



## Advancing Sustainability in China's Engagement in the Congo Basin

An Assessment of China's Role and Potential Collaboration Opportunities  
in Forest-Related Trade and Development Cooperation



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## **Client**

German Facilitation to the Congo Basin Forest Partnership


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## EXECUTIVE SUMMARY

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The Congo Basin forests have global significance as they contribute to maintaining biodiversity and mediating climate change at a global scale. At the same time, the economic development of the Congo Basin countries and the livelihoods of people living in the region rely on important forest resources, ranging from timber and charcoal to forest plants and animals. The comparatively high ecological integrity of the Congo Basin forests is recently facing increasing threats from different sources such as the use of forest resources and land for other land uses and activities of economic growth, which often do not consider sustainability standards in planning and management. As in many other regions, commercial exploitation of forests for international timber trade and increasing investments in forest-sensible land-use sectors are among the prominent causes of forest degradation in the Congo Basin.

In addition to the countries located in the Congo Basin, international partners including China, several European states and other actors with economic ties to the Congo Basin countries also have important roles to play in the conservation and sustainable development of the forests. Of note, the Congo Basin's economic relations with China, though having emerged more recently than those with the Western hemisphere, are growing at a fast pace. This is particularly the case in the forest and infrastructure construction sectors – both of which have a potentially high impact on forests. Timber sourced from the Congo Basin countries represents a large and growing proportion of China's import of African timber. The value of Chinese foreign direct investment stock and flow into the Congo Basin also shows an upward trend, which is growing faster than Chinese investments in other African regions.

Over the last 10 to 15 years, China has increasingly taken note of the potential environmental and forest impacts of its overseas trade, investment and other economic activities. However, timber trade between China and Africa has so far not met the requirements of international legality and sustainability standards. Furthermore, China is highly involved in investment and construction of infrastructure projects that may have caused forest conversion due to a lack of comprehensive, effective management measures and a lack of environmental impact analyses. China has recently taken action in promulgating a series of policies, guidelines, and initiatives as well as bi- and multilateral mechanisms to foster more sustainable overseas economic cooperation. These efforts are also being applied in the Congo Basin countries. However, despite such initiatives, challenges still remain; they include a lack of effective and mandatory implementation procedures for policies and guidelines on sustainable management of forest concessions, and insufficient market incentives for timber trade companies to move towards solely importing legal timber with certification. Therefore, the negative environmental impacts on forest resources of Chinese trade and economic activities have not yet been fully addressed and remain a concern for the forest ecosystems of the Congo Basin.

Through a desk-based literature review and an interview series with individuals and organizations working on sustainable forest development in the Congo Basin, this study finds that Congo Basin countries and other international partners have been and remain willing to engage more intensively with Chinese stakeholders, including government, the private sector, research institutions and non-profit organizations, in order to jointly address the challenge of sustainable forest development in the region. Having said that, contact opportunities and cooperation structures are often lacking on the Chinese side. Looking ahead, a whole supply chain approach with trilateral cooperation between China, the Congo Basin, the EU and other international partners has been identified as a possible way forward. Stakeholders along the global timber trade supply chain could support each other in overcoming constraints of sustainable value chain management and proactively exchange best practice experiences. Joint and coordinated efforts in technical and financial assistance should also be pursued in order to achieve more sustainable international timber trade and investment, thus boasting the sustainable use and conservation of forests.

To leverage influence, trilateral cooperation could make use of existing tools and regulations such as the EU Timber Regulation and China's revised Forest Law of 2020; legality verification systems like the European Union's Forest Law Enforcement, Governance and Trade (EU FLEGT) and the Chinese Timber Legality Verification System (CTLVS); exchange programs such as the Global Green Supply Chain (GGSC); or financial incentives like the Legacy Landscape Fund initiated by Germany and a global biodiversity conservation fund to be initiated by China. Another potentially useful policy to be further explored is the ecological protection redline (EPRL) concept, which is deployed in China's land use planning. Debt-for-nature swaps that have been applied elsewhere around the globe but not yet between China and Africa also provide a possible inlet. In-depth discussions and negotiations about the potential trilateral cooperation and application of the above-mentioned tools could take place at the Forum on China-Africa Cooperation (FOCAC), as well as within the framework of international conventions such as the United Nations Framework Convention on Climate Change (UNFCCC) and Convention on Biological Diversity (CBD).

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## LIST OF ABBREVIATIONS

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AFD .....	<i>Agence Francaise de Développement</i>
BMEL .....	<i>German Federal Ministry of Food and Agriculture</i>
BMZ .....	<i>German Federal Ministry for Economic Cooperation and Development</i>
BRI .....	<i>Belt and Road Initiative</i>
CAF .....	<i>Chinese Academy of Forestry</i>
CAFGLP .....	<i>China-Africa Forest Governance Learning Platform</i>
CAFI .....	<i>Central African Forest Initiative</i>
CAR .....	<i>Central African Republic</i>
CBD .....	<i>Convention on Biological Diversity</i>
CBFP .....	<i>Congo Basin Forest Partnership</i>
CfN .....	<i>Campaign for Nature</i>
CINFT .....	<i>Center for International Forest Products Trade</i>
COMIFAC .....	<i>Commission of Central African Forests</i>
CTLVS .....	<i>China Timber Legality Verification System</i>
CTWPDA .....	<i>China Timber &amp; Wood Product Distribution Association</i>
DRC .....	<i>Democratic Republic of the Congo</i>
EPRL .....	<i>Ecological Protection Redline</i>
EU FLEGT .....	<i>European Union Forest Law Enforcement, Governance and Trade</i>
EUTR .....	<i>European Union Timber Regulation</i>
FOCAC .....	<i>Forum on China-Africa Cooperation</i>
FPF .....	<i>Forest Policy Facility</i>
FZS .....	<i>Frankfurt Zoological Society</i>
GEI .....	<i>Global Environmental Institute</i>
GHG .....	<i>Greenhouse Gas</i>
GIZ .....	<i>Gesellschaft für Internationale Zusammenarbeit</i>
GGSC .....	<i>Global Green Supply Chain</i>
IIED .....	<i>International Institute of Environment and Development</i>
IIGF .....	<i>International Institute of Green Finance</i>
ITC .....	<i>International Trade Centre</i>
ITTO .....	<i>International Tropical Timber Organization</i>
IUCN .....	<i>International Union for Conservation of Nature</i>
KfW .....	<i>Kreditanstalt für Wiederaufbau</i>
LLF .....	<i>Legacy Landscape Fund</i>
MEE .....	<i>Ministry of Ecology and Environment</i>
MEP .....	<i>Ministry of Environmental Protection (former body of MEE)</i>
MofCOM .....	<i>Ministry of Commerce</i>

MoU..... *Memorandum of Understanding*  
NBSAP..... *National Biodiversity Strategies and Action Plans*  
NDC..... *Nationally determined contribution*  
NFGA ..... *National Forest and Grassland Administration*  
RIFPI..... *Research Institute of Forestry Policy and Information*  
RoC ..... *Republic of the Congo*  
SFA..... *State Forestry Administration (former body of NFGA)*  
UNFCCC ..... *United Nations Framework Convention on Climate Change*  
WWF..... *Worldwide Fund for Nature*  
ZSL ..... *Zoological Society of London*



# 1 INTRODUCTION

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## 1.1 Background

The Congo Basin is home to tropical forests that are among the most pristine and least fragmented forest areas in the world, second in size only to the Amazon.<sup>1</sup> Covering 268 million hectares, the forest ecosystems of the region represent approximately one fifth of the world's remaining closed canopy tropical forest.<sup>2</sup> It is also estimated that the Congo Basin forest offers a net carbon sink, taking in a total of 0.61 Gigatons (Gt) of CO<sub>2</sub> emissions per year.<sup>3</sup> Countries and local populations in the Congo Basin rely on forests for economic growth and livelihoods. They are facing the challenge of ensuring forest and environmental conservation on the one hand, and on the other hand promoting economic growth that is often linked with forest degradation. The commercial exploitation of forests for international timber trade as well as the increasing investment that involves land-use change and development are among the most prominent causes of deforestation in the Congo Basin, as in many other regions.<sup>4</sup>

The issue of forest loss has thus become an inter-regional and international problem. Developed countries, especially the countries of the EU, have long been working in Africa on sustainable timber trade and environmentally friendly investments addressing the issue of forest loss. Examples include the EU Timber Regulation (EUTR), as well as the EU Forest Law Enforcement, Governance and Trade (EU FLEGT) system.

China, despite being a late starter in international timber trade relations, is growing to become the largest market for timber exports from Africa and the Congo Basin. Meanwhile China is also increasing its investments and project contracting<sup>5</sup> as well as other economic involvement in Africa including the Congo Basin.

Increasing realization about the potential impacts of China's investments and trade activities on the environment and forest resources has led to a series of policies, initiatives and multilateral mechanisms facilitated by China to foster more sustainable economic activities. Despite the existing efforts, the environmental and forest resource impacts of Chinese trade and investments have not been fully addressed and have faced practical challenges. The report at hand identifies such challenges, which include a lack of effective and mandatory implementation mechanisms for policies that require forest operators to manage their concessions sustainably, as well as insufficient market incentives for timber trade companies as a means of stimulating importation of legal, certified timber only.

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<sup>1</sup> FAO & UNEP, *The State of the World's Forests 2020. Forests, biodiversity and people* (Rome: FAO & UNEP, 2020), 31.

<sup>2</sup> "Summary Sheet," Congo Basin Forest Partnership, accessed April 19, 2021, <https://archive.pfbc-cbfp.org/Stateoftheforest.html>.

<sup>3</sup> "Amazon is on the brink of turning into a carbon source, study warns," Mongabay, accessed April 19, 2021, <https://news.mongabay.com/2021/01/amazon-is-on-the-brink-of-turning-into-a-carbon-source-study-warns/>.

<sup>4</sup> "Deforestation in the Congo Rainforest," Mongabay, accessed April 13, 2021, <https://rainforests.mongabay.com/congo/deforestation.html>.

<sup>5</sup> Project contracting is a form of economic involvement to be distinguished from investment. Project contracting is usually carried out through an Engineering, Procurement and Construction (EPC) contract, e.g., for engineering, infrastructure or industrial projects. Through an EPC contract, a company is commissioned and obliged to deliver a complete facility to a developer.

This study is a concise assessment of the implications that economic relations with China are having on the Congo Basin forest ecosystems as well as of China’s efforts to “green” its investments and trade overseas and the practical impacts of these in the six countries of the Congo Basin, namely Cameroon, Republic of the Congo (RoC), Democratic Republic of the Congo (DRC), Gabon, Central African Republic (CAR), and Equatorial Guinea. Potential cooperation frameworks and mechanisms that could be utilized for further work on rendering Chinese investments and trade in the Congo Basin more sustainable and more considerate of forest and environmental impacts are also discussed.

## 1.2 Methodology

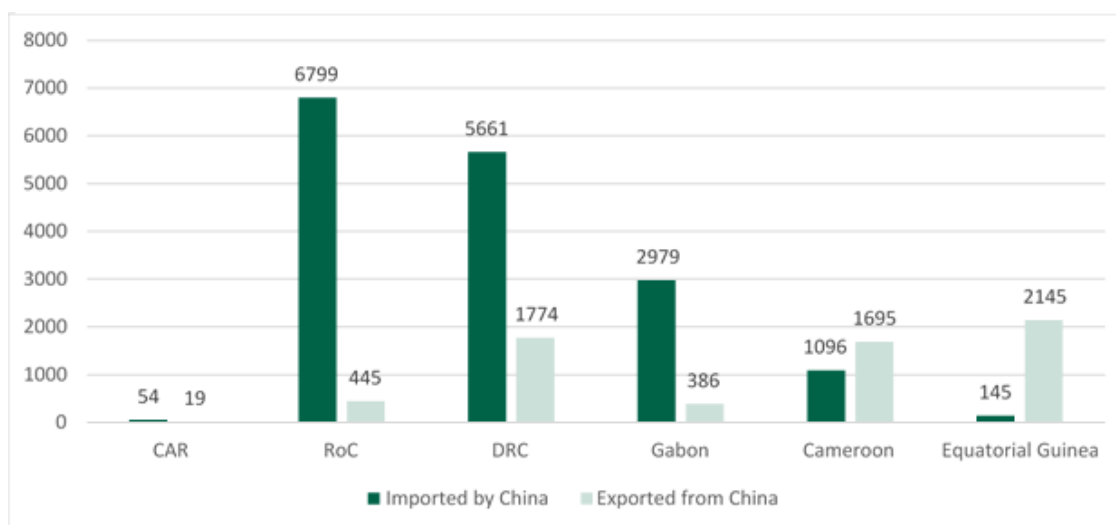
This study was carried out throughout January to March 2021. Information was mainly acquired through literature review and semi-structured interviews. The literature review included study reports, working papers of research institutions, government announcements and public documents, as well as records from the authors’ previous exchanges and questionnaires. Furthermore, semi-structured interviews were carried out with a range of stakeholders from international institutions working in China, organizations working in the Congo Basin, Congo Basin regional partners, as well as Chinese government-affiliated research institutions and industry associations.

