

## All Eyes on Kunming

Policy recommendations for  
the Government of China  
prior to the 15th Conference of  
the Parties to the Convention  
on Biological Diversity in  
Kunming, 11-24 October 2021

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## ABOUT EIA

We investigate and campaign against environmental crime and abuse.

Our undercover investigations expose transnational wildlife crime, with a focus on elephants and tigers, and forest crimes such as illegal logging and deforestation for cash crops like palm oil. We work to safeguard global marine ecosystems by addressing the threats posed by plastic pollution, bycatch and commercial exploitation of whales, dolphins and porpoises. Finally, we reduce the impact of climate change by campaigning to eliminate powerful refrigerant greenhouse gases, exposing related illicit trade and improving energy efficiency in the cooling sector.

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## Introduction

### **Why China must set the stage for a successful biodiversity summit by demonstrating political will through meaningful policy change**

In 2021, China is set to host the 15th Conference of the Parties to the Convention on Biological Diversity (CBD CoP15). At this meeting – the first time China has been the host of such a high-level environmental summit – decisions will be made which are supposed to guide governments in addressing the biodiversity crisis over the coming decade.

The CBD is a legally binding treaty that aims to conserve biological diversity, including through development of decade-long frameworks which are guided by multiple targets. The framework for 2011-20 was broken down into the 20 Aichi Targets,<sup>1</sup> which were designed to have been met by 2020.

In a damning indictment of government efforts to address the biodiversity crisis, none of the Aichi targets have been fully met and only six have been partially achieved.<sup>2</sup>

In the context of a catastrophic global decline in biodiversity which threatens the systems upon which human life depends, and which a landmark 2019 report by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) warned requires “transformative change” to address,<sup>3</sup> well-designed and ambitious frameworks adopted at CoP15 will be vital in staving off disaster. Also crucial is the political will to implement them, something the CBD depends upon in the absence of sanctions for non-compliance with its decisions.

Persistent failure to meet CBD targets is undermining the implementation of other essential frameworks,

including the Sustainable Development Goals, the UN Convention to Combat Desertification and UN Framework Convention on Climate Change (UNFCCC). Moreover, biodiversity loss, habitat degradation and climate change are all increasing the likelihood of new pandemics which could eclipse what we have seen so far with COVID-19.

In its role as host, it is imperative that the Government of China sets the stage for CBD CoP15 by committing to meaningful policy changes that will ensure the protection and recovery of biodiversity within China and around the world.

Without positive examples to influence ambitious discussions on the post-2020 framework and to galvanise their subsequent implementation, the CBD is likely to fall short once again, further jeopardising the state of nature and all that depends upon it.

### **Environmental Investigation Agency recommendations for the Government of the People's Republic Of China**

Over the course of more than 36 years' experience investigating and campaigning against environmental crime and abuse, the Environmental Investigation Agency (EIA) has developed a large body of evidence and expertise in environmental policy and implementation, particularly in the fields of wildlife and timber trade, marine ecosystems and pollution and the use of ozone-depleting and high global warming potential gases.

EIA has prepared recommendations relevant to these campaign areas, drawing on a range of case studies. These serve as suggestions for meaningful policy decisions that China should adopt to directly benefit biodiversity and to set the stage for successful implementation of the CBD at CoP15 and beyond.



**Above:** National and international stakeholders are urging the Government of China to end the use of threatened species in traditional Chinese medicine, including from captive bred specimens.

## Domestic policy

Eliminate demand for wildlife that is threatened by trade, including through prohibiting commercial domestic trade in species such as big cats, rhinos, elephants, bears, pangolins and totoaba (including from captive-bred specimens); phasing out commercial breeding of these and other species that are threatened by trade; destroying stockpiles; and investing in demand reduction.

China's National People's Congress Standing Committee banned the commercial breeding and trade of most terrestrial wild animal species for consumption as food in February 2020, triggered by concerns over the health risks of wildlife trade in the wake of the coronavirus pandemic.

While this was a substantive and ambitious policy change, the breeding and trade of even protected species for other commercial purposes such as traditional medicine and ornamental items is still permitted through exemptions in the Wildlife Protection Law (WPL), China's primary piece of legislation covering

wildlife conservation and trade.<sup>4</sup> Protected aquatic species are also not covered by the prohibition on consumption as food.

