different. It was suggested that international organizations could study to establish the standards of access for legal and sustainable timber and coordinate third-party certification for mutual recognition.

Much work is needed to promote legal and sustainable investment in timber. However, no single enterprise, association or even government department can solve the current problems well alone. Based on the investigation, the most critical solution is that timber enterprises, associations, governments and third-party organizations should have more efficient communication mechanisms. Cheaper, more transparent and more fair means to verify the timber's legal source needs to be supplied to the timber enterprises.

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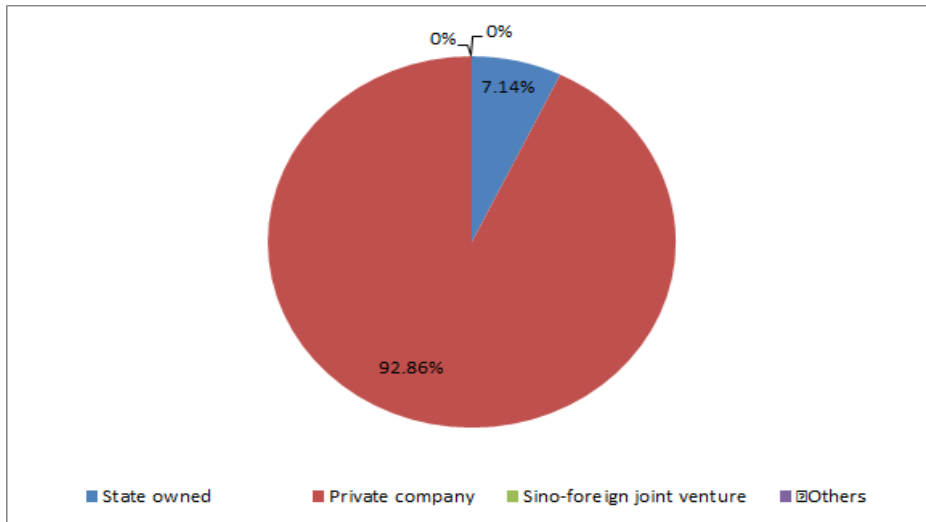
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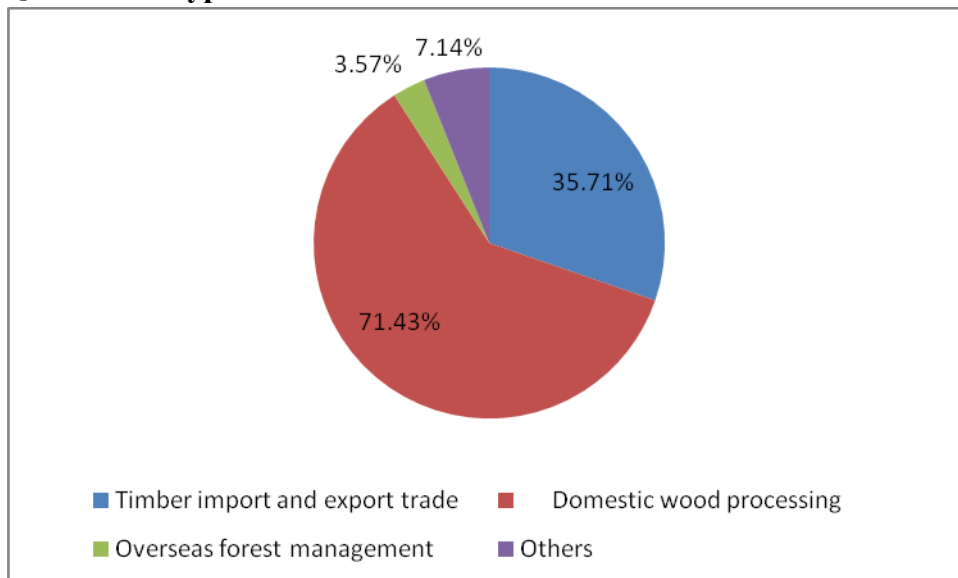


## Appendix I: Questionnaire statistical report

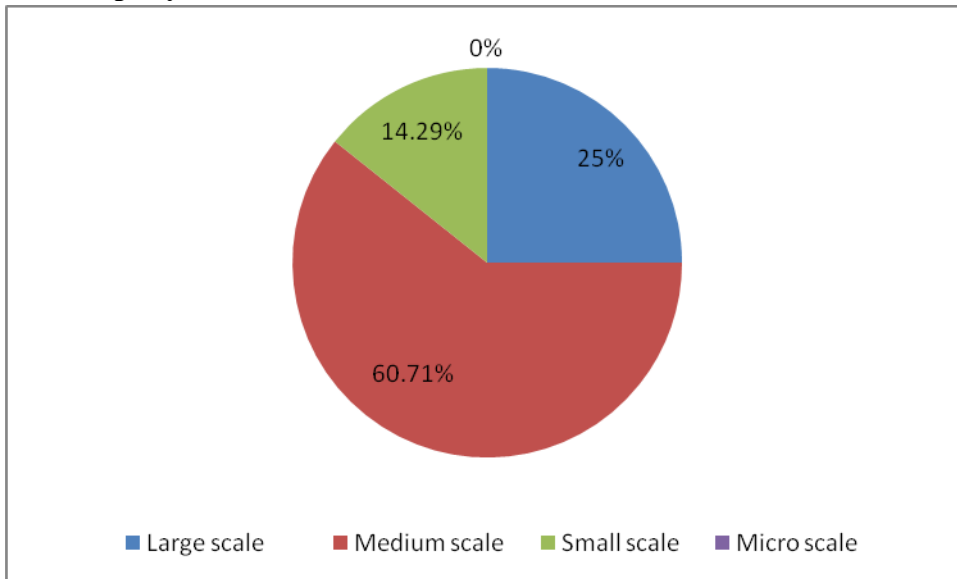
### Q1 Nature of the company.