While different perspectives were obtained from government representatives, international organizations and research institutes in the Congo Basin countries, China and Germany, future work on the subject could be enriched if a broader range of stakeholders from different sectors is engaged. Further studies and engagement with government and industry representatives are recommended to continue research efforts in order to paint a more comprehensive picture across the whole supply chain.

## 2 STATUS QUO: ECONOMIC COOPERATION BETWEEN CHINA AND THE CONGO BASIN COUNTRIES

### 2.1 Trade between China and the Congo Basin

China has been one of the largest trade partners of African countries for more than 10 years. According to statistics from China’s Customs Office, the trade value in 2018 between China and African countries reached a total of USD 204.19 billion. Of this, USD 104.91 billion was exported from China to Africa and USD 99.28 billion was imported from Africa into China.<sup>6</sup>



Source: Collated from “Foreign Investment and Cooperation Country- (Region-) Specific Guidance: Central Africa Republic (2019); Republic of the Congo (2020); Democratic Republic of the Congo (2020); Gabon (2019); Cameroon (2019); and Equatorial Guinea (2019),” Ministry of Commerce People’s Republic of China.

**Figure 1: Import / Export Value between China and six Congo Basin countries 2018 (in million USD)**

The six Congo Basin countries contribute a significant portion (11.38%) of the total value of China-Africa trade relations. The value of exports to China from these countries represents 16.87% of the total export value, whereas the value of imports into the region from China is 6.17% of the total import value.<sup>7</sup> Of the six Congo Basin countries, RoC and DRC rank amongst the top 10 African countries in trade value with China.<sup>8</sup> The main products that are exported to China from the six Congo Basin countries are timber (including rough wood and sawn wood), crude petroleum, as well as a variety of mineral products. In reverse, the Congo Basin countries

<sup>6</sup> “China-Africa Trade Data in 2018,” Ministry of Commerce of the People’s Republic of China, Accessed February 12, 2021, <http://www.mofcom.gov.cn/article/i/jyj/k/201901/20190102830225.shtml>.

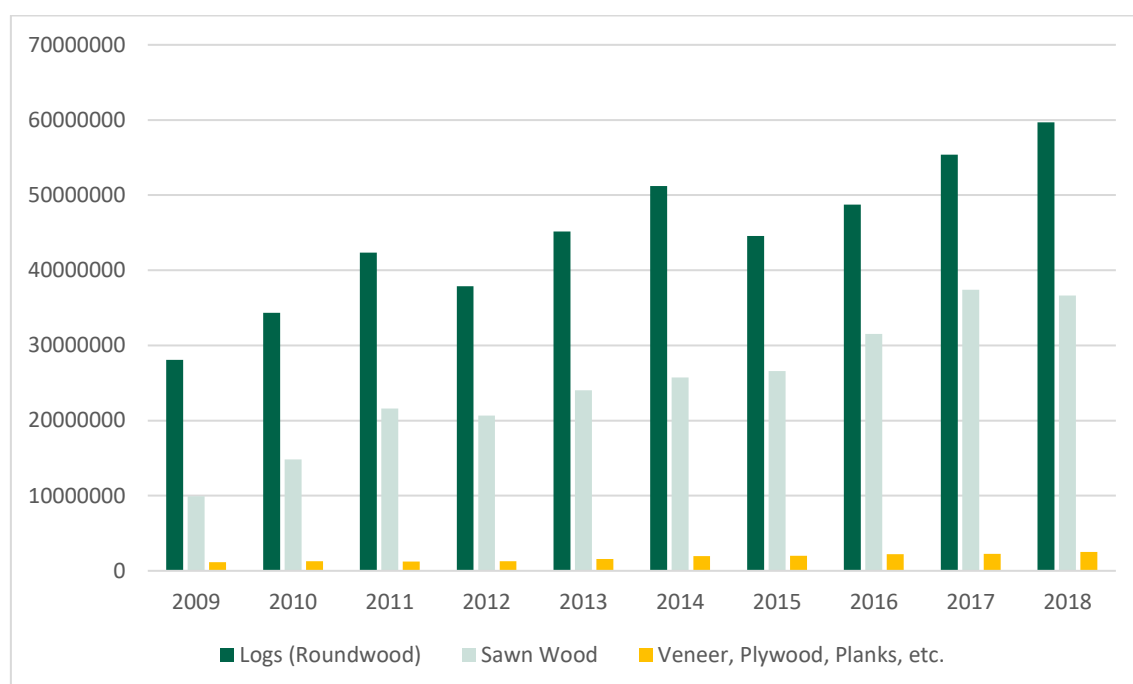
<sup>7</sup> Calculated based on data from “Foreign Investment and Cooperation Country- (Region-) Specific Guidance: Central Africa Republic (2019); Republic of the Congo (2020); Democratic Republic of the Congo (2020); Gabon (2019); Cameroon (2019); and Equatorial Guinea (2019),” Ministry of Commerce People’s Republic of China, Accessed February 13, 2021, <http://fec.mofcom.gov.cn/article/gbdqzn/>.

<sup>8</sup> “2018 Trade information and ranking data between China and African countries,” China-Africa Trade Research Center, Accessed February 13, 2021, <http://news.afrindex.com/zixun/article11618.html>.

import machines, materials and equipment for manufacturing as well as other consumer goods from China.<sup>9</sup>

## 2.2 Timber trade between China and Congo Basin Countries

As a large market, particularly for logs with thick diameters, China mainly imports logs to meet the domestic demand. According to the 2018 China Forestry and Grassland Statistical Yearbook, in 2018, China imported a total of 59.69 million cubic meters of logs, 36.64 million cubic meters of sawn wood, and 2.49 million cubic meters of different kinds of planks. The imported volumes of logs, sawn wood and planks have all shown upward trends between 2009 and 2018.<sup>10</sup>



**Figure 2: Logs, Sawn Wood, Veneer, Plywood etc. in m<sup>3</sup> imported by China in 2009-2018**

Source: 2018 China Forestry and Grassland Statistical Yearbook

The statistics also show that about 70% of all the logs imported by China are from coniferous forests and about 30% are from broad-leaved forests or hardwood forests. An estimated 20% of all logs imported to China are from tropical regions and mainly from Africa, whereas 10% are from more temperate regions. Data indicate that China imported 4.02 million cubic meters of timber from Africa in 2018. Equatorial Guinea, the Republic of the Congo, and Cameroon are among the main African producers of logs imported to China and represent a majority of the log imports from Africa. Of note, in 2018 China imported about 1.20 million cubic meters of logs

<sup>9</sup> “Foreign Investment and Cooperation Country- (Region-) Specific Guidance: Central Africa Republic (2019); Republic of the Congo (2020); Democratic Republic of the Congo (2020); Gabon (2019); Cameroon (2019); and Equatorial Guinea (2019),” Ministry of Commerce People’s Republic of China, Accessed February 13, 2021, <http://fec.mofcom.gov.cn/article/gbdqzn/>.

<sup>10</sup> National Forestry and Grassland Administration, ed., *China Forestry and Grassland Statistical Yearbook 2018* (Beijing: China Forestry Publishing House, 2019), 368-371.

from Equatorial Guinea, representing about 25% of total log imports from Africa and about 6.6% of total broad-leaved log imports from around the world (see Table 1 below).<sup>11</sup>

**Table 1: Volumes of broad-leaved log imports from Equatorial Guinea, Republic of the Congo and Cameroon, compared with those from Africa and the world (in million cubic meters)<sup>12</sup>**

	2018	2017	2016
Equatorial Guinea	1.20	1.06	1.08
RoC	0.54	0.78	0.49
Cameroon	0.57	0.50	0.50
Africa	4.02	4.10	No Data
World	18.15	17.16	No Data

Source: CNWood.cn

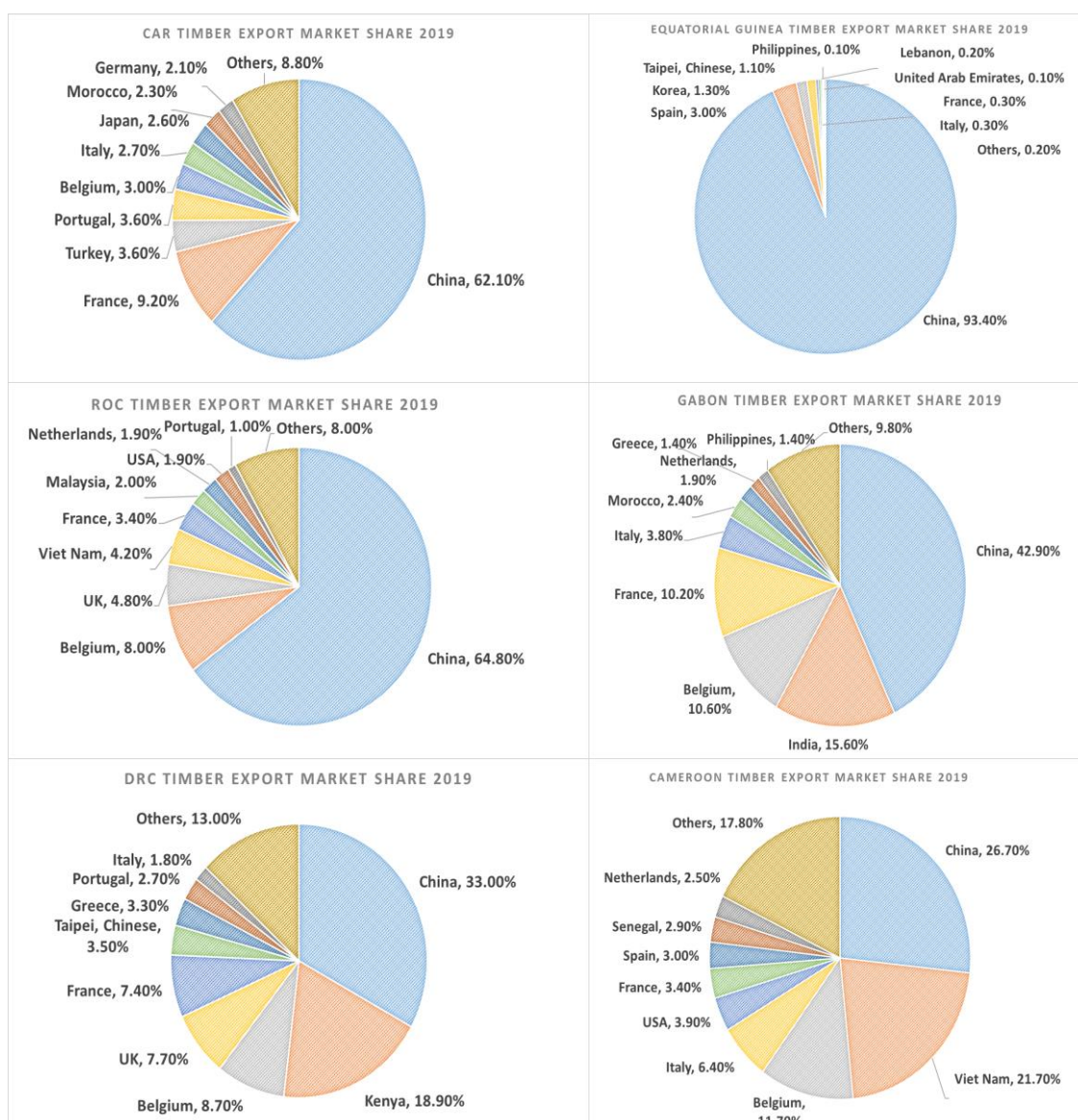
Of particular importance from the perspective of the Congo Basin countries is that China has also been the largest market for their timber exports. Data from the International Trade Centre (ITC) show that, when combining the export value of all timber products from logs, sawn wood or veneer and plywood, China ranks as the largest market for all six Congo Basin countries. Adding the market share of the EU countries that ranked among the top 10 for the six Congo Basin countries, the EU is the largest timber market for Cameroon only where it exceeds China by 0.30%.<sup>13</sup>

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<sup>11</sup> Ibid.

<sup>12</sup> Asia Plywood and Furniture, “Full Data of China Timber Import and Export Market in 2018,” *CNWood*, March 29, 2019, <https://www.cnwood.cn/news/show.php?itemid=8034>

<sup>13</sup> Calculated using data from International Trade Centre (ITC).