A revision of the WPL, still under way at the time of writing, provides an opportunity to unambiguously prohibit all commercial breeding and trade of threatened wild animal species as a crucial step to eliminating demand. However, in a revision draft published in October 2020, no changes have been made to language which allows commercial trade in protected species for non-food purposes.<sup>5</sup>

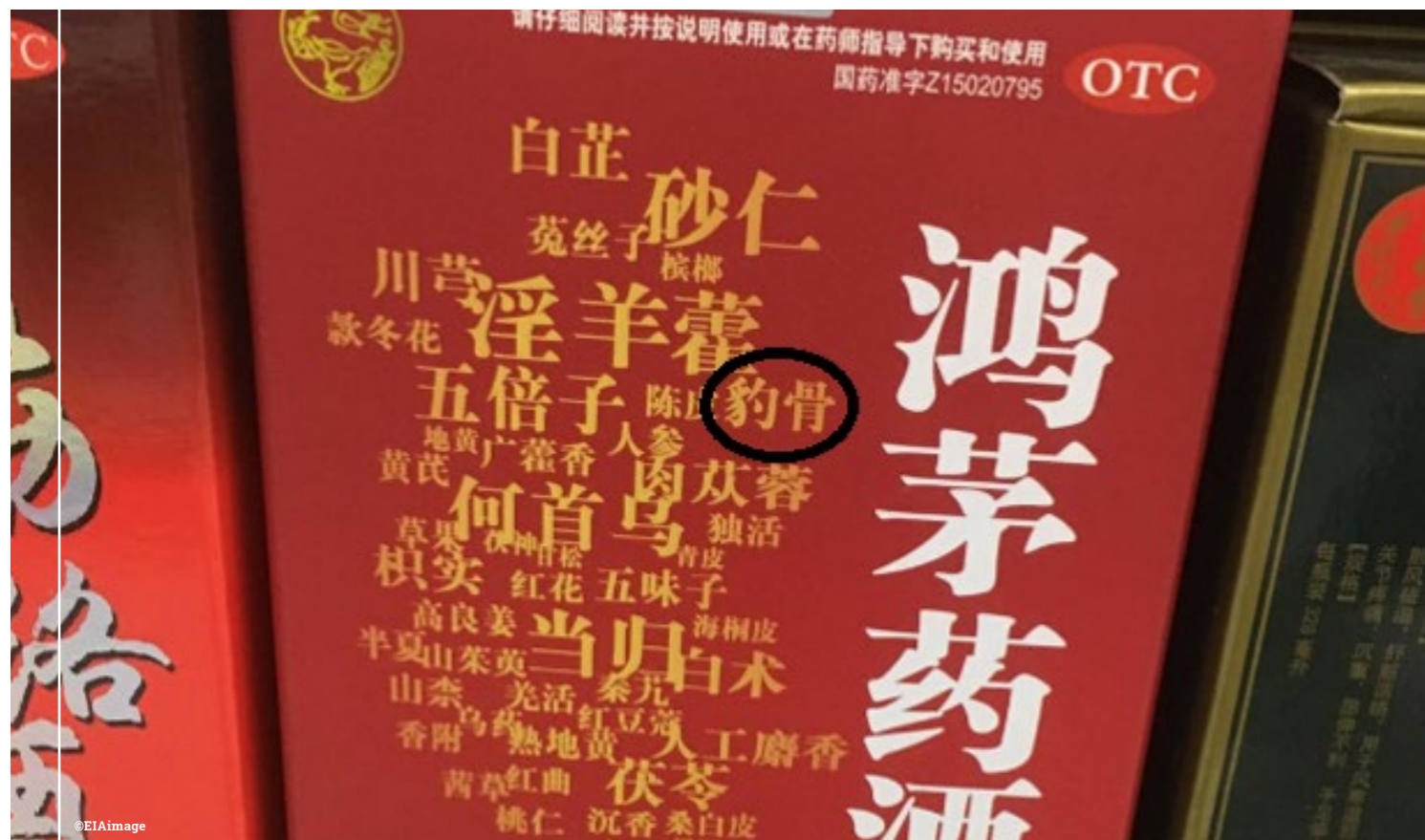
**Table 1:** Examples of legal markets for threatened wild animal species in China