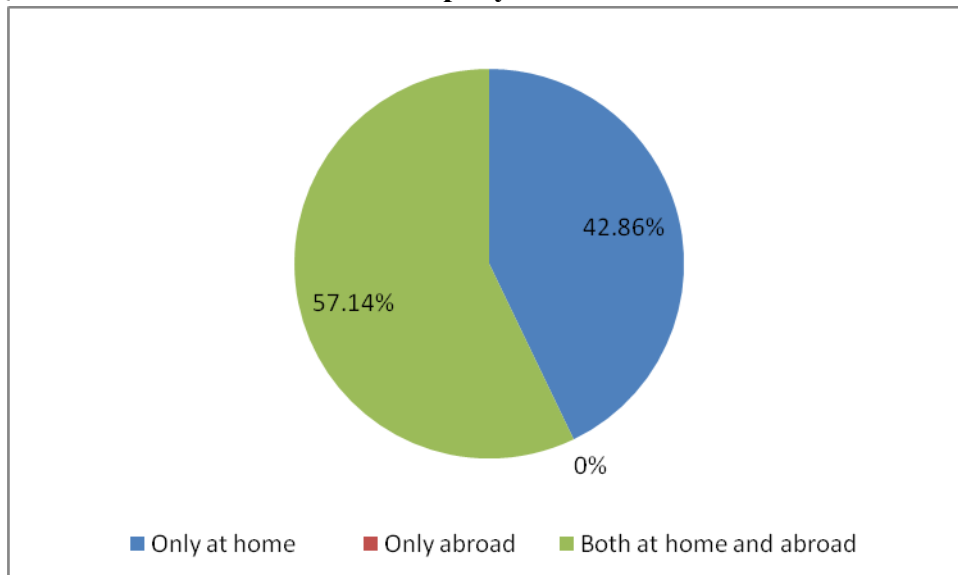
### Q2 Business type.



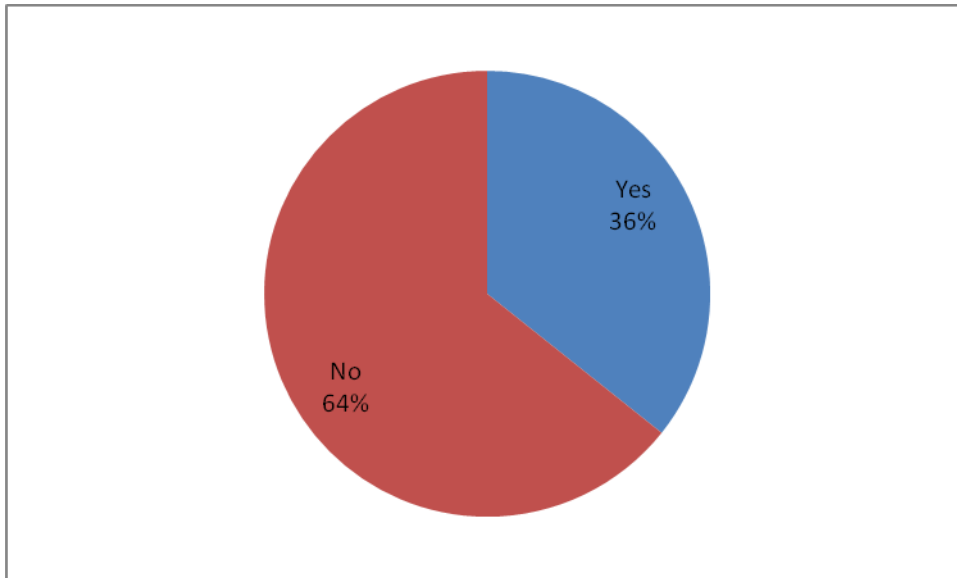
**Q3 Company scale.**



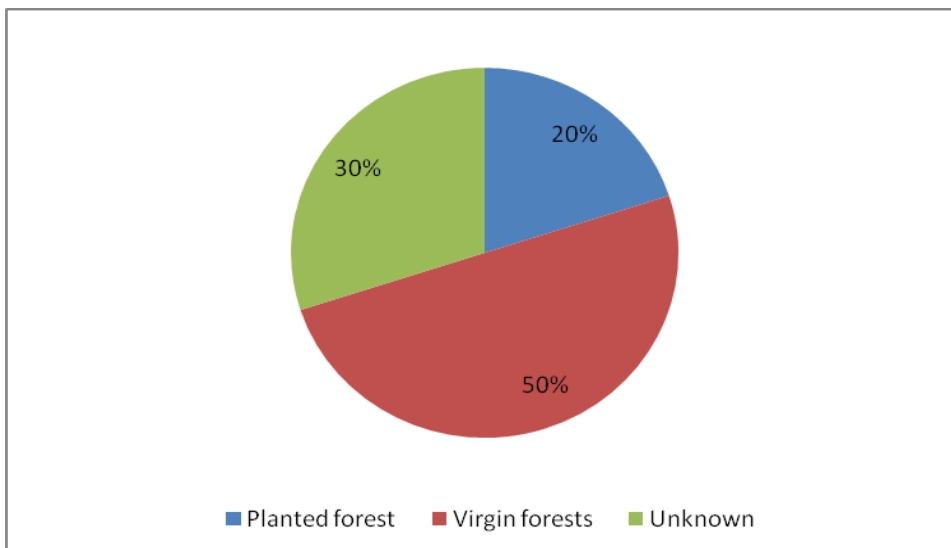
**Q4 Business Locations of the company.**



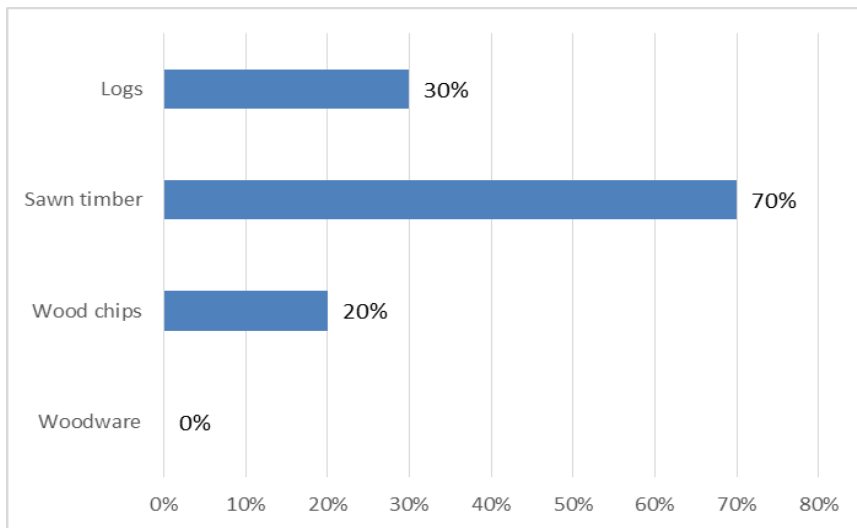
**Q5 Whether your company imports timber from LMR countries (Thailand, Vietnam, Cambodia, Myanmar, Lao PDR).**