**Figure 3: Timber Export Market Share in the year 2019 for six Central African countries**

Source: International Trade Centre

A market analysis for the timber industry in China indicates that Africa is considered to have huge potential as a growing timber source; however, more processed timber such as sawn wood or veneer and plywood is encouraged. One reason for this is the increasing realization among Chinese companies that African forests are being depleted faster than they can grow, which means that the timber resources as a whole are bound to diminish. The analysis encourages more sourcing from North America, Europe and Russia, as alternatives to African timber. Moreover, given that a number of African countries have started to impose log export bans, Chinese companies also realize that they need to re-orient their business towards developing timber processing industries in Africa and importing sawn wood into China instead of logs.<sup>14,15</sup>

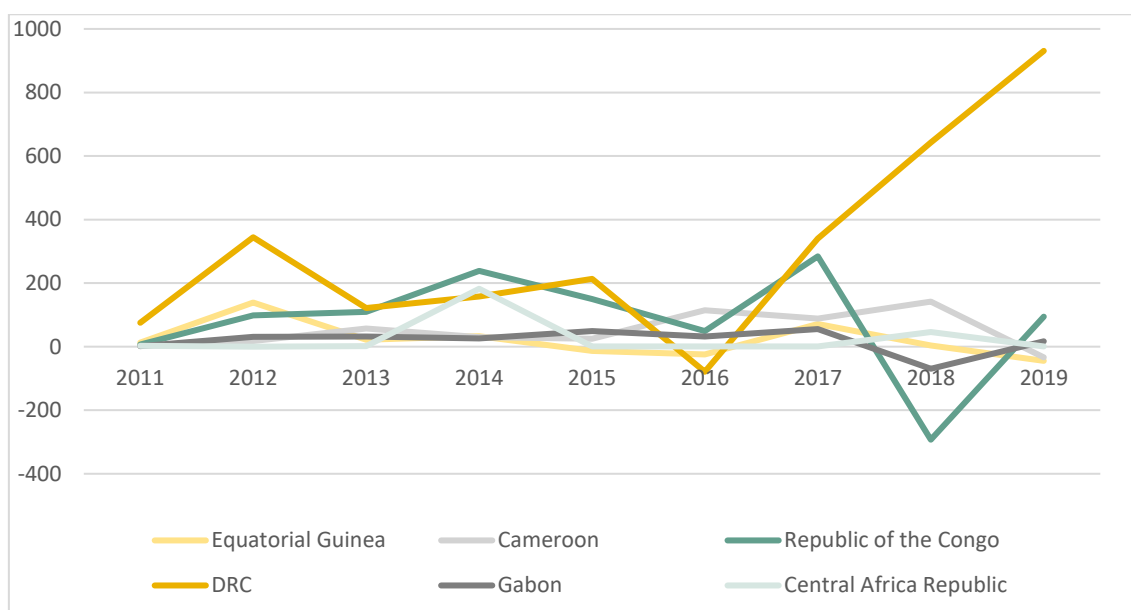
<sup>14</sup> Asia Plywood and Furniture, “Full Data of China Timber Import and Export Market in 2018,” *CNWood*, March 29, 2019, <https://www.cnwood.cn/news/show.php?itemid=8034>.

<sup>15</sup> CTWPA, Interview, March 17, 2021.

## 2.3 Chinese investments, contracting and lending

In addition to general economic relations and timber trade, China is also growing its presence in the six Congo Basin countries through investment and project contracting.

Figure 4 shows the values of China’s foreign direct investment (FDI) flow to the six Congo Basin countries, which have mostly stayed below USD 200 million per year for each country. The exception is FDI flow into DRC which has been starkly increasing from 2016 onward and reached USD 930.96 million in 2019. The result of adding up the values of Chinese FDI flow into the Congo Basin and comparing this regional figure with the FDI flow into Africa as a whole is represented in Figure 5. The share of FDI flow directed to the Congo Basin has fluctuated between 2011 and 2019 but demonstrates a stable and continuing increase reaching 35.66% in 2019.

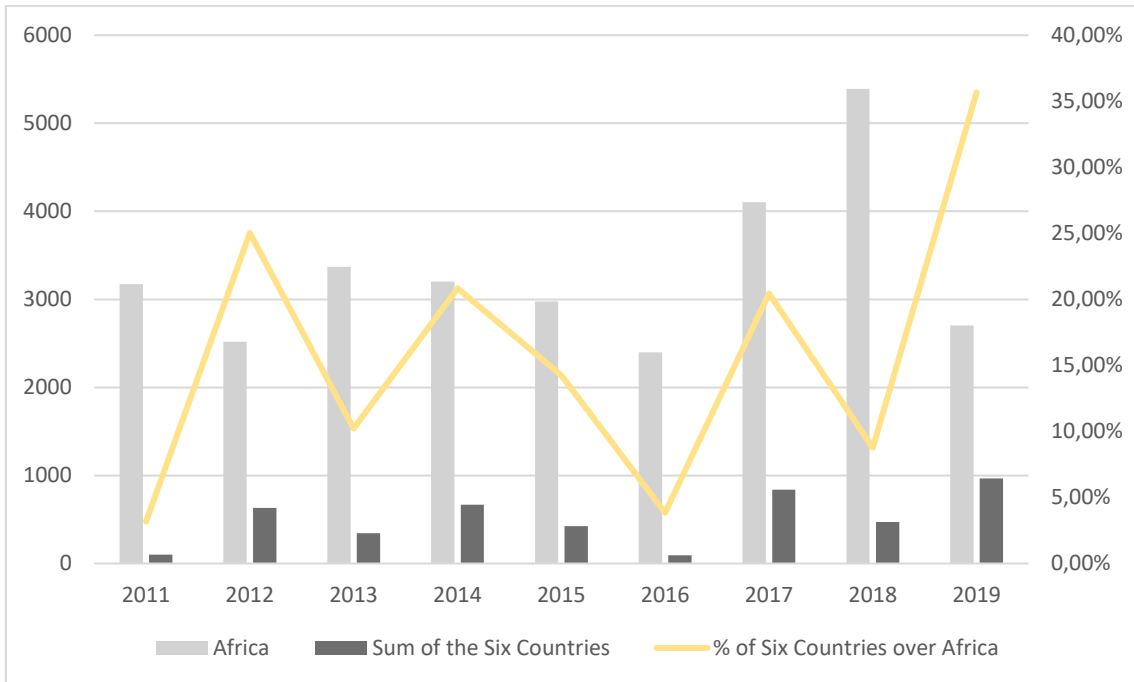


**Figure 4: Value of China's Foreign Direct Investment Flow to the six Congo Basin countries 2011-2019 (in million USD)**

Source: 2019 Statistical Bulletin of China’s Outward Foreign Direct Investment, Ministry of Commerce (MofCOM)

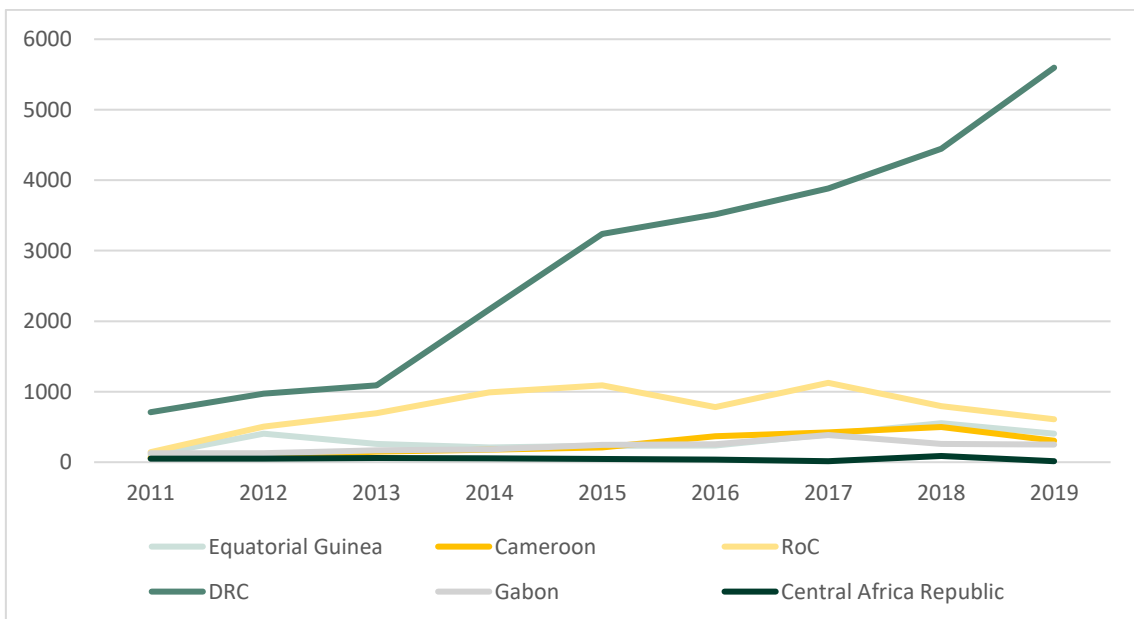
While FDI flow figures show a rather moderately increasing trend, the FDI stock, i.e., the cumulative value of Chinese investments into each country and into Africa as shown in Figures 6 and 7, demonstrate a more prominent growth.

Even though the value of China’s FDI flow to the Congo Basin is not exceptionally high, the investment value in the Congo Basin as a percentage of the total investment value in Africa as a whole is growing. This demonstrates the growing presence of Chinese investments in the Congo Basin area.



**Figure 5: China's Foreign Direct Investment Flow to Africa vs. the six Congo Basin countries 2011–2019 (in million USD)**

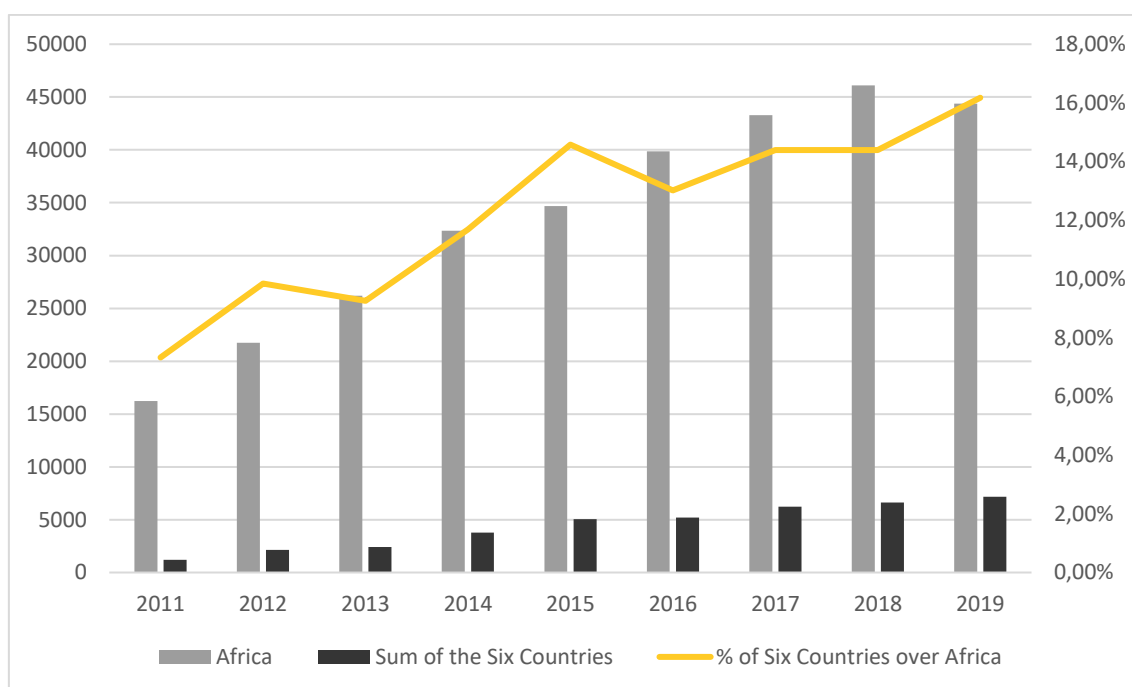
Source: 2019 Statistical Bulletin of China's Outward Foreign Direct Investment, MofCOM



**Figure 6: China's Foreign Direct Investment Stock in six Congo Basin countries (in million USD)**

Source: 2019 Statistical Bulletin of China's Outward Foreign Direct Investment, MofCOM





**Figure 7: China's Foreign Direct Investment Stock in Africa vs. the six Congo Basin countries 2011–2019 (in million USD)**

Source: 2019 Statistical Bulletin of China's Outward Foreign Direct Investment, MofCOM

The main target sectors of Chinese investments in the six Congo Basin countries include mining and mineral processing, telecommunications, and agriculture. The main sectors of project contracting commissioned by Chinese companies in the six Congo Basin countries include road and bridge construction, housing construction, hydropower, telecommunication, mining and oil field construction. In addition to direct investments and project contracting, another type of Chinese involvement in the development politics and economies of African countries is lending through development banks and other financial institutions.