Species (and IUCN Red List category)	Part/product	Comment
<b>Tiger</b> (Endangered)	Skins (from captive-bred tigers)	Trade in the skins of captive-bred tigers and leopards is permitted in China. <sup>6</sup> Statements from traders recorded during EIA investigations have revealed how the existing permit system can be exploited to enable sales of illegally sourced tiger products. <sup>7</sup>
	Bones (from captive-bred tigers)	Despite a 1993 ban on trade in and use of tiger bone and rhino horn, a Government notification issued in 2005 appeared to allow the use of captive-bred tiger bone in medicine. <sup>8</sup> In October 2018, China's State Council issued a notification that repealed the 1993 ban and instead allows the medicinal use of farmed tiger bone and rhino horn. <sup>9</sup> Government spokespersons subsequently stated that implementation of the policy was being delayed, but it has not been repealed or replaced and is still listed without qualification as a valid policy on Government websites. <sup>10</sup> Tonic wines marketed as containing tiger bone (but labelled as containing lion) are openly available at captive tiger facilities. <sup>11</sup>
<b>Leopard, snow leopard and clouded leopard (Panthera pardus, P. uncia and Neofelis spp.)<sup>12</sup></b> (Vulnerable)	Bones and skins	Production and sale of processed pills and tonic wines containing leopard bone (which could also be from snow leopards and clouded leopards) is still permitted and leopard bone is still listed as an ingredient in formulations in the official state pharmacopoeia. <sup>13</sup> EIA has identified a minimum of 62 products which, based on accompanying packaging and/or ingredients lists, claim to contain leopard bone. A lack of transparency around the quantities and provenance of bone in legal trade and stockpiles raises serious questions over its origin. <sup>14</sup>
<b>Pangolin</b> (Vulnerable to Critically Endangered)	Scales	Despite media reports to the contrary in 2020, trade in pangolin scales for use in traditional Chinese medicine (TCM) is still permitted in China and pangolin is still listed as an ingredient in formulations in the official state pharmacopoeia. <sup>15</sup> Designated hospitals and TCM manufacturers can legally utilise raw pangolin scales subject to Government permits and quotas <sup>16</sup> but the quantity and provenance of registered pangolin stocks has never been made public. Between 2008-14, the NFGA released annual quotas for the use of 27 tonnes of pangolin scales. <sup>17</sup> EIA research in 2020 identified at least 64 commercially available processed TCM products containing pangolin, produced by 56 pharmaceutical companies. There is evidence demonstrating the laundering of illegally sourced pangolin scales onto legal markets. <sup>18</sup>
<b>Elephant</b> (Vulnerable to Endangered)	Ivory	In 2017, China banned the commercial processing and trade of elephant ivory. <sup>19</sup> However, the text of the ban states that "cultural relics" may be auctioned under certain circumstances, reversing a 2011 ban. <sup>20</sup> Presently, there is no clear definition of "cultural relics" in Chinese legislation and regulations. A TRAFFIC study found this policy was followed by an increase in ivory lots at auctions, that modern ivory was being auctioned as relics or mammoth ivory and that ivory items were being sold without the required documentation. <sup>21</sup> Ivory is also listed as an ingredient in certain processed TCM products <sup>22</sup> the source and legality of which is unclear.
	Skin	Trade in elephant skin for medicinal purpose is permitted. <sup>23</sup> EIA has identified multiple TCM products claiming to contain elephant skin or ivory which seem to not carry labels required by Chinese regulations relating to trade in protected species, which supposedly ensure legality and traceability. <sup>24</sup>
<b>Saiga</b> (Critically Endangered)	Horn	Saiga horn is used legally in the manufacture of TCM products in China, where annual consumption was estimated at 6-10 tonnes in 2006. <sup>25</sup> As saiga range states have implemented moratoria on international trade, <sup>26</sup> this supply is supposed to derive from domestic stockpiles. In 2007, the Secretariat of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) estimated that the stockpile would be depleted by 2021 based on known consumption rates, <sup>27</sup> but legal trade continues. The seemingly bottomless nature of domestic stockpiles, together with regular reports of saiga horn seizures both in and destined for China, some of which have implicated the involvement of Chinese pharmaceutical companies, <sup>28</sup> suggest that illegal saiga horn is being laundered onto the domestic market in China.

All of these species are globally threatened, due in part to poaching for their body parts, for which China represents a major destination market. The persistence of legal domestic markets for these species in China is acting in direct opposition to the urgent need to reduce demand. Legal markets and wildlife farming can serve to legitimise use and reduce the stigma of consumption.<sup>29</sup> Moreover, current policies which are supposed to regulate trade in threatened wildlife are highly vulnerable to abuse, with legal trade mechanisms being used to launder illegally sourced specimens while

complicating enforcement against illegal wildlife trade (see page 8).

Commercial breeding of species threatened by trade also frequently poses a threat to wild populations. For example, the widespread availability of the parts and products of captive tigers, of which there are more than 6,000 in China today,<sup>30</sup> has not relieved pressure on wild populations and instead perpetuates demand, particularly given a consistent consumer preference for wild-sourced tiger bone in medicine.<sup>31</sup>



## How current legal trade mechanisms may facilitate illegal trade in threatened wildlife

### Permitting and labelling system is vulnerable to abuse

Multiple examples exist of traders and retailers abusing the current permitting and labelling mechanism for legal trade in threatened wildlife to launder illegally sourced wildlife such as tiger skins and bones,<sup>32</sup> elephant ivory<sup>33</sup> and pangolin scales,<sup>34</sup> including by fraudulently re-using permits or defrauding inspectors. Evidently, current mechanisms are inherently vulnerable to misuse.