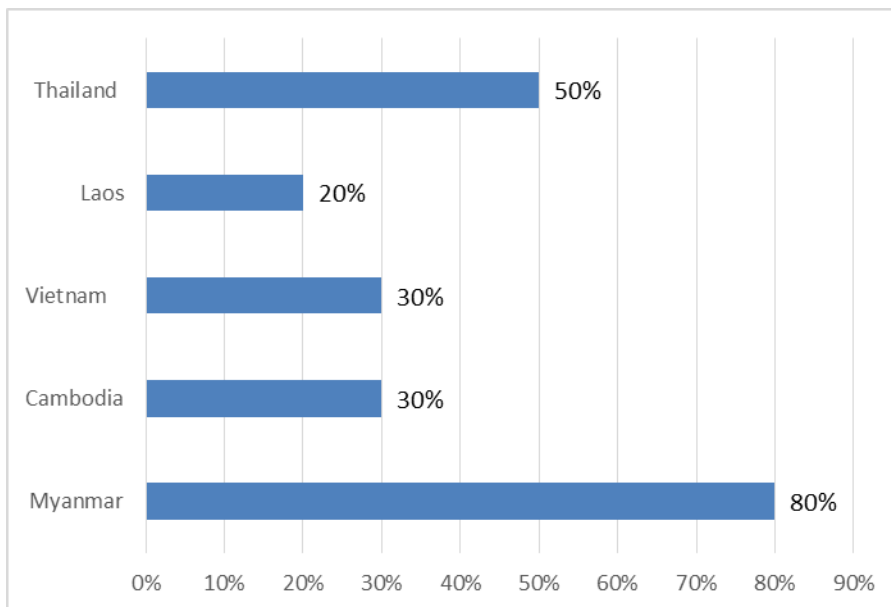
**Q6 Source of timber imported from the LMR.**



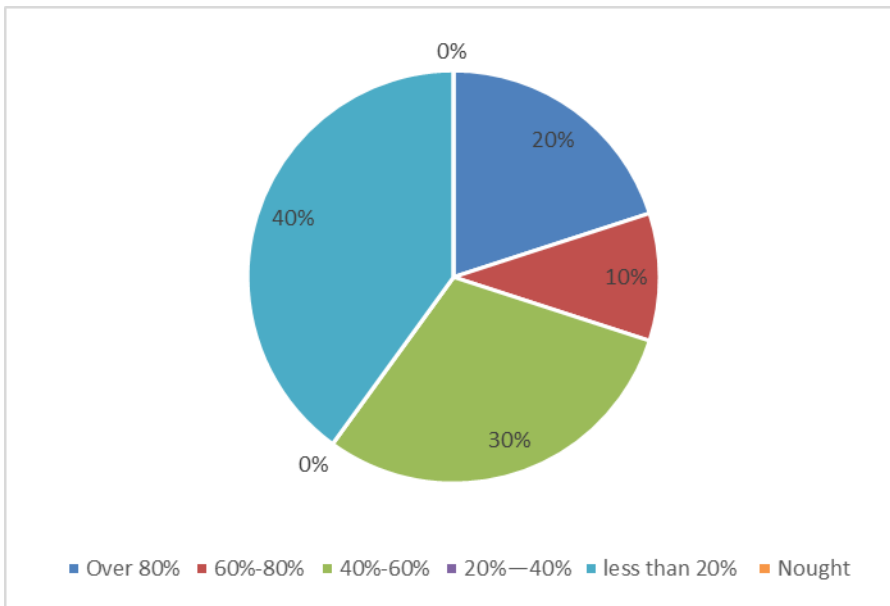
**Q7 The type of product imported from the LMR.**



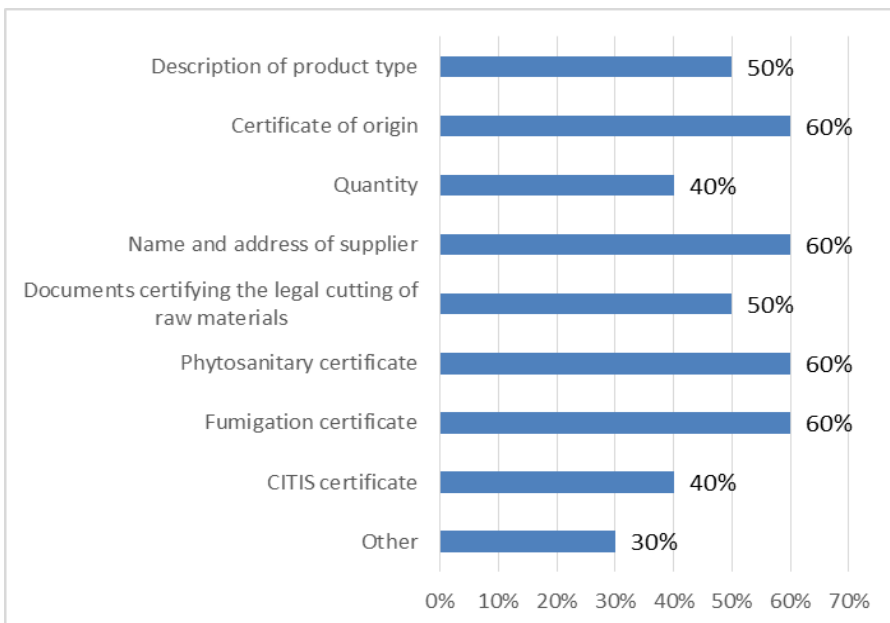
**Q8 The source of your company's imported timber.**



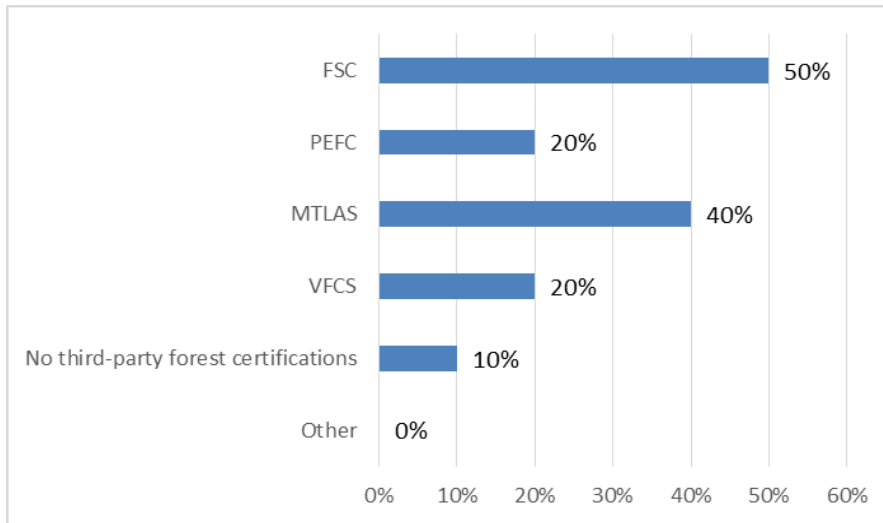
**Q9 What is the proportion of timber sourced from the LMR in the company's annual timber imports?**