Some studies have paid attention to developments in other non-forestry sectors that may entail conversion of forest land and thus cause forest degradation, such as in mining, agriculture, and infrastructure. For example, a briefing paper in 2015 indicated that more than 60% of Chinese-linked investment projects in Cameroon since 2001 have been in these sectors that could potentially have a direct effect on forest areas. However, current data and statistics on these developments in the Congo Basin countries – namely how much of the forest land is actually converted or impacted and what proportion of such developments can be attributed to Chinese companies – are largely absent.<sup>16</sup>

<sup>16</sup> IIED, "Status and issues of Chinese investments in forest land in Cameroon," China-Africa Forest Governance Project (June 2015), <https://pubs.iied.org/sites/default/files/pdfs/migrate/G03944.pdf>.

## 2.4 Chinese investments, trade and sustainability risks

It is because of China's increasingly prominent role as the largest market for timber exports from the Congo Basin as well as its growing investments and other economic involvement in the region that trade relations with China are becoming a key cause for concern in relation to forest loss and environmental degradation in the region.

Past projects such as the China-Africa Forest Governance Learning Platform (CAFGLP) led by the International Institute for Environment and Development (IIED) have focused on understanding the scale of Chinese companies' roles in timber trade, forest investments and other non-forest sector investments in Africa. Studies on Chinese investments and timber trade in Mozambique, Uganda, DRC, and Cameroon have been undertaken to generate evidence to help strengthen capacity and dialog between stakeholders in China and the four mentioned African countries as a means of identifying challenges as well as opportunities in improving policies and investment practices for facilitating sustainable China-Africa investment and trade relations.<sup>17</sup>

Timber trade legality in Africa, including in the Congo Basin, has been and remains a predominant theme. To ensure conservation and the sustainable use of forest resources and endangered species, a number of African nations have implemented log trade bans. Examples in the Congo Basin countries include Cameroon's partial log export ban scheduled in 1999 on more than 20 species of raw logs (which is now lifted) and a 20% tax on exports of logs since 2017. Another example is Gabon's complete export ban on logged timber in place since 2010<sup>18</sup>, as well as its 2018 announcement that all forest concessions in the country will mandatorily have to be certified with the Forest Stewardship Council (FSC) standard by 2022.<sup>19</sup> Nevertheless, studies have pointed to the possibility that timber export to China may entail illicit practices that are violating local regulations in place to enforce the export ban on logging. For example, it was documented by the Centre for International Forest Research (CIFOR) that despite log trade bans implemented by African countries such as Mozambique, there was "*a continued predominance of unprocessed logs in trade with possible negative consequences for revenue, added value, job creation and forest sustainability*"<sup>20</sup>. Another joint study by IIED and the Global Environmental Institute (GEI) revealed a similar and common situation in Cameroon, DRC and other African countries. According to this report, data show differences between documented volumes of timber exports to China by Cameroon, DRC and other African countries and the figures reported by China on its imports from African countries.<sup>21</sup> While the data discrepancy should not be fully attributed to illegal timber trade, it is reasonable to conclude and highlight concerns that the comparatively lower governance capacity of the African nations could leave space for some logs, as well as wood of endangered species, to be illegally exported.

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<sup>17</sup> "China-Africa Forest Governance project," IIED, accessed April 2, 2021, <https://www.iied.org/china-africa-forest-governance-project>.

<sup>18</sup> "Logging and Export Bans," Forest Legality Initiative, accessed March 13, 2021, <https://forestlegality.org/content/logging-and-export-bans>.

<sup>19</sup> "The legal institutionalization of FSC certification in Gabon (commentary)," Mongabay, accessed May 7, 2021, <https://news.mongabay.com/2018/10/the-legal-institutionalization-of-fsc-certification-in-gabon-commentary/>.

<sup>20</sup> German, L., Schoneveld, G.C., Wertz-Kanounnikoff, S. and Gumbo, D., *Chinese trade and investment and its impacts on forests: A scoping study in the miombo woodlands*, (CIFOR, 2015), 44.

<sup>21</sup> Peng R. and You C., *Timber flow study: export/import discrepancy analysis*, (IIED Working Paper, 2017).

Referencing a prominent effort of European trading partners to address this challenge, the EU FLEGT system – with the aim to improve legality of the international timber trade supply chain and ensure compliance with the EUTR – is reaching out to countries in the Congo Basin. To date, Cameroon and RoC have ratified the Voluntary Partnership Agreement (VPA) with the EU under the FLEGT system, while Gabon and the DRC have started VPA negotiations. It is expected that these legally binding trade agreements between the timber producing countries in the Congo Basin and the EU will help ensure that timber sourced from the Congo Basin countries and entering the EU market can be confirmed to be legal through measures of certification, due diligence, and supply chain traceability mechanisms. Nevertheless, it has been reflected by a number of stakeholders working to promote and establish FLEGT compliance within these countries that general compliance with the FLEGT requirements has been low, especially for Chinese and other Asian timber companies operating in the Congo Basin countries. This could be attributed in part to poor governance within the African source countries due to the predominant economic growth agenda which overshadows the political will for environmental conservation. Poor governance may have left room for transgression of the legality requirements by certain companies. Moreover, engagement with Chinese and other Asian companies tends to be difficult due to a lack of cultural and language connections as well as a lack of solid financial incentives for Chinese and other Asian companies to improve their practices to ensure compliance.

The low level of FLEGT compliance and difficulty in engaging with Chinese companies is not only reflected in the forest investment and trade sector but also in the behavior of Chinese companies carrying out investments and project contracting in Africa. Past exchanges and surveys with government agencies, business associations and civil society organizations (CSOs) in Cameroon, the Republic of the Congo, as well as other African countries outside the Congo Basin, have indicated concerns that Chinese companies investing and operating in the forest and other sectors are not always acting in compliance with local regulations.

Examples of Chinese companies’ non-compliance practices as noted by stakeholders from Cameroon and the RoC include:

- Chinese companies’ operation practices do not usually follow the forest management plans required by the local government, sometimes carrying out over-logging that leads to unsustainable forest exploitation;<sup>22</sup>
- Small, private Chinese forest companies do not usually respect local labor legislation that requires company liability to pay for workers’ employment taxes and social security such as housing stipends;<sup>23</sup>
- Similar to other companies from Asia (e.g., from Malaysia and Thailand), Chinese companies are “invisible” to local organizations as they tend not to engage with local stakeholders other than the government. For example, a business association formed in the Republic of the Congo comprises forest sector federations joined by six other overseas forest investors from France, Germany, Italy, Portugal and Singapore, but forest companies from China,

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<sup>22</sup> CSO 1 in Cameroon, Workshop, December 2, 2020.

<sup>23</sup> CSO 2 in the Republic of the Congo, interview, May 13, 2019.

Malaysia and Thailand operating in the RoC are not members of the local business association.<sup>24</sup>

In addition to the above reflections from interviewees, another important observation worth noting is that local CSOs, business associations and government agencies from Africa and the Congo Basin countries rely on regulations and policies promulgated by China to leverage engagement and cooperation with Chinese companies, embassies and other stakeholders based in their countries. However, it has been a common challenge for these local institutions to identify individuals or institutions responsible for implementing the Chinese regulations and policies. This has the effect of downgrading their effectiveness.

### **Key points**

- **China is increasing its economic presence in the six Congo Basin countries** as trade relations, **particularly relating to timber**, as well as Chinese investments and project contracting in the six countries have been expanding in recent years.
- Statistics show that the **six Congo Basin countries make up a significant portion (11.38%) of the total value of China-Africa trade** relations with timber, petroleum and mineral products as the main export products.
- **China's timber imports have been increasing for over a decade. More than 20% of all timber imported into China comes from Africa with the majority stemming from the Congo Basin.** Importantly, **China has also been the largest timber export market** for five of the Congo Basin countries, and the second largest (after the EU) in the case of Cameroon.
- In addition to trade in general and to timber trade in particular, Chinese economic presence in the Congo Basin countries has also become more prominent during the past decade due to a **general upward trend in investment flow, investment stock, and project contracting**. This increasing trend is clearly evident in the high percentage of Chinese investments in the region compared with those across the continent as a whole. Moreover, investments and project development in non-forestry sectors that may entail conversion of forest land – such as mining, agriculture and infrastructure – are causing concern due to their **potential impacts on local forest loss**. Nevertheless, there are limited quantitative measures and analyses of recent development in these sectors. It thus remains unclear how much forest loss is caused or triggered by Chinese entities.
- The ever-larger Chinese economic presence in the Congo Basin is causing concern about the potential impacts of trade relations, investments and project contracting on sustainable forest development in the Congo Basin countries. **Issues of Chinese companies' low compliance with local sustainability policies and other regulations in the Congo Basin** – from timber trade legality to investment sustainability – have been noted by a range of governments, businesses and civil society institutions.

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<sup>24</sup> Business association 1 in the Republic of the Congo, Interview, May 15, 2019. Forest administration 1 in the Republic of the Congo, Interview, May 13, 2019.

## 3 ONGOING INITIATIVES FOR MORE SUSTAINABLE FOREST-RELATED TRADE

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Over the past 15 years, with the help of the international scene, China has increasingly recognized its growing presence and its role to act responsibly in other countries with which it is economically interwoven. Considering conservation and sustainable use of the Congo Basin forests, initiatives have been carried out to improve legality and sustainability of timber trade and investment practices by Chinese actors.

At the government level, policies have been promulgated and a timber legality verification system has been developed to influence company behavior. Furthermore, bilateral and multilateral exchanges and cooperation to provide references for government- and company-level cooperation have recently been initiated.

At the industry level, work has also been undertaken. Business associations and forestry-industry institutions have facilitated engagement and exchanges amongst forestry companies with the aim to improve Chinese companies' awareness of the importance of legal timber sourcing, and thereby to convince them to comply with legality requirements.

Efforts on both levels will be briefly presented and discussed below. They will then be scrutinized with regard to their implementation, enforcement and tangible impacts on the ground, which often remain challenging.

### 3.1 Government-level initiatives

#### 3.1.1 Policies and guidelines

##### **Forestry guidelines**

A series of policies has been released in China to guide companies' conduct in the forest and other investment sectors. For example, the first two environmental and social guidelines on overseas foreign direct investments released in China actually focused on the forestry sector: *A Guide on Sustainable Overseas Silviculture by Chinese Enterprises* and *A Guide on Sustainable Overseas Forest Management and Utilization by Chinese Enterprises* were jointly issued by the State Forestry Administration (SFA) and Ministry of Commerce (MofCOM) in 2007 and 2009 respectively. These are policy documents that provide guidance for enterprises engaged in forest cultivation, forestry investment and forest utilization abroad. The documents suggest that enterprises abide by applicable laws and regulations of both China and the host countries; cultivate, manage and utilize local forests in sustainable ways that protect them and their biodiversity and benefit local communities; and establish a multi-stakeholder disclosure and consultation system that engages local communities.

The forestry guidelines are one of the first such documents to be promulgated by the Chinese government that focus on the overseas conduct of Chinese companies. However, these guidelines are not mandatory, as “*encourage*” is the word used in most parts of the documents. Additionally, no institutional setting has been put in place to ensure companies are complying with the provisions in these guidelines. To conclude, the mentioned guidelines are mainly composed

of basic principles and requirements but do not specify implementation procedures or quantifiable criteria for “sustainable forestry” that would allow for effective monitoring and evaluation of company practices. As such, the expected impact of the guidelines is questionable.

### **Country-specific handbooks**

In recent years, a series of *Country-specific Handbooks for Sustainable Overseas (Forestry) Operations, Trade and Investment by Chinese Enterprises* have been released by the Institute of Forestry Science and Technology Information of the Chinese Academy of Forestry and the Global Environment Institute. These cover China’s major timber trading partners including Gabon, Mozambique, Guyana and Myanmar. They aim to guide Chinese forestry companies interested or engaged in timber processing or timber trade with these countries on how to carry out lawful operations and address local environmental and social concerns.

The country-specific handbooks have mainly served as awareness-raising material for timber-related business associations and companies operating in Gabon, Mozambique, Guyana and Myanmar to understand and follow local legislation regarding forest operations. Again, they do not provide measurable criteria for “sustainable forestry” and lack enforcement procedures and possibilities for sanctioning.

### **Guidelines on sustainable overseas investment**

Similar documents have also been released that focus on environmental protection and sustainability considerations for other types of investments and trade. For example, following the 2013 Ministry of Commerce (MofCOM) and then Ministry of Environmental Protection (MEP) joint issuance of the *Guidelines for Environmental Protection in Foreign Investment and Cooperation*, there have been new voluntary industrial guidelines issued by chambers of commerce and trade associations. These include guiding documents on overseas corporate conduct in forestry, agriculture, mining and infrastructure construction; country-specific forestry manuals; general industrial guidelines intended for both domestic and overseas activities; and information on environmental policies and market access in country-specific guidelines. These guidelines provide instructions for enterprises on how to implement environmental management practices and how to minimize their impact on local ecosystems and biodiversity.