### Lack of transparency around stockpiles

Pangolin scales, leopard bone and saiga horn used in legal production of traditional medicines are supposed to derive from stockpiles. However, no recent information on the size or provenance of such stockpiles is publicly available. Given steep declines or extinction of these species in China, and few or no recent legal imports, any supposed legal origin for much of this stock is dubious. Moreover, the seemingly bottomless nature of stockpiles raises concerns that new, illegally sourced products are entering legalised commercial trade via supposed registered stocks.<sup>35</sup>

**Above, above right:** Asia's leopards continue to be at risk due to the medicinal use of their bones

### Lack of transparency in permitting mechanisms

Current regulatory mechanisms for commercial use of protected wild animal species are opaque, with insufficient information available for stakeholders to assess the nature and scale of trade. Limited public databases on Government-issued permits issued to breed, trade in or utilise protected species omit key information such as the species, quantities and purposes involved. Nonetheless, the limited information available indicates the scale of permitted trade in even the most strictly protected species may be considerable and EIA research has revealed that permits to trade or utilise protected species have been issued since 2018 to companies previously implicated in commercial trade in tiger bone wine, tiger skins, leopard bone and elephant skin.<sup>36</sup>

### Lack of effective oversight

Government oversight of legal trade in threatened species appears to be inadequate to monitor the full scale or nature of permitted trade and, by extension, its impact on wild populations. For example, in 2015 the Chinese CITES Management Authority reported that it did not have the capacity to monitor legal trade in captive tiger specimens<sup>37</sup> and in 2015 China

stated that volumes of saiga horn in privately held stockpiles were unknown as they were not required to be registered with the Government.<sup>38</sup>

### Trade permits seemingly issued without proof of legal origin

As noted above, little information is publicly available to assess implementation of current permitting mechanisms, but evidence available is cause for concern. For example, a permit to sell 1.23 tonnes of leopard bone was issued to a pharmaceutical company in 2018, seemingly without proof of legal origin; in this case, it appears likely that the bone in question was sourced illegally from leopards killed outside China.<sup>39</sup>

### Corruption and complicity in Government agencies responsible for permitting and oversight

Recent events have demonstrated how current policies which commercialise threatened wildlife create financial incentives to abuse the system, driving corruption and undermining claims that regulated legal trade prevents illegal or excessive consumption. For example, in October 2020 a Government official was convicted of corruption after taking more than RMB8 million renminbi (approximately \$1,237,100) in bribes from pharmaceutical companies in exchange for permits to use pangolin scales, natural musk and saiga horn.<sup>40</sup> In December 2020, a Chinese NGO published reports of tiger killings and sales of tiger bone wine and other wildlife products at

a Government-affiliated 'rescue' facility in Hebei Province. EIA had previously reported in 2007 and 2012 that this facility and an associated company were selling tiger bone wine and tiger skin rugs with Government permission.<sup>41</sup> The same facility received four permits to trade in or utilise nationally protected species from the NFGA in 2018 and 2019.<sup>42</sup>

### Likelihood of laundering through breeding centres

At least 20 companies or facilities have obtained permits to breed pangolins in captivity in China<sup>43</sup> and Government agencies and TCM companies have promoted captive breeding as a source of scales.<sup>44</sup> However, since the captive breeding of pangolins for commercial purposes is not viable,<sup>45</sup> it is possible these initiatives are being promoted to enable laundering of pangolin scales.

### Products containing CITES Appendix I species offered for international sales

EIA has found multiple e-commerce sites advertising TCM products which claim to contain leopard bone and pangolin scales for international delivery, despite all such international sales being in contravention of CITES.<sup>46</sup> In addition, researchers have found snow leopard DNA in a TCM product sold in Australia; while its packaging did not list any animal ingredients, the same product is sold in China with "leopard bone" in the ingredients list.<sup>47</sup> The practice of changing labels for export markets to evade CITES restrictions has been documented in TCM trade in the past.<sup>48</sup>

## Eliminating the trade in totoaba

The illegal trade in totoaba (*Totoaba macdonaldi*) fish maws is rapidly driving both the totoaba and the vaquita (*Phocoena sinus*) to extinction. For more than two decades, scientists have warned that the survival of the vaquita, endemic to Mexico's Upper Gulf of California, is dependent on eliminating bycatch in entangling nets. Bycatch of vaquita in illegal gillnets used to catch totoaba was identified as the key driver of a sudden and rapid decline of the species.<sup>49</sup> Since 2018, Chinese agencies have made a series of seizures and arrests of totoaba traffickers. However, EIA investigations indicate that active trading in totoaba maw, both online and offline, continues, sustained by a community of consumers and traders. EIA encourages China to continue to expand efforts to dismantle criminal networks profiting from the illegal totoaba trade and to reduce domestic demand for totoaba maw.