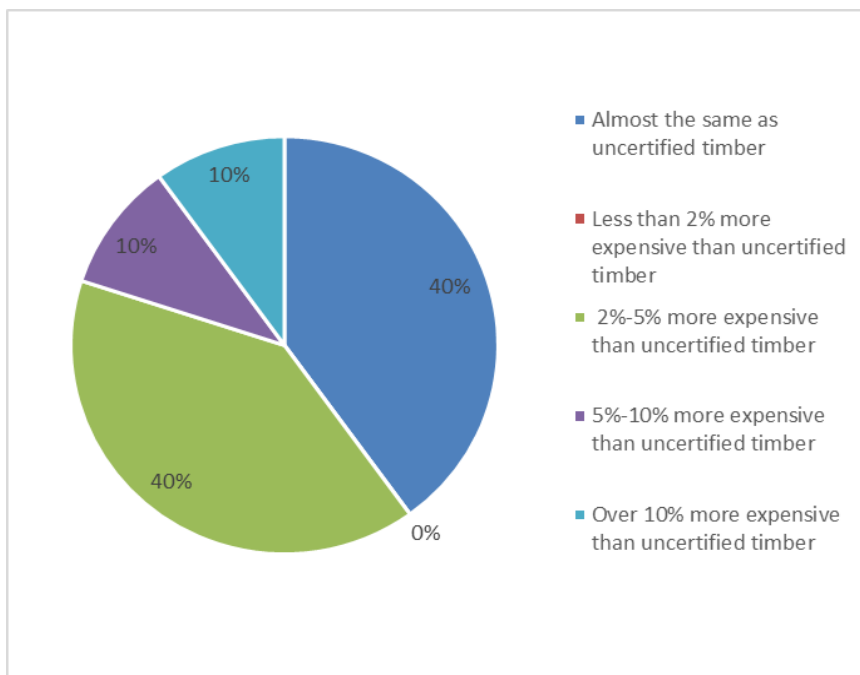
**Q10 What materials or certificates do you need to provide for timber imported from the LMR?**



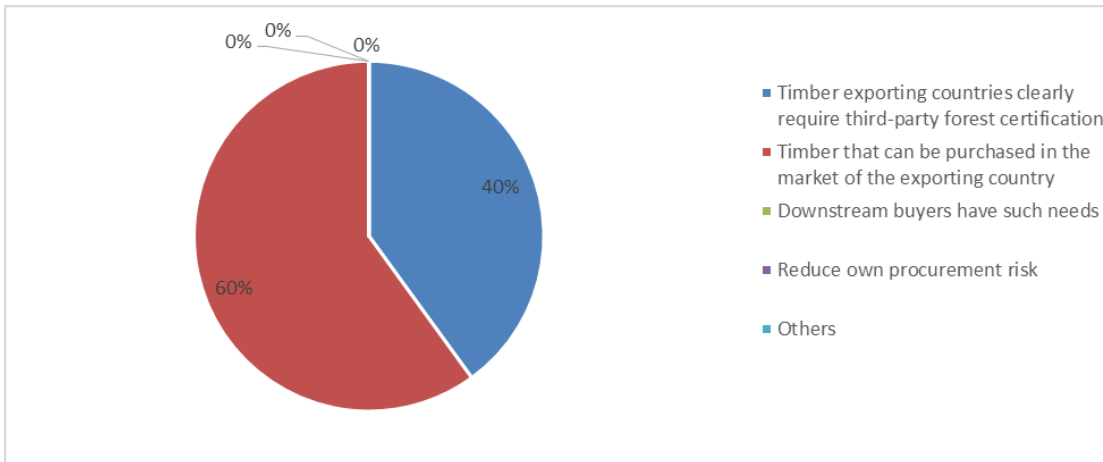
**Q11 What third-party forest certification has been conducted for the timber imported by your company from the LMR?**



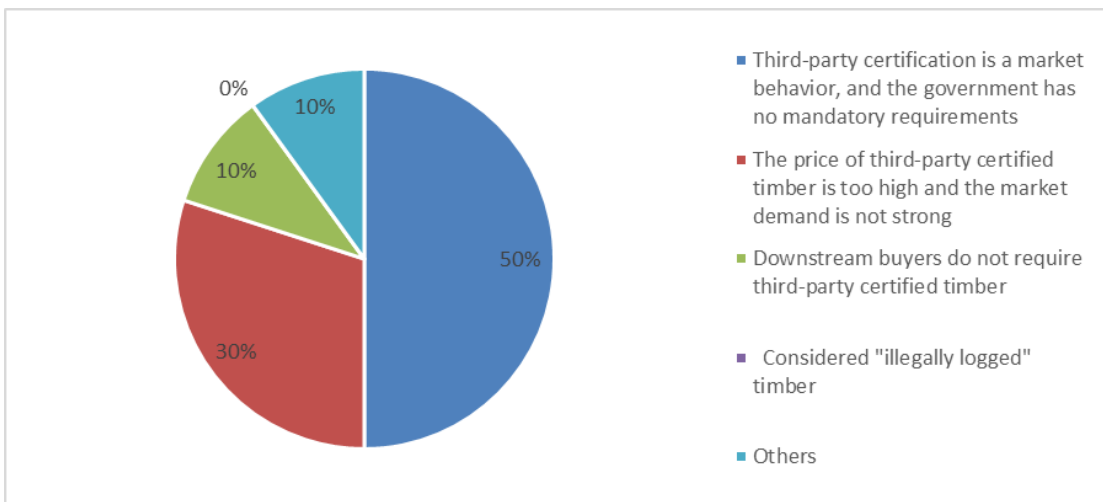
**Q12 What is the price of third-party certified timber compared with uncertified imported timber?**