Similar to the forestry guidelines, the *Guidelines for Environmental Protection in Foreign Investment and Cooperation* are also voluntary without legally binding force, nor assigned enforcement agencies. Interviews with large-scale Chinese companies that have invested overseas clearly proved that the guidelines have been integrated in their company operations, but that they cannot guarantee their practices comply with all included suggestions and provisions.

### **China Timber Legality Verification System**

In addition to the policies developed as a main tool for guiding company behavior, a China Timber Legality Verification System (CTLVS) was also elaborated and piloted by the Center for International Forest Products Trade of the State Forestry Administration (CINFIT SFA) and by the Research Institute of Forestry Policy and Information of the Chinese Academy of Forestry (RIFPI-CAF) with support from the China-UK Collaboration on International Forest Investment and Trade (InFIT). The system was designed based on experience from existing international timber legality verification approaches through bilateral exchanges such as the China-America Bilateral

Forum on Illegal Logging and Associated Trade, the China-European Bilateral Coordination Mechanism (BCM) for Forest Law Enforcement or the China-Australian Experts Group on Illegal Logging and Associated Trade (EGILAT). Multilateral cooperation efforts such as the Asia-Pacific Economic Cooperation EGILAT also provided experience to draw from. Lessons from international experiences were combined with considerations of the contextual realities in China in the development of the CTLVS system.

The CTLVS was created to spur the implementation of the timber legality verification standard put forward by the China National Forest Products Industry Association (CNFPIA) in 2017. It includes four parts: a management system; a due diligence system; a mutual recognition system; and an incentive and supervisory mechanism. The system was expected to strengthen the authorities' management capacity regarding timber legality, tracing the international supply chain, coordinating law enforcement with other countries, and ensuring the actual implementation of the forestry industry.

While the CTLVS system has been developed, piloted and promoted by CINFT, RIFPI and CNFPIA, the system has not entered into full use and adoption. One of main reasons is that some prerequisites to the legality verification system, such as the due diligence system, will incur costs that need to be borne by the Chinese companies. This would then translate into reduced profits, if not a complete loss of profits. The fear is that such extra costs could hurt the timber businesses in general and small-scale private companies in particular, as they do not usually have diversified portfolios that could help sustain their overall operations. While some European governments are offering subsidies to companies to meet due diligence and traceability responsibilities in order to comply with EU FLEGT requirements, currently no such financial incentives are available in China. Without financial incentives to Chinese companies, full-scale implementation of the CTLVS might prove difficult due to precautions of small-scale timber businesses which fear losing profit.<sup>25</sup>

### **Reformulation of the Chinese Forest Law 2020**

While the above-mentioned guidelines and handbooks are voluntary and while the CTLVS has not yet entered into effect, the reformulated Forest Law released in 2020 has opened up potential for practical progress regarding legally binding policies and potentially has complementarity with the CTLVS. Article 65 of the revised Forest Law requires Chinese companies to maintain a record in ledgers of the movement of raw material to provide traceability and avoid supply chain legality risks. The inclusion of Article 65 in the new Forest Law is considered a promising leap in the enforceable regulation of Chinese overseas forestry investment and timber trade. Its legal effects imply clear mandates for company practices and assign authority to specific government agencies to monitor, evaluate and sanction companies.

Currently, the implementation procedures are being drafted by the National Forest and Grassland Administration (NFGA), which will detail specific responsibilities of the companies as well as the administrative mandates of the government agencies in implementing and enforcing provisions of the mentioned Article. The elaboration of implementation procedures could benefit from exchanges with international partners – lessons learned by European countries including

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<sup>25</sup> CINFT, Interview, March 19, 2021.

Germany through practical experiences with the implementation and enforcement of the EU Timber Regulation could be of great use here. For example, the Forest Policy Facility (FPF) project commissioned by the German Federal Ministry of Food and Agriculture (BMEL) is willing to provide technical assistance to the NFGA on the design of the implementation procedures.<sup>26</sup> Proactively suggesting and fostering such an exchange between European and Chinese authorities could be a step forward for relations between the partners and would, simultaneously, benefit the implementation of the reformulated Forest Law. Thus, it could not only be a lever for Chinese-European cooperation in forest-related matters but also advance the sustainability of ever-growing Chinese timber trade – with Congo Basin countries and beyond.

### **Overseas investment legislation**

In other sectors of overseas investments, there are similar trends in the evolution of new legislation in China. According to the 14<sup>th</sup> Five Year Plan of China’s Economic and Social Development released in March 2021, which emphasizes green development, the promotion of overseas investment legislation is included as one of the actions towards the goal of improving the quality and standards of Chinese inward and outward investments. While specific legislation is yet to be elaborated, it is a promising sign that overseas investments with improved environmental and social considerations might become mandatory for Chinese companies also beyond the forestry sector.

#### **3.1.2 Bi- and multilateral cooperation frameworks**

In addition to the policies promulgated in China, a number of existing bilateral and multilateral cooperation mechanisms could also be utilized to provide input for rendering Chinese impacts on forestry and environment sectors in the Congo Basin countries more sustainable.

#### **Bilateral forestry MoUs**

Bilateral collaboration in the form of Memoranda of Understanding (MoUs) has been a common way for China to set up a communication mechanism with partner countries. Interestingly, China’s NFGA has been more active than other ministries such as the Ministry of Ecology and the Environment in developing bilateral MoUs which has equal counterparts in other developing countries, including those in Africa. NGOs have played important roles in facilitating some MoUs: the MoU between China and Mozambique was largely supported by Worldwide fund for Nature (WWF), and the Chinese NGO GEI played an important role in facilitating the MoU between China and Myanmar.

On 4 September 2019, the Chinese NFGA and the Ministry of Water and Forestry in Gabon signed an MoU on forestry to establish long-term and stable cooperation channels, to promote sustainable forest management, combat illegal timber logging and other related trade, and develop Gabon's forestry industry. There has also been anecdotal information from previous high-level exchanges about preliminary interest in China–RoC and China–Cameroon bilateral cooperation on forestry, potentially in the form of future MoUs.

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<sup>26</sup> GIZ, Interview, March 9, 2021.



## Forum on China-Africa Cooperation

A current multilateral collaboration framework that entails forestry cooperation and that is relevant for the Congo Basin–China cooperation is the Forum on China–Africa Cooperation (FOCAC). In China, FOCAC is considered an exemplary form of China’s South-South cooperation. It was formally adopted in 2000 at a China–Africa Ministerial Conference as a regular dialog mechanism to facilitate cooperation and joint development. African country members of FOCAC include all African countries that have established diplomatic relationships with China. This includes all six Congo Basin countries. Ministerial conferences and meetings of senior officials are held every three years. Moreover, additional consultations occur frequently and more than twice a year. By this means, FOCAC works toward deepening economic and diplomatic relationships between China and African countries.

At the FOCAC Summit in Beijing in 2018, a Beijing Declaration and Action Plan (2018–2021) was adopted and its Section 4.6 is dedicated to ecosystem conservation and response to climate change. Sub-section 4.6.4 focuses on promoting sustainable forest management cooperation through exchange at government level and between research institutions, through capacity building and pilot projects. However, capacity-building workshops and pilot projects that have so far been facilitated in African countries such as Rwanda have been mainly focused on bamboo development and processing, which is oriented toward local economic development and the industrial advantage of China as a cooperating partner. No pilot project on sustainable forestry development or sustainable timber trade has been started to this date.

As part of FOCAC and also under the framework of Chinese foreign aid to African countries, there have been capacity building activities provided by China’s NFGA to African counterpart authorities on forest governance, law enforcement, as well as sustainable forest management.

## Other regional cooperation frameworks

Among Chinese government representatives who led exchanges with counterparts in the Congo Basin, there is knowledge about and awareness of the existing regional cooperation frameworks in this region, such as the Commission of Central African Forests (COMIFAC), the Congo Basin Forest Partnership (CBFP) and the Central Africa Forest Initiative (CAFI). There have also been several trips organized for representatives of COMIFAC, CBFP and CAFI to visit China and meet with Chinese enterprises to discuss forestry-related business practices, which Chinese government officials deemed helpful in generating willingness among Chinese enterprises to make their investments and trade in the Congo Basin more sustainable.<sup>27</sup> Nevertheless, these government-led regional initiatives have not resulted in sufficient exchanges with the NFGA and other relevant government agencies in China to garner mutual understanding and recognition of needs and opportunities for in-depth cooperation on improving forest sustainability. In order to facilitate meaningful cooperation between China and these regional frameworks in the Congo Basin, government-level commitment on cooperation should be facilitated, and cooperation strategies could be optimized through multi-sectoral engagement and exchanges among government agencies, relevant businesses, research institutions, think tanks, as well as CSOs.

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<sup>27</sup> COMIFAC, Interview, March 12, 2021. GIZ, Interview, March 9, 2021.

## 3.2 Industry-level initiatives

In addition to policies, guidelines and international cooperation frameworks, more recently there have been some industry efforts aiming to improve the sustainability of Chinese overseas investments and trade, mainly in the forestry sector. They are briefly presented in the following.

To begin with, the China Timber & Wood Products Distribution Association (CTWPDA) has been providing training for Chinese forestry companies on Chinese policies and regulations as well as on international laws and compliance systems. Additionally, in order to support more sustainable timber supply chains, the CTWPDA has carried out studies on timber supply chains involving Chinese companies. Through a checklist that entails questions on legality and sustainability indicators, the CTWPDA is coordinating with business associations in African countries to identify local timber companies that show compliance with local legislation and that credibly demonstrate best practices of sustainable forest management and operation. The CTWPDA then encourages Chinese forestry companies to procure timber from local producers who have established practices towards legality and sustainable forest operations, in this way promoting legal and sustainable timber supply chains.<sup>28</sup>

Additional initiatives by the CTWPDA, Chinese Academy of Forestry (CAF), and other international programs intend to facilitate direct engagement of Chinese forestry companies with African governments, business associations and local companies. Field trips have been organized for Chinese companies to visit timber suppliers in the Congo Basin countries, and for companies and business associations from Congo Basin countries to visit timber companies in China. The main objective of such field trips and exchanges is improved awareness among Chinese companies of potential negative impacts on the local environment, forests and communities if legal and sustainable timber trade is not practiced. The theory of change is that companies will be more likely to commit to legality and sustainability practices once understanding of local circumstances has been increased by means of reciprocal exchange formats. Meanwhile, such exchanges can spark opportunities for business cooperation such as forest plantation and development as well as technology transfer on timber processing. Because of these experienced advantages, the China Timber and Wood Product Distribution Association has expressed its support for more of such industry-level exchanges through international trade fairs.<sup>29</sup>

Of note, interviews with both the NFGA's Centre for International Forest Products Trade and the CTWPDA have furthermore indicated interest among Chinese companies to work directly with downstream European companies. By this means, timber companies from China hope to improve the price incentive for obtaining legality and sustainability certifications for their timber sourced from Africa. For Chinese companies operating in or sourcing timber from Africa, a common challenge in meeting legality requirements of the European market is that the cost of carrying out traceability and due diligence in order to obtain legality certification is not shared with the European customers. This results in lower premium profits for Chinese companies that do not receive financial subsidies from the Chinese government (as some European companies do from their respective governments). The lack of financial incentives for Chinese companies leads

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<sup>28</sup> CTWPDA, Interview, March 17, 2021.

<sup>29</sup> CTWPDA, Interview, March 17, 2021. CINFT, Interview, March 19, 2021. COMIFAC, Interview, Mar 12, 2021. GIZ, Interview, March 9, 2021. KfW, Interview, March 8, 2021.

them to search for possible alternatives such as sourcing cheaper timber species that would not generate as much revenue for the local African companies. The CTWPDA states in its work plan that it intends to carry out EU–China company exchanges with the aim to identify possible profit incentives Chinese companies could expect for carrying out traceability and due diligence obligations to meet legal certification requirements for entering into business with European downstream customers.

As a result of the identified need for China–Africa and China–European industry exchanges, engagement with companies along the complete international timber trade supply chain spanning China, African countries, and additional trade partner countries should be followed to increase efficiency of the measure. The Global Green Supply Chain (GGSC) network, facilitated by the International Tropical Timber Organization (ITTO) and CAF, has emerged as a new industry initiative with direct engagement of companies and business associations along the international timber trade supply chain. The advantage of the network is that it connects not only companies from China with African ones, but also involves participation of European companies that are operating in or maintaining a supply chain involving African countries. The whole supply chain coverage could allow for genuine exchange across different actors, potentially resulting in jointly developed and implemented solutions. European companies and governments, thanks to longstanding official development assistance programs of these countries, have the advantage of greater experience in engaging with timber companies in the Congo Basin. Therefore, European counterparts should play a leading role facilitating the whole supply chain industry exchange.