**Right:** A fisherman extracts the swim bladder (or 'maw') from illegally caught totoaba fish off Mexico's Baja coast, 2019



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### Recommendations

- Amend the Wildlife Protection Law to prohibit all commercial domestic trade (including for non-food purposes) in wild animal species threatened by trade,<sup>50</sup> including from captive sources
- Implement CITES Decision 14.69 to phase out tiger farming
- Remove pangolin scales, leopard bone, bear bile and other parts of threatened wild animal species from the national pharmacopoeia, including as ingredients from patent formulations, and work with experts in traditional medicine to implement substitution with sustainable herbal alternatives
- Reinstate the ban on auctions of items wholly or partially made of ivory, regardless of the age of the object
- Audit and destroy Government- and privately held stockpiles of parts and products of threatened wild animal species, including big cats, rhinos, elephants, bears and pangolins
- Investigate and prosecute networks, companies or individuals that continue to trade in or utilise threatened wild animal species for commercial purposes, and publicise prosecutions
- Invest in evidence-based behaviour change campaigns to reduce demand for and consumption of threatened wildlife, including for non-food purposes



### Address plastic pollution through upstream measures to reduce plastic production and consumption, promotion of a circular economy principles and investment in safe and effective recycling

Leakage or deliberate dumping of plastic waste poses a grave threat to biodiversity worldwide.

More than 800 marine species have been documented as suffering the impacts of plastic pollution, either through ingestion, toxin absorption, entanglement, disruption of feeding patterns or reproductive issues.<sup>51</sup> Research suggests that 50 per cent of seabirds, almost 66 per cent of marine mammals and 100 per cent of sea turtles suffer from ingestion of and/or entanglement in plastic debris.<sup>52</sup> Plastic contamination of seafood also poses a health risk to human consumers.<sup>53</sup>

In order to avoid the escalating environmental and social crisis and to address the problem at source, a significant reduction in plastic production and consumption is required. The current global production of plastics is almost 350 million tonnes annually, 29 per cent of which is produced in China.<sup>54,55</sup> Downstream waste management efforts are overwhelmed with current levels of plastic production and are unable to sufficiently address rising volumes.

We urge China to end the practice of waste incineration which undermines circular economy principles and contributes towards climate change and air pollution, instead redirecting investments towards reducing plastic production and consumption, supporting alternative reuse/refill delivery systems and ensuring effective recycling infrastructure.

### Recommendations

We congratulate China on recent steps to reduce domestic use of single-use plastics (SUPs), in particular via the National Development and Reform Commission which introduced policies to ban non-degradable plastic bags and straws, in addition to efforts by the Ministry of Commerce to increase reporting on plastic consumption by retailers. We encourage the Government to build on this by:

- ensuring robust implementation and strict enforcement of the new SUP legislation;
- extending the legislation to cover other major sources of single-use items and packaging in order to ensure SUPs are not substituted with other single-use materials, creating additional environment problems;
- promote the introduction of reuse and refill systems as a priority, with a focus on policy measures such as Extended Producer Responsibility to encourage circularity;
- end waste incineration and redirect investment towards reducing plastic production and consumption, supporting alternative reuse/refill delivery systems and ensuring effective recycling infrastructure.

**Above:** Up to 12 million tonnes of plastic leak into our oceans each year, wreaking havoc on livelihoods and ecosystems. The impact of ever-increasing production, coupled with overwhelmed and insufficient waste management, is now felt in every environment on Earth.

## Investigate and eliminate illegal production and use of CFC-11

All life depends on the ozone layer, which protects the planet and its biodiversity from the impacts of ultra-violet radiation. When scientists realised the damage inflicted on the ozone layer by chlorofluorocarbons (CFCs) and other ozone-depleting substances, the Montreal Protocol was formed with the purpose of phasing out the production and consumption of these gases. The phase-out of CFCs was completed globally in 2010.

However, in May 2018 a scientific paper confirmed that large-scale unexpected emissions of CFC-11, a potent ozone-depleting substance and greenhouse gas, were occurring in East Asia. A subsequent paper demonstrated that the emissions originated in eastern China, primarily in Hebei and Shandong.<sup>56</sup> EIA investigations had previously identified the illegal use of CFC-11 in China's polyurethane foam industry and China has responded to these findings with a nationwide enforcement effort to crack down on the illegal production and use of CFC-11.

While some progress has been made, EIA remains concerned that China has not identified or shared information regarding ongoing emissions and use of CFC-11 and that additional domestic enforcement is required.