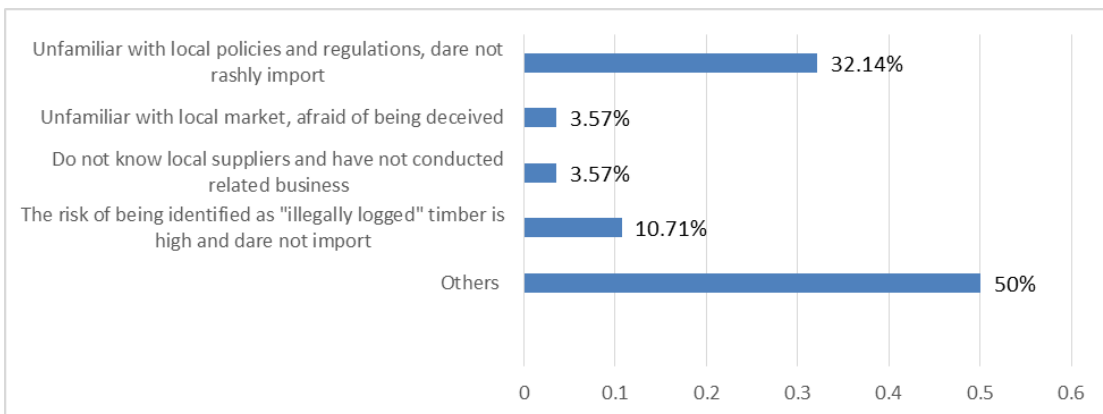
**Q13 The main reasons for your company to import third-party certified timber.**



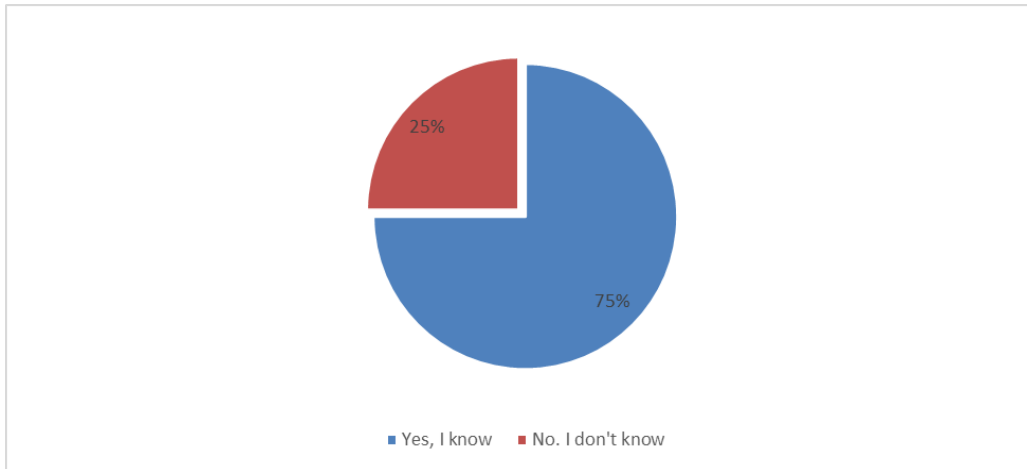
**Q14 The main reasons for your company to not import third-party certified timber.**



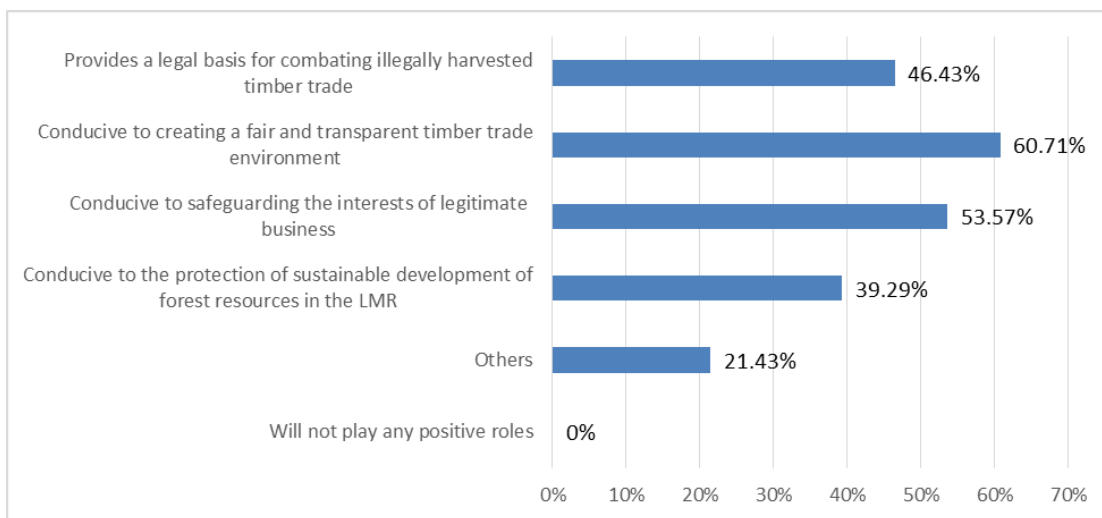
**Q15 Main reasons your company does not import timber from the LMR.**



**Q16 Have you heard of Article 65 of the new Forestry Law, "No organization or individual may purchase, process, and transport woods in full awareness of their illegal origins such as illegal felling or wanton deforestation"?"**

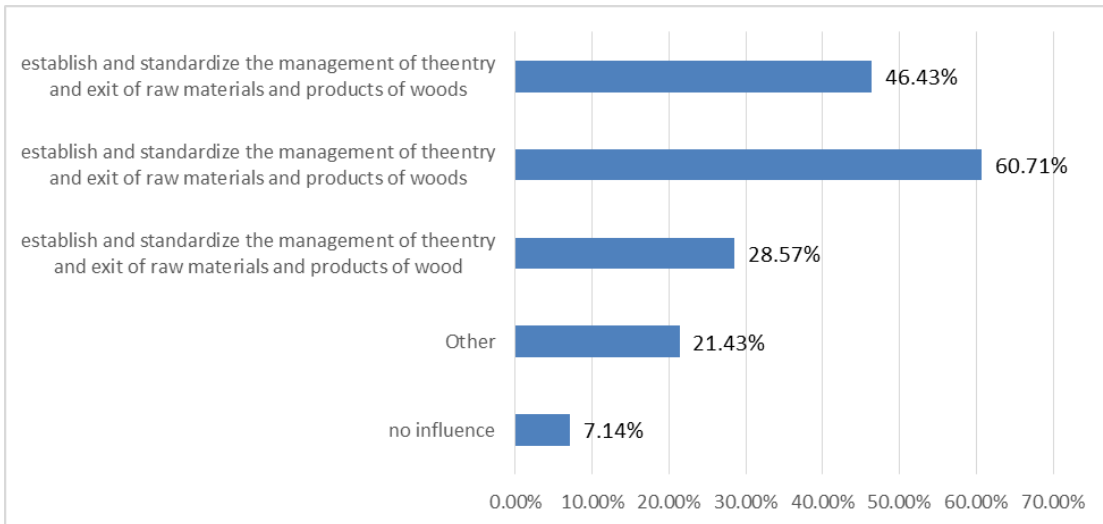


**Q17. How will Article 65 of the new Forestry Law affect the legal and sustainable timber trade between China and LMR?**