Some challenges still remain and need to be addressed to allow for comprehensive and effective industry-level engagement of the whole supply chain. For example, in CTWPDA’s work to coordinate business associations in Africa to facilitate legislation compliance and best practices among local timber companies, there are difficulties in obtaining comprehensive information from African companies. This could be partly due to incomplete record keeping of African companies, or a lower administrative capacity of business associations in Africa. Therefore, building the business management capacity of African timber companies and business associations may be necessary through sharing of best practice examples between European and Chinese companies along the supply chain. Development assistance programs from European governments might also offer progress, for example with regard to the promotion of the FLEGT system.

### 3.3 Which obstacles remain in implementing current initiatives?

Despite a number of Chinese efforts in the form of government and industry-level initiatives, China’s prominent economic involvement in the Congo Basin often results in problems like deforestation and forest degradation. These are largely caused by illicit exploitation and trade. Thus, the challenges of environmental and forest impacts from economic development are still far from fully addressed and remain a regional and global concern. An overarching assessment of the effectiveness of presented ongoing initiatives is developed based on interviews in combination with secondary sources and questionnaires completed by CSOs in two countries of the Congo Basin, namely Cameroon and Republic of the Congo. Despite the small number of individuals who participated in the interviews, they represent perspectives from Central Africa, Germany and China across government, businesses and companies as well as international non-governmental organizations (NGOs) and civil society.

African partners, Chinese institutions and German experts all expressed the view that Chinese guidelines and handbooks on sustainable overseas forestry operations and on general international investments are not being used effectively by Chinese companies. According to our interviewees, the reason for this is that these documents are essentially voluntary and that they lack legally binding force and possibilities for sanctioning in the case of non-compliance. Instead, they mainly convey policy orientation and offer guidance. For example, “*encourage*” is the central word used in most parts of the documents, and even when the term “*should*” is used, no legal liability is imposed for non-compliance. Rather, the documents are used by the CINFT/NFGA and the CTWPDA to continue cooperation with Chinese forestry companies to encourage procurement of timber from legal and sustainable sources.

While different interviewees share the understanding that there is a clear need to foster engagement with Chinese stakeholders on the topic of legal and sustainable timber trade and forest investments, contradictory views have been expressed on the effectiveness of government-level bilateral cooperation. German experts with experience in Central Africa on promoting improved governance of timber legality have stressed the volatility of political will and the fluctuating willingness of local governments to impose strict policies on timber legality certification. They observed that there is at times a contradiction between the expressed willingness of African governments and the policies and actions that they actually enforce. This carries the risk that bilateral cooperation MoUs between governments become wasted effort if the terms agreed upon cannot be expected to turn into real actions on the ground. On the other hand, both Chinese and African counterparts stated that bilateral exchanges and cooperation are a helpful tool as a reference to foster joint recognition of the laws on both sides and to explore coordination in implementation and enforcement. This latter point was highlighted with particular reference to, and consideration of, the new Chinese Forest Law released in 2020, which imposes the requirement for legal sourcing and supply chain traceability. Additionally, bilateral forestry MoUs such as that between Gabon and China usually do not only address timber legality issues but also promote industry collaboration. This reflects the general demand of African countries for technology transfer from Chinese and international counterparts on timber processing. Thus, willingness and commitment to engage in MoUs with China could still be high from the side of Congo Basin countries.

On the multilateral cooperation frameworks, FOCAC stands out as the most prominent and well-established mechanism. Nevertheless, interviewees expressed strong doubts about the actual implementation of the Beijing Action Plan (2018–2021), which entails provisions on sustainable forestry management. An interview with TRAFFIC, an international NGO working on wildlife trade in the context of both biodiversity conservation and sustainable development, reflected the existing confusion on whether and how local institutions could utilize the Beijing Action Plan under FOCAC as a channel and lever for project collaboration with Chinese stakeholders. Specific examples from the forestry sector were mentioned when local organizations contacted the Chinese embassy at place to seek cooperation under the FOCAC framework. In these cases, the Chinese embassies could not offer much help as the responsibility for engaging in on-the-ground cooperation was not assigned to them. In general, Chinese embassies and the ministries in charge (mainly the NFGA and MEE) are not well coordinated to design follow-up activities.<sup>30</sup>

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<sup>30</sup> TRAFFIC, Interview, February 5, 2021.

Such challenges concerning a lack of effective implementation and inter-ministerial coordination are embedded in China's foreign aid system, which is relatively young and lacks experience and flexibility in its development cooperation programs. Having said that, this premature state of evolution of China's public system for coordinating and implementing foreign aid presents a window of opportunity for partners from industrialized nations with well-established official aid structures and programs. If framed within a narrative of mutual understanding and a common objective, proactive outreach by Western development agencies and government institutions toward China's foreign aid system could be welcome as a means of exchanging experience and lessons learned. Currently, China's forestry-sector foreign aid to Africa, as led by the NFGA, is mainly focused on bamboo development through in-kind equipment donation and technical capacity building workshops. Bamboo development is favored by African countries as this fast-growing species could bring rapid economic profits to local populations. However, the relative weakness in governance and the limited power of ministries in charge of forestry in Africa have been reflected in cases where the equipment donations ended up being used by other ministries, and capacity building workshops were instead attended by officers from other ministries. Studying previous exchanges and cooperation between China and African countries demonstrates that China has mainly chosen the pathway of bilateral national level engagement, and FOCAC has become an overarching scheme for such bilateral efforts. Chinese stakeholders have had limited knowledge of regional cooperation mechanisms in Africa such as COMIFAC. As a result, interactions between regional structures and China have remained fractional. Furthermore, successful cases of trilateral cooperation amongst China, African countries and additional industrial partner states have to date been scarce. In order to promote cooperative work in the Congo Basin in the future, the existing regional cooperation mechanisms focusing on forest-related issues such as CBFP or CAFI, which bring together Congo Basin countries and industrialized partner states, offer opportunities for an enhanced trilateral cooperation including China. Thus, it is suggested that the Chinese government enhances its outreach capacity to establish and maintain new types of connections with regional initiatives like CBFP and CAFI, and to integrate such trilateral cooperation in the FOCAC framework.

Dialog and exchange at such levels needs to grow over time and could also potentially take advantage of larger international platforms such as the Convention on Biological Diversity (CBD), or United Nations Framework Convention on Climate Change (UNFCCC). We will turn our attention to this notion in the fourth chapter below.

### Key points

- A number of efforts by China to improve legality and sustainability of its timber trade with, and investment practices in, the Congo Basin countries have taken place at government- and industry levels as well as through bi- and multilateral cooperation frameworks.
- **Government-level initiatives** include the promulgation of policies and guidelines as well as the formation of bilateral and multilateral cooperation. The **promulgation of policies include voluntary guidelines and handbooks** promoting sustainable forestry operations and investments overseas; the establishment of **the Chinese Timber Legality Verification System**, which was **challenged by the Chinese timber industry and has thus not yet been officially implemented**; the **revised Forest Law in 2020**, which includes a promising prospect for **improved government enforcement of companies' obligations to ensure their timber trade legality**; and the **prospect of establishing legislation on overseas investment according to the 14<sup>th</sup> Five Year Plan** released in March 2021.
- **Bi- and multilateral cooperation frameworks** include an established **bilateral forestry MoU** between China and Gabon, as well as preliminary interest in MoUs between China and Cameroon and between China and the Republic of Congo; **the FOCAC Beijing Declaration Action Plan**, which comprises provisions for sustainable forest management cooperation; and potential **future Chinese engagement in regional cooperation frameworks in the Congo Basin including the COMIFAC, CBFP and CAFI**.
- **Industry-level initiatives** include activities by CTWPDA and CAF to facilitate **exchanges between Chinese companies and local businesses from Congo Basin countries**, helping Chinese companies to **identify reliable local timber sources** that are legal and sustainable; the potential to **promote dialog with European companies** and other downstream markets on sharing extra costs of timber legality certification requirements; and the **emerging cross-sectoral engagement through the GGSC network**.
- **Improved implementation and enforcement of government-level initiatives**, as well as broader and **deeper engagement of the industry-level initiatives are needed** to generate tangible positive impacts on sustainable timber trade between China and the Congo Basin countries. A **whole supply chain approach** involving stakeholders from the Congo Basin, China and consumer market countries including the EU has been identified as a promising way forward since it hints at benefits of **improved policy coordination** as well as deepened business connections.

## 4 OPTIONS FOR COOPERATION UNDER INTERNATIONAL ENVIRONMENTAL CONVENTIONS

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International conventions such as the United Nations Framework Convention on Climate Change (UNFCCC) and the Convention on Biological Diversity (CBD) are platforms through which the complex dynamics of international climate change and biodiversity conservation politics are constantly presented, discussed, negotiated, and mediated. The six Congo Basin countries, China, as well as the EU and most developed countries are ratified parties to both conventions and have therefore committed to contribute to and comply with the requirements set forth under the frameworks of both conventions. As forest ecosystem conservation and sustainable forest development are relevant to the adaptation and mitigation of climate change as well as to the conservation of global biodiversity, both UNFCCC and CBD provide opportunities for partners from the Congo Basin, China and Europe to advance the sustainability of forest-related trade on the one hand, and to deepen their cooperation on more general matters of international climate and environmental politics on the other.

### 4.1 United Nations Framework Convention on Climate Change

For the UNFCCC, the 2015 Paris Agreement came as a milestone achievement in which parties agreed to transform their development trajectories to contribute to the global aim of limiting global warming to 1.5 to 2 degrees Celsius above pre-industrial levels. Nationally determined contributions (NDCs) are submitted by each country outlining their national emissions reduction targets and climate change adaptation goals. The NDCs have become an essential tool, which serves each country as a framework document with regard to adaptation and mitigation planning and implementation. Intact forest ecosystems are natural carbon sinks and could contribute significantly to climate change mitigation. Therefore, forest conservation should be prioritized in the NDCs of the Congo Basin countries and China. For example, China's initial intended NDC (INDC), submitted in 2016, included an increase of forested area in China by 40 million hectares and of forest stock volume by 1.3 billion cubic meters compared to 2005 by 2030. With its policies and measures on climate change action, China plans to increase carbon sinks via large-scale afforestation, protecting natural forests, restoring forest and grassland from farmland, and strengthening forest tending and management.<sup>31</sup>

The Congo Basin countries have articulated in their NDCs the importance of forests by recognizing their potential for carbon sequestration, although the extent of specification varies among the six countries. For example, Cameroon's INDC highlighted the link between forecasted forest loss for agriculture and other land uses, and the reduced capacity for carbon sequestration within the country. It proposed to implement sustainable agriculture practices and sustainable land use and forest management to alleviate the potential loss of its forest carbon sinks. However, Cameroon noted a lack of reliable quantitative measurement possibilities, which would

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<sup>31</sup> "China First NDC," NDC Registry, UNFCCC, Submitted March 9, 2016, <https://www4.unfccc.int/sites/NDCStaging/Pages/All.aspx>.

have allowed the country to set more specific targets.<sup>32</sup> Gabon, as another example, committed to promote sustainable development in its economic growth strategies through legislative measures, including a national forest code, and a ban on log exports. Gabon also emphasized the lack of quantitative evidence on effectiveness of such measures for emissions reduction.

The examples from Cameroon and Gabon exemplify a common challenge for the Congo Basin countries, as well as most other developing nations: There is an urgent need to improve our understanding of how forest conservation and sustainable forest management practices contribute quantitatively to mitigating greenhouse gas (GHG) emissions, and of the potential of forests in relation to climate adaptation. China and the EU, who contribute to the economic development but also GHG emissions in the region through forest investments and timber trade, could offer technical assistance in order to fill the knowledge gap. This could improve NDC implementation. Chinese and European Union foreign aid and development assistance programs could initiate/stimulate joint programs for technical capacity building on reforestation and sustainable forest management, which are also elements of the Congo Basin countries' NDCs.

Beyond the need for technical assistance, the NDCs frequently address the need for more financial assistance and resources in order to meet their targets more generally as well as in regard to forests. Currently, several programs provide financial contributions from EU countries to facilitate NDC implementation in the Congo Basin countries. This includes support to regional mechanisms dedicated to forest protection such as CBFP and CAFI. China has also started to offer financial assistance. It has committed 20 billion RMB (equaling approximately USD 3.1 billion) to a South-South Climate Fund to assist other developing countries in tackling climate change. With the help of this fund, China implements projects and supports partner countries with pilot projects by providing training on climate adaptation and resilience, including forest(-related) management (practices). Additionally, China has gained experience in Forest Landscape Restoration through its long-standing and highly successful programs on reforesting the Loess Plateau. Experience sharing in forest landscape restoration could also be suitable to inform future South-South cooperation. Combining the requests from Congo Basin countries for financial resources with the commitments made by the EU and China, the UNFCCC Conferences of Parties (CoPs) could be a platform where a joint financial contribution from the EU and China could be facilitated.