## Recommendations

EIA urges the Chinese Government to expand its efforts to fully understand the breadth, scale and drivers of illegal CFC-11 production and use through:

- comprehensive testing of pre-blended polyol systems (pre-mixed foam blowing systems which contain the blowing agent and could therefore contain CFC-11), including exports;
- comprehensive testing of foams in buildings known to be constructed since 2012 to better understand the prevalence of CFC-11 in existing buildings and potential baseline emission scenarios;
- additional intelligence-gathering from companies known to have illegally used CFC-11 to investigate sources of CFC-11;
- additional intelligence-gathering from known illegal production cases to determine source of illegal carbon tetrachloride (CTC) raw material;
- spot testing of system houses and foam manufacturers (in addition to large-scale inspections).

**Below:** Raw materials for polyurethane foam in a Chinese factory identified by EIA as using CFC-11



## Monitor and investigate emissions of HFC-23

In January 2020, scientists alerted the global community to unexpectedly high emissions of another dangerous greenhouse gas – HFC-23, or fluoroform. HFC-23 is one of the world's worst greenhouse gases, 12,400 times more effective at warming the planet than carbon dioxide on a per-tonne basis. It is created as a largely unwanted by-product from the production of HCFC-22, a widely used refrigerant being phased out under the Montreal Protocol.

In the past, HCFC-22 producers in developing countries were funded through the UNFCCC's Clean Development Mechanism to incinerate HFC-23, gaining carbon credits worth billions. This ended in 2013 after some companies were discovered to be gaming the system and the EU rejected the carbon credits from its Emissions Trading Scheme.<sup>57</sup> However, both China and India pledged to continue to destroy HFC-23 through national measures – China in response to receiving \$385 million from the Montreal Protocol's financial mechanism in order to phase out the ozone-depleting HCFC-22.

Based on the pledged reductions from China and India, researchers expected emissions to be in the region of 2.4 Gg/yr by 2017, with China's reductions accounting for the majority of the expected reduction of 17.1 Gg/yr in 2017

(15.2 Gg from China, 1.9 Gg from India). Instead, scientists reported that 2017 emissions were at an all-time high of 15.9 Gg/yr, equivalent to 197 million CO<sub>2</sub> tonnes.<sup>58</sup>

According to China's monitoring and verification reports, China reported that 98 per cent of HFC-23 production in 2017 was incinerated, implying emissions were under 300 tonnes. However, given the scale of the emissions and the fact that China is by far the largest producer of HCFC-22, EIA believes it is likely that a significant proportion of the unexpected HFC-23 emissions come from China.

Addressing HFC-23 emissions is mandatory under the Kigali Amendment to the Montreal Protocol, which China is yet to ratify.

## Recommendations

EIA urges China to ratify the Kigali Amendment to the Montreal Protocol and immediately launch a comprehensive investigation into HFC-23 emissions, exploring all potential pathways as well as the known production of HFC-23 via the manufacture of HCFC-22.

**Above:** HFC-23 is an unwanted by-product from the production of HCFC-22, a commonly used refrigerant gas



**Strong implementation of the new Forest Law to combat the illegal timber trade**

China has been a major destination for illegal timber. In 2011, EIA estimated that China had imported at least 18.5 million cubic metres of illegal logs and sawn timber<sup>59</sup> and more recent analyses suggest the vast majority of Chinese timber imports are from countries where illegal logging remains a serious problem.<sup>60</sup>

Recently, China has taken positive steps to curtail imports of illegal timber. In 2019, Chinese authorities conducted a major crackdown on the Myanmar border, seizing 100,000 tonnes of timber and issuing arrest warrants for a major crime syndicate.<sup>61</sup> In 2020, China issued a new Forest Law, including a provision banning the buying, trading or processing of illegally sourced timber.

However, this has not yet prevented the trade of illegal timber into China. EIA understands that timber has begun crossing the land border from Myanmar into China again and a recent investigation by EIA and

Indonesian NGO Kaoem Telepak revealed that China was a destination country for timber exported by companies implicated in illegal logging.<sup>62</sup>

In order to effectively combat the illegal timber trade, China must ensure the new Forest Law is effectively implemented by:

- introducing regulations that confirm Article 65 of the new Forest Law applies to timber imports as well as domestic timber;
- introducing regulations that provide for adequate enforcement and penalties for violations of the Forest Law;
- ensuring authorities, including Customs, are adequately resourced and supported to enforce the law.