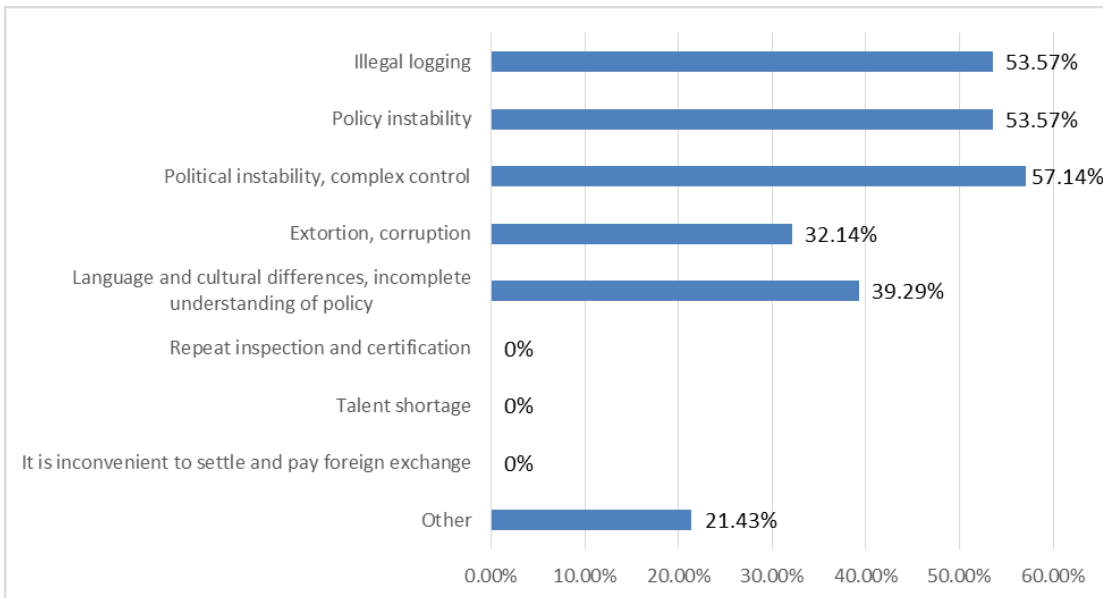


**Q18 How will your company adapt to Article 65 of the new Forestry Law?**





**Q19 In your opinion, what are the main problems and challenges when trading timber with LMR?**

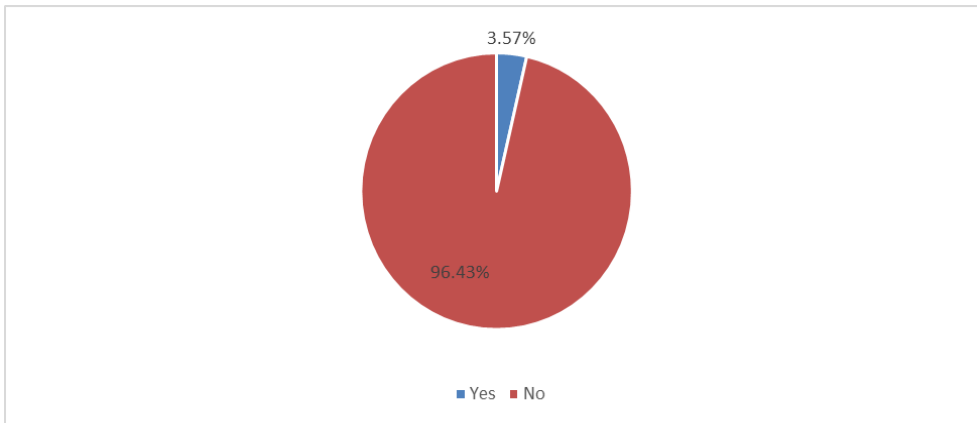


**Q20 What are your suggestions for promoting legal and sustainable timber trade between China and LMR?**

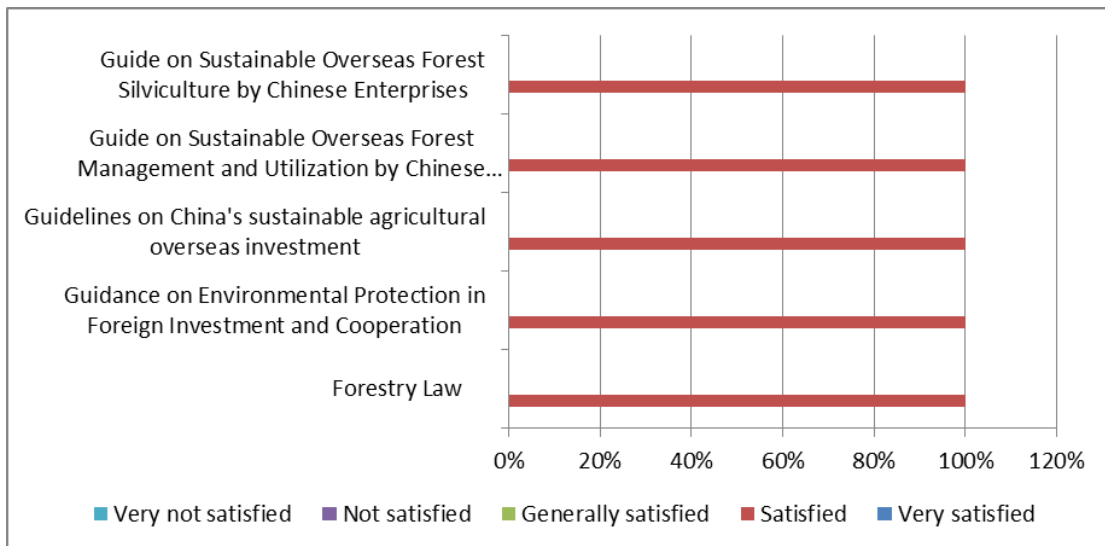
- (1) To take certification measures;
- (2) there are too many constraints from the management policies of foreign governments;
- (3) Stability policy;
- (4) Ensure the normal and orderly progress of the timber market, which is beneficial to the development of the market and enterprises;
- (4) All shall be carried out in accordance with reasonable and lawful rights and interests;
- (5) Alliance of small enterprises is conducive to going out;
- (6) Internationally recognized certification system.