## 4.2 Convention on Biological Diversity

Parties to the CBD – an international legal instrument for the conservation and sustainable use of biological diversity – meet every two years. There, as well as in preparatory negotiations, multi-year strategic plans are jointly developed and adopted. These frameworks are translated into National Biodiversity Strategies and Action Plans (NBSAPs). Furthermore, issue-specific protocols have been adopted, namely the Nagoya Protocol on access and benefit sharing in the use of genetic resources, and the Cartagena Protocol on biosafety.

Forest conservation and the promotion of sustainable forest use are covered by multi-year strategic frameworks and objectives such as the recently expired Aichi targets. Hence, the NBSAPs

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<sup>32</sup> “Cameroon First NDC,” NDC Registry, UNFCCC, Submitted July 29, 2016, <https://www4.unfccc.int/sites/NDCStaging/Pages/All.aspx>.



of each country should include provisions on conservation and sustainable use of forest ecosystems. Governments, businesses and other stakeholders at different levels are required to implement these NBSAP targets through sustainable production and consumption practices. To cite an example from the Congo Basin, the *Stratégie Nationale et Plan d'Actions sur la Diversité Biologique* (2015) of the RoC has set the target of at least halving the rate of depletion of all-natural habitats, including forests, by 2020. Actions taken to meet the mentioned NBSAP goals have included the development of sustainable management plans for forest concessions, and the mainstreaming of biodiversity conservation in RoC's forest sector policies. However, the depletion of natural habitats and forests continues in RoC and other countries in the region. This highlights one major, frequently mentioned weakness of the CBD, namely, a lack of enforceable commitments and missing implementation of targets and actions presented in NBSAPs.

Nevertheless, the CBD is now at a crossroads with the expiration of the Aichi targets. A new Post-2020 Global Biodiversity Framework leading up to a 2030 Mission and 2050 Vision is currently being negotiated. Its adoption is planned for the 15<sup>th</sup> meeting of the Conference of the Parties to the Convention on Biological Diversity (CoP 15) to be held in Yunnan, China in 2021. This provides a window of opportunity to institutionally strengthen the CBD and to agree on comprehensive, specific and realistic new global biodiversity conservation targets. National strategies to reach these targets also need revision from the current NBSAPs, particularly regarding tangible implementation of conservation activities and the possibility to measure progress. A Zero Draft of the Framework is already published in which one of the overall targets is to increase financial resources from international and domestic sources by means of innovative and effective financial mechanisms to meet the needs for implementing the post-2020 global biodiversity framework.<sup>33</sup>

China's Ministry of Ecology and Environment (MEE), which is in charge of the organization of the CoP15, has been studying and developing a financing tool to support conservation in other developing countries. There will be an official announcement of a China-led global fund at the CBD CoP15, which will be open to contribution from other international partners. As this will be the first Chinese-led fund for global biodiversity conservation, it will need to leverage international support. Thus, early engagement with potential funding partners from other countries could ensure an effective launch. Incorporating lessons learned from other conservation financing tools, the proposed global fund is currently being designed by the Chinese MEE. It aims to pool financial resources from public and private sources from developed and emerging economies. The tool will be used to provide support for developing countries on policymaking and practices for the conservation of forests and other natural resources. It is expected that this financing tool could mobilize governments of the developing countries to improve sustainable timber trade and forest investment policies and practices.

One international example of an innovative conservation financing tool that China's MEE has been studying is the Legacy Landscape Fund (LLF). LLF was officially initiated in December 2020 by the German Federal Ministry for Economic Cooperation and Development (BMZ) and the German national development bank, Kreditanstalt für Wiederaufbau (KfW), together with other public and private partners including the Agence Francaise de Developpement (AFD), Campaign

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<sup>33</sup> Convention on Biological Diversity, "Update of The Zero Draft of the Post-2020 Global Biodiversity Framework," August 17, 2020, <https://www.cbd.int/doc/c/3064/749a/0f65ac7f9def86707f4eaeafa/post2020-prep-02-01-en.pdf>.

for Nature (CfN), Frankfurt Zoological Society (FZS), the International Union for Conservation of Nature (IUCN), the UNESCO World Heritage Centre and WWF.

The LLF was established based on the recognition that protected areas in developing countries have been receiving insufficient, short-term and project-cycle-bound financial resources. This has hindered effective and long-lasting protected area management in many natural reserves of the world. LLF aims to address this issue by obtaining a combination of public and private funding to sustain long-term financial support for protected area management in developing countries. Estimating that financing one legacy landscape (LL) will cost up to USD 1 million per year in protected area management, outreach and sustainable natural resource management in support zones, the goal of the current initial phase of the LLF is to ensure support for up to 30 LLs<sup>34</sup> until 2030.

The LLF is a financial mechanism that could be introduced and promoted during CBD CoP15 as a direct response to ongoing discussions under the CBD framework on resource mobilization for biodiversity conservation from public and private finance. The LLF will be showcased in a number of pre-events leading up to the CBD CoP15. These presentations could be a starting point for exploring potential overlaps between the LLF and the China’s upcoming global fund. It is hoped that not only complementarity, but also synergy could be identified between the LLF and China’s global fund at the CBD CoP15. The two financial initiatives could foster direct collaboration between China and Germany through providing joint funding to biodiversity conservation and sustainable forest management in developing countries, including the Congo Basin countries. As both mechanisms are expected to be open for funding pledges from other international actors, synchronizing the LLF and the Chinese global fund for biodiversity conservation could be not only a practical step forward in deepening Chinese–German relations, but also a fresh start for multilateral cooperation involving China on the globally pertinent issue of biodiversity conservation.

### 4.3 Potential tools: Ecological redline approach and debt-for-nature swaps

As the UNFCCC and CBD serve as platforms for multilateral and cross-sectoral exchange and negotiations on climate change and biodiversity conservation, they also attend to sustainable development of the forest sector. Thus, discussions on potentially effective technical approaches and financial tools fostering conservation and sustainable management of forests should also be pursued within these frameworks, particularly as multilateral conventions with China as a signatory party offer possibilities to engage with Chinese actors and intensify trilateral cooperation. Multilateral forums also enable open exchange at eye level with regard to ideas and initiatives from China, the developing world and the Western hemisphere.

This section explores two tools that were identified as potentially useful inlets to facilitating and kickstarting China–Congo Basin–EU trilateral cooperation under the UNFCCC and CBD. The first is the ecological protection redline approach, a science-based tool for land-use planning and area-based conservation that has been adopted and implemented domestically in China. Its aim

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<sup>34</sup> BMZ, Interview, March 26, 2021.

is to secure over 25% of China’s land and sea area for conservation while allocating other surface areas to different land-use objectives. A second idea, so called “debt-for-nature swaps”, refers to a biodiversity financing tool that specifically addresses conservation commitments in developing nations in exchange for debt waivers from public creditors. It has been applied across the world and could be applied by China, particularly in the context of the global Belt and Road Initiative (BRI).

### 4.3.1 Ecological Protection Redline Approach

In the Chinese land-use planning system, ecological protection redlines (EPRLs) are defined as designated areas with particularly high ecological value of special relevance to the provision of ecological services. In centralized land-use planning, these areas are assigned the highest mandated protection status. Cartographically “drawing” such redlines in national land-use planning aims to separate these ecologically highly valuable regions from areas that are designated for economic activities, industry development and urbanization. Ecological compensation mechanisms are being integrated into this approach by remunerating local government structures, institutions and individuals whose economic opportunities give way to conservation and continued provision of ecosystem services.

In China, the concept of ecological redlines was first proposed in 2011 and subsequently adopted in the Environmental Protection Law of 2015. In 2017, the stand-alone document “Opinions on Delineation and Strict Management of Ecological Conservation Redlines” was issued by the General Office of the State Council to stress nationwide implementation of the redline policy. In October 2020, the MEE took a further step by issuing the draft “Ecological Redline Implementing Regulation” for public comment. In this regulation the ecological redlines are largely defined – they legally protect at least 25% of the country’s land and sea area<sup>35</sup>. While the full map is yet to be publicly disclosed and the regulation has not yet been officially promulgated, institutions such as the China Council for International Cooperation on Environment and Development have been studying the practical implementation of the approach, analyzing the challenges and proposing recommendations for effective enforcement of the policy.

On compensation mechanisms, the MEE issued a “Technical guideline on calculating methods of ecological compensation standards in ecological conservation redlines” for public comment in 2020. The rapid progress of EPRL policies and currently discussed implementation point to timely and promising results in terms of full legalization and effective implementation of EPRL in China.

Among developing nations, China is often considered a trailblazer for pioneering this centralized land-use planning approach as the EPRL is currently being integrated into domestic land-use plans. The approach could prove particularly suitable for sharing with other developing countries in Africa, including those in the Congo Basin, since these countries are pursuing economic growth heavily dependent on the use of land. They often face problems when infringing on areas that are ecologically highly valuable and crucial for ecological service provision – such as forests. Since China increasingly supports economic development in these countries through investments, trade and project contracting, it is in a good position to promote its own experiences and

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<sup>35</sup> “Ecological red lines: from words to action,” China Dialogue, accessed May 4, 2021, <https://chinadiologue.net/en/pollution/9689-ecological-red-lines-from-words-to-action/>.

lessons learned in terms of land-use planning. Hence, advocating for and establishing EPRL-comparable policies and systems could be part of the economic relation package between China and developing nations. This would also help China in meeting its aim of a “green” BRI. EPRL is relevant to forest conservation in the context of potential forest land conversion for economic activities. Therefore, in UNFCCC and CBD frameworks, the Congo Basin countries and other international partners may propose technical assistance from China on capacity building for the integration of the EPRL approach into national land-use planning systems in Congo Basin countries.

#### 4.3.2 Debt-for-nature swaps

A debt-for-nature swap is a biodiversity financing tool reacting to bilateral or multilateral economic debt relations. It is relevant to consider for China and African countries, as economic relations between China and the African continent have involved lending at large scales, part of which is used to support the investment, trade, and project contracting activities mentioned in Chapter 3. To give a short overview, the Chinese Loans to Africa Database indicates that between 2001 and 2019, China offered loans to Congo Basin countries as follows: at least 45 loans, totaling USD 6.2 billion to Cameroon; at least 36 loans, totaling USD 5.4 billion to the RoC; at least 22 loans totaling USD 3.0 billion to Equatorial Guinea; at least 57 loans totaling USD 2.7 billion to the Democratic Republic of Congo; and at least 7 loans totaling USD 71 million to ?. The data for Gabon is not available.<sup>36</sup> The debt trap issue of African countries has been broadly discussed as many of them face default risks because they experience difficulties in paying back the principal or interest of the loans to China and other creditors. Instead of reducing debt interests when there is a high risk of default, debt-for-nature swaps are alternatives to debt-for-equity or debt-for-resources solutions. In a nutshell, debt relations are restructured in such a way that a borrowing country in debt would reduce its debt repayment in exchange for commitments to protect nature and the environment in varying forms.

The concept of debt-for-nature swaps was first introduced in 1984 by Thomas Lovejoy, then Vice President of the World Wildlife Fund in response to continually deteriorating tropical rainforests and mounting debt obligations in developing countries.<sup>37</sup> In practice, two different forms have evolved: commercial and public debt-for-nature. In a commercial debt-for-nature swap, creditor countries sell debt as government bonds at a discounted rate in the market. Then, a conservation-oriented actor such as an environmental trust fund would purchase the bond and use it for conservation grant projects. Such trust funds are often founded by international NGOs and can receive additional funding from foundations, private donors, etc. The borrowing country can then repay its debt at a lowered interest rate to the environmental trust fund, while receiving grant support from the fund to carry out conservation projects.

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<sup>36</sup> China Africa Research Initiative and Boston University Global Development Policy Center, 2021. Chinese Loans to Africa Database, Version 2.0. Retrieved from [chinaafricaloanda-ta.bu.edu/](http://chinaafricaloanda-ta.bu.edu/).

<sup>37</sup> Yue Mengdi & Wang Christoph Nedopil, “Debt-For-Nature Swaps: A Triple-Win Solution for Debt Sustainability and Biodiversity Finance in the Belt and Road Initiative (BRI)? » The Green Belt and Road Initiative Center, <https://green-bri.org/debt-for-nature-swaps-in-the-belt-and-road-initiative-bri/>.

In public debt-for-nature swaps, no third-party environmental trust fund or international NGO is involved. Instead, the creditor country directly negotiates with the debtor country on reducing repayments in exchange for requiring the debtor country to commit to and invest in conservation projects. In short, this tool alleviates financial pressure on a debtor country while simultaneously incentivizing it to take on more responsibility towards environmental protection and conservation efforts.