**Above:** The Myanmar land border has been a major source of illegal timber trafficked into China. The introduction of the new Forest Law provides an opportunity to crack down on the illegal timber trade



**Introduce legislation to combat the trade in illegally sourced commodities**

Alongside timber, China is a major destination for agricultural commodities such as palm oil, beef, rubber and soy. It is the biggest importer of soy and the second biggest importer of palm oil. Such commodities are often produced illegally<sup>63</sup> and are closely associated with deforestation and human rights abuses, such as land-grabbing.<sup>64</sup> China's market lags behind in commitments to ensure these imported commodities are sustainably produced.<sup>65</sup>

Much like it has for timber, China should introduce legislation to combat illegally produced commodities. It is crucial that consumer markets create incentives for legal (and sustainable) commodities to help drive change in producing countries. By doing so they can help to ensure the proper enforcement of existing laws and the enactment of strengthened laws in producer countries. The EU, UK and USA are all considering such demand-side regulations<sup>66</sup> and both the EU and UK have now committed to doing so.<sup>67</sup>

A recent report by the China Council for International Cooperation on Environment and Development (CCICED) – a high-level international advisory body which has approval from the Government of China – itself suggested that the Chinese Government should strengthen measures to tackle the import of illegally produced commodities.<sup>68</sup> It recognises that COVID-19 has highlighted the need for safe and secure supply chains and that greening supply chains can help to address this. Limiting deforestation, in particular, can help prevent the emergence of novel infectious diseases.<sup>69</sup>

As one of the biggest markets for these agricultural commodities, it is key that China introduces such legislation to assist in stopping 'leakage markets', where illegal commodities are sold to China as other markets become inaccessible to them. Without all major markets mandating for greener supply chains, there will not be the incentives for a systemic shift in how commodities are produced.

**Above:** Forest clearing for agricultural commodity production is a major driver of ecosystem destruction and causal to the loss of wildlife habitat and livelihoods of forest communities





## Foreign policy and investments

From vast investments in fossil energy infrastructure<sup>70</sup> to the potential consequences of a drive to promote traditional Chinese medicine overseas,<sup>71</sup> China's foreign policies and investment of State funds (including by State-owned enterprises) hold potentially immense implications for the climate, natural environment and people worldwide.

An increasing degree of attention is being paid to the environmental impacts of the Belt and Road Initiative (BRI) – broadly encompassing massive Chinese-led or funded infrastructure development across Asia, Europe and Africa – and talk of a 'Green Belt and Road' has recently become prominent in high-level official rhetoric.<sup>72</sup> However, EIA remains seriously concerned that many BRI projects risk further exacerbating the climate and biodiversity crises and that potential impacts on wildlife and timber trafficking have been largely absent from official discussion around a Green Belt and Road.

In the following chapter we present a series of recommendations relevant to ongoing EIA campaigns, based on our years of on-the-ground experience and case studies.

**Above:** The involvement of Sinohydro in the construction of a hydropower dam in a UNESCO World Heritage site in Tanzania serves as one example of a large-scale infrastructure project undertaken by a Chinese State-owned enterprise despite serious environmental concerns

### Recommend withdrawal of Sinohydro involvement in the Rufiji hydropower project in the Selous Game Reserve, Tanzania

The Tanzanian Government is constructing a hydropower dam in the UNESCO World Heritage Selous Game Reserve and has awarded the contract to build the dam to a consortium of two Egyptian companies, The Arab Contractors and ElSewedy Electric Company.

Original contractors subsequently subcontracted Chinese State-owned enterprise (SOE) Sinohydro, a subsidiary of PowerChina, and registration logs showed large numbers of employees from Sinohydro visiting the construction site daily.<sup>73</sup>

The Strategic Environmental Assessment (SEA) and Environmental Impact Assessment completed by the Tanzanian Government did not meet best practice

standards and a proper public consultation on the Environmental Impact Assessment has not been conducted, which is in potential breach of Tanzanian and international laws. The UNESCO World Heritage Centre and International Union for Conservation of Nature (IUCN) have said that the project and its supporting infrastructure would have a significant and irreversible impact on the ecology of Selous, which could lead to its World Heritage Status being stripped. The dam would also put the livelihoods of 200,000 farmers and fishermen at risk.<sup>74</sup>

Despite this, construction continues, potentially irreversibly impacting the Outstanding Universal Value of the Selous Game Reserve. The Selous Reserve is now inscribed on the UNESCO List of World Heritage in Danger as a direct consequence of the deforestation and damage caused by the dam's construction and the site risks being delisted entirely at the upcoming 44th Session of the UNESCO World Heritage Committee.<sup>75</sup>

The Rufiji project serves as one example of a large-scale infrastructure project undertaken by a Chinese State-owned enterprise despite serious environmental concerns.<sup>76</sup> Since early 2020, a number of companies with shares in the construction companies and banks behind the Rufiji hydropower project have begun to withdraw their investments in light of the unsustainable nature of the project.<sup>77</sup>

We urge the Chinese Government to cease SOE financing of, and involvement in, the Rufiji dam project and other infrastructure projects which contravene international policy frameworks such as the UNESCO World Heritage Convention or which will have an adverse impact on the environment.