**Q21 Has your company invested in the forestry industry in the LMR (Thailand,**

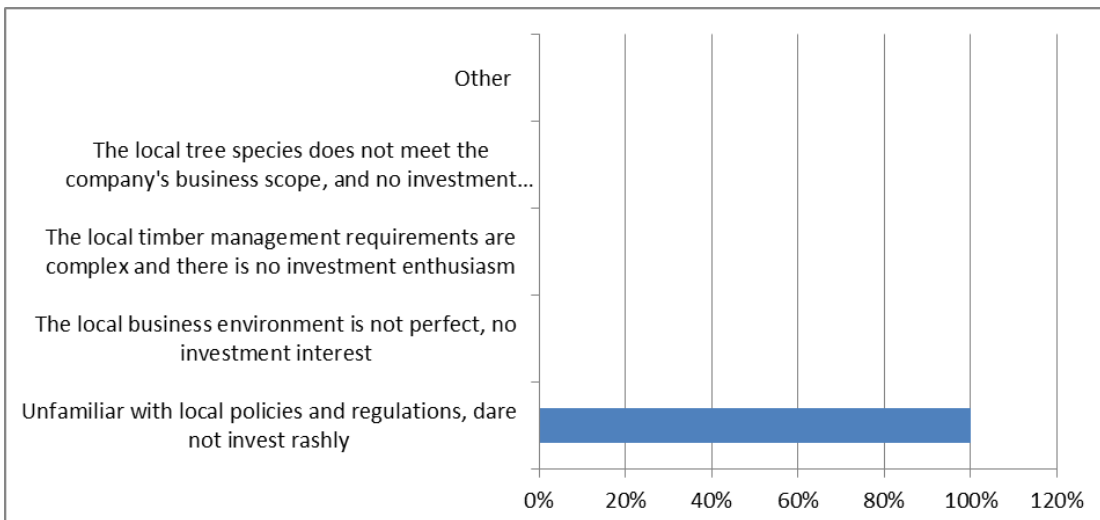
**Vietnam, Cambodia, Myanmar, Lao PDR)?**



**Q22 How would you rate the implementation effects of the following policies on sustainable investment in forestry?**



**Q23 The main reasons why your company has not invested in the LMR are:**



**Q24 In your opinion, what are the main problems and challenges facing the current timber investment and operation in LMR countries?**

None.

**Q25 In your opinion, how can Chinese companies be motivated to carry out sustainable timber investment and operation in LMR countries? Any specific comments and suggestions?**

None.

## Appendix II: Telephone interview records

Enterprise No.	1 Does your company trade with countries in the LMR ( Thailand, Vietnam, Cambodia, Myanmar, LaoPDR ) or have timber investment in these countries ?	2.If so, how large is the annual timber trade or local investment ?	3.If not, do you know the operation of the local timber industry and why there is no relevant trade or investment?	4.Is the following policy on sustainable forestry investment effective ? How to evaluate their implementation effect ? Forest law Guidelines for Environmental Protection in Foreign Investment and Cooperation	5.What type of forest certification do you have for timber imports from the LMR ? (If the enterprise does not import timber from the LMR, what type of certification has been conducted for timber	6. What do you think of the role of third-party forest certification in promoting sustainable timber trade and investment?	7. In your opinion, what problems exist in third-party forest certification?	9. What problems do you think Chinese enterprises have in sustainable timber trade and investment with countries in the Mekong River Basin? (If the enterprise does not invest/trade in the LMR, then	10. What are your views and suggestions on promoting sustainable timber trade and investment between China and the Mekong River Basin? ( If the enterprise does not

**Guidelines on  
China's  
Sustainable  
Agricultural  
Overseas  
Investment  
Guidelines on  
Sustainable  
Management  
and Utilization  
of Overseas  
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Enterprises  
Guidelines on  
Sustainable  
Overseas  
Silviculture by  
Chinese  
Enterprises**

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investment of  
timber  
between the  
enterprise and  
other  
countries).  
invest/trade  
in the  
LMR, what  
are your  
opinions  
and  
suggestions  
on  
promoting  
sustainable  
timber  
trade and  
investment  
between  
China and  
other  
countries).**

1	<p>As a general contractor for construction, he participated in the construction of a plywood plant of Bolapa Agroforestry, Sweden. They have more than 3000 ha. of eucalypt plantations in LaoPDR, and will reach tens of thousands ( plywood-thick furniture, thin paper, products exported to India,</p>	<p>The total planning area of plywood plant of Bolapa Agroforestry, Sweden is 6.9 ha., and the investment amount is USD12.5 million. The main product is 48-foot plywood, and the raw material is local eucalyptus. The construction scale is 50,000 cubic meters per year.</p>	<p>Strict compliance with laws and regulations of LaoPDR and China</p>	<p>The products of Bolapa Agroforestry in Sweden were certified by FSC.</p>	<p>It has a certain effect. At present, enterprise forest certification is driven by market demand. Exports of European timber and wood products need FSC certification, while exports to the United States and</p>	<p>Not clear</p>	<p>China's timber trade or investment factories in LaoPDR are small and need better policy support and guidance.</p>	<p>It is suggested to increase training for Chinese timber enterprises and cooperate with Lao PDR in tracing timber's source.</p>
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Australia, etc. )  
in the future.

China do not  
need it.

<b>2</b>	There is a small-scale rotary cutting plant of rubber wood in Thailand, and the products are mainly sold to Europe, the	Small scale, less than 100 people.	It is understood that the environment assement is carried out according to the requirements in the process of factory	Some of timber purchased was certified by FSC.	It has a certain effect.	The cost of certification is high, and the purchase cost of FSC timber is about 10% higher than that of non-certified	The phenomenon of “flexible law enforcement” against Chinese enterprises is more than that of local enterprises,	Create a fair and transparent market environment for foreign enterprises.
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United States  
and China.

construction,  
and the laws and  
regulations of  
Thailand and  
China are  
strictly obeyed  
in the process of  
operation.

timber. which is unfair  
to Chinese  
enterprises.

3

There is a Medium scale.  
medium-sized  
sheet factory in  
LaoPDR, and  
the products are  
mainly sold to  
Europe, the  
United States  
and China.