Since their inception, debt-for-nature swaps have been applied in over 30 countries across the world, involving mostly Latin American countries as debtor countries and members of the Paris Club as creditors. While China has no prior experience in applying debt-for-nature swaps, the tool is especially relevant for China as a potential way forward in dealing with BRI countries including those in the Congo Basin. A briefing paper from the Green BRI Centre of the International Institute of Green Finance (IIGF) provides two reasons for this: firstly, the BRI countries in debt to China are still rich in natural resources while at risk of biodiversity loss. This is also true for the Congo Basin countries, which are rich in forest resources while at risk of forest degradation. Meanwhile, China's increasing lending to such countries on BRI activities like infrastructure development requires debt restructuring as a result of over-investment and underperformance. The recent COVID-19 pandemic has exacerbated the economic shock to these countries, increasing the probability of debt default.

For China, the adoption of debt-for-nature swaps could be helpful in fulfilling "green" BRI development commitments. Furthermore, applying debt-for-nature swaps – amongst others – in the context of the BRI would enable China as one of the most significant creditors internationally and to the African continent specifically to demonstrate its envisaged leadership in sustainable development and overseas economic relations. Hosting the 2021 CBD CoP15 will provide a good opportunity for moving forward in this regard. Therefore, during the upcoming CBD and UNFCCC CoPs, it is recommended that international partners with experience in debt-for-nature swaps suggest and offer assistance to China in pursuing this financial tool in its overseas lending. Pilot cases could focus on lending to Congo Basin countries as rainforest deforestation rates are increasing in this region while Chinese promotion of debt-for-nature swaps would require Congo Basin countries to commit to and follow through on sustainable use and conservation of the second biggest green lungs of the world.

### Key points

- *International conventions such as **UNFCCC and CBD are platforms that offer opportunities for further cooperation among China, Congo Basin countries and international partners**. This might involve, but is not limited to, the Ecological Protection Redline approach and debt-for-nature swaps.*
- *Under the UNFCCC, **NDCs might include more specific provisions on addressing the issue of forest loss** for agriculture and other land uses. With reference to the NDCs submitted by Congo Basin countries, both China and EU countries could provide **joint technical assistance**, e.g., on measurement, reporting and verification of the potential impacts of forest conservation and sustainable management for climate mitigation. Moreover, China and the EU countries could also offer capacity building to Congo Basin countries on reforestation and sustainable forest management practices and experiences. On financial assistance, both China and the EU countries have already set aside funds aimed at supporting developing countries in climate change resilience and mitigation – joint financial cooperation might be facilitated between China and the EU countries to assist Congo Basin countries to implement their NDCs with regard to sustainable forest management and timber trade.*
- *Similarly, under the CBD framework, **China and the EU could offer technical assistance to the Congo Basin countries on committing to more ambitious sustainable forest management** and forest investment policies, as well as to follow up with specific implementation procedures. This could contribute to fulfilling current NBSAPs as well as to formulating new national targets and strategies.*
- *Developing countries need increased and long-term **financial resources for biodiversity conservation**, and there are **opportunities for collaboration between China and the EU in providing joint financial assistance**. The upcoming CBD CoP 15 in China has incentivized **China's MEE to promote a potential China-led global fund for conservation activities in the developing world** including the Congo Basin. As this China-led global fund is drawing on learning experiences from other international conservation financing tools, including the **newly established Legacy Landscape Fund (LLF)** officially announced by German BMZ in December 2020, it is recommended that further **exploration of complementarity and synergies between the China-led fund and LLF** be carried out during preparatory meetings and activities leading up to the CBD CoP 15 in October 2021.*

## 5 CHALLENGES AND OPPORTUNITIES

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### 5.1 Challenges

The economic relations between China and the Congo Basin countries are continually deepening, particularly in sectors with potential impacts on forests, these being trade in timber as well as investments and project contracting in non-forest sectors that may result in conversion of forest land such as mining, agriculture and infrastructure development. Regarding timber trade, not only is a growing percentage of China's imported timber coming from the Congo Basin countries, but China is also becoming one of the largest destination markets of timber exports from Congo Basin countries. Concerning investments and project contracting, while more comprehensive data still needs to be compiled, the percentage of China's FDI stock in the six Congo Basin countries compared to that across the whole African continent is strongly increasing. The ever-expanding China–Congo Basin economic relations are causing concerns about increased deforestation and forest degradation given that Chinese companies have been observed to have low levels of compliance with local timber trade legality and sustainability policies and regulations.

Chinese entities will need to shoulder greater responsibilities and make larger contributions to fostering sustainable forest-related trade and cooperation with the Congo Basin countries as well as with the international market. Efforts in this regard are already underway in the governmental sphere through promulgation of guidelines and handbooks, the CTLVS system, the revised Forest Law, and bi- and multilateral cooperation frameworks. However, a lack of effective implementation and enforcement procedures for policies and cooperation frameworks guiding practices of both Chinese companies and government authorities is hindering the practical effectiveness of current initiatives. At industry level, there are exchanges between Chinese companies and local businesses from the Congo Basin countries, and there is emerging willingness to extend dialog to European and other downstream markets as well as cross-sectoral stakeholders. A challenge experienced by Chinese companies, business associations and international partners working on forest governance in the Congo Basin countries is that – in addition to insufficient enforcement of Chinese policies – there is also a lack of strong political will and solid forestry governance systems in most African countries. Instead, forest use is rarely among top priorities on the agenda of concerned forest countries, particularly when competing with objectives of economic growth.

Consequently, a whole supply chain approach is identified as necessary to improve policy coordination and business relations mentioned above. To accomplish this, effective international mechanisms with sound financial incentives that could mobilize Chinese and African governments and enterprises to commit to sustainability and legality provisions are necessary across the international timber supply chain. A closer examination of the complex dynamic of the players involved in international timber trade supply chains and economic relations would be useful for the consultation process towards such an international mechanism:

- In Congo Basin countries as well as in other forest regions, the governance around forest conservation and environmental protection always needs to consider the livelihoods of local people. Financial and technical resources should be directed towards sustainability efforts, particularly in economic sectors prioritized in national development plans. Taking Cameroon as an example, Cameroon’s Vision 2035 is a guiding document for the country to develop into “an emergent, democratic country that is both united and diverse”.<sup>38</sup> Priority development sectors towards this Vision 2035 include infrastructure, mining and agriculture, which need careful planning and management to avoid forest degradation as a result. Therefore, it is recommended that financial and technical support is provided to Cameroon and other Congo Basin countries to assist in improved forest and environmental standards in the development of infrastructure, mining and agriculture projects. Tools such as the EPRL approach and debt-for-nature swaps could potentially be of help in the African context.
- China is in middle ground not just in terms of its position in the international supply chain, but also in terms of its level of development, sitting as it does between industrialized and developing economies. As it is still self-identifying as a developing country, China shares with many African partners its prioritization of economic growth over sustainability concerns. Therefore, bilateral cooperation between China and African countries is often based on improving timber trade and forest investments. While environmental governance within China has reached higher levels in recent years, the governance and regulation of overseas conduct of Chinese entities still needs improvement. China’s growing international commitments towards environmental sustainability – particularly in international conventions such as the CBD and UNFCCC – could provide a lever for “greening” China’s influence in both African countries as well as developed countries.
- Consumer markets in Europe and other developed parts of the world, which import timber products and make investments in Congo Basin countries, still possess remarkable market power. Hence, they are in a privileged position in relation to setting the rules for international economic relations through engagement with upstream supplying countries. More specifically, the EU and other consumer markets could influence China and Congo Basin countries by means of sending a clear price signal to upstream countries on timber product imports. This would enable sharing costs for necessary traceability and due diligence systems as required by timber legality certification mechanisms. Furthermore, because of the higher technical capacity of consumer countries in relation to forest conservation and environmental protection, they are well suited to offering financial and technical assistance to both China and Africa towards the realization of a pathway for economic growth that effectively reduces environmental impacts.

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<sup>38</sup> Republic of Cameroon, *Cameroon Vision 2035*, (2009).



## 5.2 Opportunities

Considering the challenges mentioned above, opportunities have been identified in international conventions such as the UNFCCC and CBD which provide platforms for cooperation across China, Congo Basin countries and international partners. The dynamic of the economic relationships should be jointly analyzed, discussed, negotiated and mediated in both frameworks. This holds the potential to address imbalances in the governance capacities across different actor groups and the lack of financial mechanisms tailored to different economic development contexts.

One area of practical cooperation between China and the EU countries could be joint technical assistance provided to Congo Basin countries. Under the UNFCCC framework, joint technical assistance from China and the EU could be focused on improved NDC commitments that address forest loss and improved measurement, reporting and verification tools. Similarly, under the CBD framework, China and the EU countries could jointly provide technical assistance to Congo Basin countries on improved commitments and implementation of sustainable forest management and forest investment regulations in their NBSAPs. Trilateral Europe–China–Africa cooperation projects could be designed and facilitated to make joint technical assistance a reality. There are already discussions and first project development between Germany and China based on the idea of such trilateral cooperation across the supply chain on legal and sustainable timber trade towards the objectives of forest conservation to protect climate and biodiversity.<sup>39</sup>

Another practical option for intensified cooperation with China in multilateral environmental politics could be an international funding mechanism for climate as well as for biodiversity. Under the UNFCCC framework, China has already made a 20 billion RMB (approximately USD 3.1 billion) commitment to a South-South Climate fund to assist other developing countries in tackling climate change mitigation and adaptation. With the help of the fund, China is implementing projects that support developing countries in carrying out pilot projects, and it provides trainings on climate adaptation and resilience. Given the opportunity of CoP15 of CBD to be held in Yunnan, China in 2021, another financial mechanism towards sufficient and long-term funding for biodiversity conservation in the developing world is worthy of exploration. At this important time and during the design of a post-2020 global biodiversity framework leading up to global biodiversity targets for the year 2030, China’s MEE in charge of the organization of the CoP15 of CBD has been considering the introduction of an innovative financing tool to support biodiversity conservation. Ideally, this new mechanism should draw on examples from other international conservation financing tools including the LLF, which was newly established by the German BMZ in December 2020. Just like the LLF, the financing tool that is currently being designed by MEE aims to leverage financial resources from both public and private sources from developed and emerging economies. The tool will be used to provide support for developing countries on policymaking and on implementation of biodiversity conservation activities. Anecdotal evidence in China points to the official announcement by the Chinese host government of the mentioned conservation funding mechanism at the upcoming CBD CoP15 conference.

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<sup>39</sup> Chinese Academy of Forestry, Research Institute of Forestry Policy and Information (CAF-RIFPI), Federal Ministry of Food and Agriculture of Germany, Gesellschaft für Internationale Zusammenarbeit (GIZ), “Legal tropical timber and tropical wood product trade facilitation along the supply chain central Africa-China-International markets” (powerpoint, GIZ, Beijing, April 1, 2021).

Complementarity and synergies between the new tool and existing ones including the German-led LLF would be ideal for joint efforts on conservation, and could provide a stepping stone for improved cooperation between China, the Congo Basin and European governments in the realm of multilateral environmental politics.

### 5.3 Research gaps

In order to provide a more comprehensive picture, further research should be carried out in order to fill remaining knowledge gaps. Firstly, a comprehensive analysis of land-use development and investments in Central Africa as well as the implications for forests should be carried out. The analysis in this current study is limited by data availability on the potential forest impacts of Chinese and other investments in the Congo Basin. Additional data would enable further analysis of policies on land-use development and investment strategies in the region. Secondly, studies on enforcement measures and the effectiveness of the EU Timber Regulation could serve as lessons learned and thus help to effectively design implementation mechanisms for Article 65 of the recently revised Chinese Forest Law. Finally, studies on the international timber market and pricing mechanisms could be helpful to support a deeper understanding of the need for developing financial and fiscal tools that aim to address trade sustainability issues.

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## ANNEX

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### Interview List

We would like to give thanks to the following organization representatives who contributed their knowledge and expertise to this study as interviewees. The list of organization interviewed include the follows:

<b>Organization</b>	<b>Interview Date</b>
TRAFFIC	February 5, 2021
Kreditanstalt für Wiederaufbau (KfW)	March 8, 2021
Forest Partnership Facility of Gesellschaft für Internationale Zusammenarbeit (FPF of GIZ)	March 9 & 22, 2021
Commission of Central African Forests (COMIFAC)	March 12, 2021
China Timber & Wood Products Distribution Association (CTWPDA)	March 17, 2021
Center for International Forest Products Trade of the National Forestry and Grassland Administration of China (CINFT of NFGA)	March 19, 2021
Federal Ministry for Economic Cooperation and Development (BMZ)	March 26, 2021