It is understood The It has a The cost of The sale of To support  
that the purchased certain certification is timber is an the  
environment wood was effect. high, and the important development  
assessment was certified according to purchase cost means of and  
carried out according to the of FSC survival for expansion of  
according to the the certified local residents, enterprises,  
requirements of requirements timber is about which requires taking into  
LaoPDR in the of LaoPDR. 10 % higher sustainable account the  
process of plant Local state-owned management survival of  
construction, state-owned forest farms and must first local  
and the laws and forest farms are basically protect the residents.  
regulations of are basically rights and  
LaoPDR and certified, interests of the



China were strictly obeyed in the process of operation. other forest farms have no mandatory certification requirements. people. Even the timber processing plants in Lao PDR have not done enough in donations and social responsibilities.

4	There are plywood factories invested in LaoPDR.	Small scale.	It is understood that the environment assement was carried out according to the requirements of LaoPDR in the process of plant construction, and the laws and regulations of	The purchased wood has been certified by FSC, mainly because the products sold to Europe must be certified by FSC, and	Small effect.	The price of FSC certified wood purchased by the company is almost the same as that of non-certified wood, which does not bring an additional cost burden,	Lao PDR has been politically unstable, with wars continuing over the past year and businesses failing to open their doors.	It is suggested that Lao PDR should focus on economic construction, stabilize the political situation as soon as possible and
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			LaPDR and other regions but transfers provide a		
			China were do not need the good		
			strictly obeyed certification. certification business		
			in the process of cost to the environment		
			operation. upstream for		
			forest owners. enterprises.		
5	No		Regarding the According to An There are Not clear No		
			provisions of the relevant important many kinds of		
			Article 65 of the national laws means of certification,		
			Forest Law, the and promoting different		
			enterprise has regulations to sustainable countries have		
			made a standing provide forest trade different		
			book; other materials, requirements;		
			policies are not give priority certification		
			well understood to the costs high, no		
			because there is imported competitive		
			no foreign materials advantage.		
			investment. with FSC,		
			PEFC		
			certification.		

6

No

Comply with national laws and regulations and purchase sustainably managed wood	The company has obtained certification of China 's green product certification, environmental labelled certification, raw material procurement to meet the requirements of laws and regulations, adhere to the use of legal sustainable timber.	It has a certain effect.	Various types of certifications, high certification cost.	No foreign forest land investment ; general cooperation with large timber companies who have complete documentation and no risk.	No
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7	Imports of Vietnamese rosewood and other timber	Import 30,000m3/annum	Imports are strictly in accordance with Vietnamese and Chinese policies ; no foreign investment, do not understand other policies.	Imports in accordance with Vietnamese and Chinese laws and regulations and refuses illegal trade.	Small effect.	High certification cost.	The discrimination from local governments.	No
8	No	No	Understand all policies, the implementation effect is not very clear.	Requirements for legal and sustainable material sources, CFCC / PEFC production and marketing chain certification.	Smaller contribution to sustainable forest management and utilization.	High certification cost.	Wood from disputed areas, although legally purchased in compliance, may be deemed illegal by European and American markets	Participate in the formulation of rules and improve the right to speak

9

No

Understanding Forest Law is the main law of the forestry industry in China. Do not know much about others.	Ensure that all our purchased forest products come from well-managed forests certified or in conformity with credible certification standards.	Evidence of sustainable timber.	High certification costs; incompatibility of different types of certification	Not involved, not well understood	No
	Priority procurement of FSC, PEFC certified timber.				

10	No	<p>As a central government owned enterprise, we mainly choose regional cooperation with low risk. LMR has high risk in legal and sustainable trade.</p>	<p>Forest Law as one of the main laws of our country, every citizen has the responsibility and obligation to abide by ; Do not know much about others.</p>	<p>All purchased forest products come from well-managed forests certified or in conformity with credible certification standards. The company has FSC certification.</p>	<p>It can promote the sustainable management of forest and the legal trade of timber.</p>	No	No	
11	<p>Use timber from Vietnam and Myanmar, not directly imported</p>	<p>30-50k cubic meters</p>	<p>Understand the Forest Law, do not know others.</p>	<p>Require all suppliers to provide proof of origin, refuse illegal logging of timber,</p>	<p>Not clear market, high cost</p>	<p>Chaotic market, high certification cost</p>	<p>Political chaos in Myanmar and illegal logging by local residents</p>	No

				prioritize procurement of certified materials.				
<b>12</b>	Import Cambodia, Myanmar rosewood and other timber	50k cubic meters	Know, strictly abide by the laws and regulation	Cambodian timber is better to have FSC certification; Myanmar timber generally needs to obtain MTLAS or MFCC certification.	Effective, mainly depending on government requirements	Complex process, high certification cost	Serious theft, political instability and corruption among the local population	No
<b>13</b>	Import Myanmar teak	60k cubic meters	Understand the Forestry Law, do not know others.	MTLAS or MFCC certification.	Good promotion of sustainable	Not clear	Policy instability, serious illegal logging	Prohibit illegal timber entry

					trade and reduction of illegal logging			
14	No		Understand the Forestry Law, do not know others.	Priority selection of raw materials certified by FSC and CFCC to ensure legal and sustainable source of raw materials.	Sustainable development can be ensured through certified forests	High timber certification cost.	Not clear	No
15	Import Thailand timber	Less than 100 million RMB, mainly imported particleboard	Compliance with national laws and regulations, sustainable procurement	FSC, PEFC	It can be proved that 100 percent of some kind of timber is made, not	1. FSC needs full chain certification, but the domestic downstream		



					mixed	factories cannot do it, so the certification chain will be broken. 2. Green product certification is required in the country but only CFCC and not FSC
16	Import Myanmar rubber wood planks	5k cubic meters	Haven't heard of these, but imports comply with the laws and regulations of the timber exporting country and China	FSC	Factory needs it.	No

17	No timber trade and investment in LMR	x	Do not import timber. It was imported occasionally, when there was a factory in Suifenhe, Riverin in the past. The transportation costs for imported raw materials are high.	Mainly understand the "Forestry Law". Not working in the factory, but have heard that the supply of wood raw materials will be insufficient if not during the harvesting period	FSC	Not clear, I heard there was FSC forest certification because the seller had a demand for it.	Not clear
18	No timber trade and investment in LMR			Comply with laws and regulations of timber exporting countries and China	FSC	NO	No

19	No timber trade and investment in LMR	x	Import of domestic semi-finished products	Haven't heard of these, but the import complies with the laws and regulations of the timber exporting country and China	Possibly certified, not clear.	It should have a certain effect.	NOT directly involved, do not understand.
20	Questionnaire completed						
21	Questionnaire completed						
22	Do not have time						
23	Questionnaire completed						
24	Do not have time						
25	Questionnaire completed						