### Effectively mitigate risks of BRI projects exacerbating transnational illegal trade in wildlife

Many projects falling under the banner of the BRI are located in border regions that already play a significant role in wildlife trafficking.

For example, a proposed cross-border railway would link Kathmandu, Nepal with Gyirong in Tibet Autonomous Region, China. Multiple illegal wildlife traders and Nepalese law enforcement officials have told EIA investigators and campaigners of the importance of the Rasuwa-Gyirong border crossing for smuggling wildlife, including tigers and leopards. This is substantiated by seizures such as tiger bones found in a truck at this border crossing in 2018,<sup>78</sup> while the 2005 seizure close to Rasuwa of five tiger skins, 36 leopard skins, 238 otter skins and 113kg of big cat bones indicates this route is long-established.<sup>79</sup>

Meanwhile, Kathmandu is used as a base of operations for Chinese and Nepalese smugglers to source goods from Nepal, India and elsewhere in South Asia and arrange onward transport to China. Lacking even a metal detector, existing border infrastructure on the Nepal side leaves authorities struggling to adequately intercept contraband.<sup>80</sup> If the railway and other Nepal-China border infrastructure development goes ahead without concurrent investment in the prevention, detection and



elimination of wildlife and timber smuggling – including international cooperation – the impacts on threatened wildlife could be severe.

Another project under the BRI umbrella, a railway currently under construction to link Laos with Kunming, China,<sup>81</sup> runs through wildlife trafficking hotspots such as Luang Prabang and Boten in Laos. Given the failure of the Laos Government to effectively tackle rampant illegal wildlife trade in the country, and the involvement of resident and visiting Chinese nationals in purchase and consumption of wildlife in Laos (see below), the role of China in mitigating the risk of such infrastructure exacerbating wildlife trafficking is particularly crucial.

An increase in movement of people and goods between Laos and China without corresponding mitigation measures and improvements to law enforcement risks further exacerbating this situation.

### Recommendations

In order to prevent and mitigate risk of enabling smuggling of wildlife, BRI infrastructure projects in border regions should:

- thoroughly research and consider potential impacts on wildlife trafficking in environmental impact assessments; plans should be amended to eliminate and mitigate these risks as far as possible;
- incorporate mitigation measures to combat wildlife trafficking throughout project planning and implementation, such as infrastructure to scan goods moving across the border, training of border officials to detect wildlife smuggling and risk assessment to identify high-risk shipments;
- these measures should be accompanied by improvements in intelligence-led investigation into wildlife trafficking, including financial investigations and collaboration with counterparts in bordering countries.

**Above:** Wildlife trafficking via well-established routes, such as Rasuwa-Gyirong between Nepal and China, could worsen as BRI infrastructure increases access to south Asia's wildlife. Investing in mitigating measures is essential



### Tackle illegal trade and consumption of wildlife by Chinese nationals in other countries, including through financial investigations and sanctions

Persistent illegal wildlife trade markets catering largely for Chinese consumers and often led by Chinese companies and individuals in bordering countries present a major threat to biodiversity and human health and undermine progress made to address demand for threatened wildlife in China.

For example, in Laos, illegal wildlife trade continues openly in markets targeting mostly Chinese consumers in Boten,<sup>82</sup> Vientiane,<sup>83</sup> Luang Prabang<sup>84</sup> and Bokeo. Buyers may transport purchased items back to China in luggage or arrange for it to be couriered internationally or smuggled across the border and then transported onward by domestic courier or post.

Low incidence of reported seizures of illegal wildlife products from returning tourists in these border areas and from international post suggest that much contraband is going undetected and that current enforcement is inadequate.

The Golden Triangle Special Economic Zone (GTSEZ) in Bokeo province, northern Laos, is the location of a large casino and other developments run by a Hong-Kong registered company, the Kings Romans Group (KRG). The GTSEZ overwhelmingly caters to Chinese visitors, with business conducted in Chinese RMB.

EIA and others have documented open trade in tigers, pangolins, ivory, rhino horn and other wildlife in the GTSEZ<sup>85</sup> and in 2018 the US Department of the Treasury sanctioned the Director of the KRG and his associates as an organised crime group, citing "drug trafficking, human trafficking, money laundering, bribery, and wildlife trafficking."<sup>86</sup>

Despite the significant potential for financial sanctions and asset-freezing in RMB to impede the criminal operations of the network, no such sanctions have been placed on the organised crime group by Chinese authorities.

Open trade in illegal wildlife products, including tiger bones and skins and elephant ivory, has also been repeatedly documented in markets in Myanmar catering for Chinese day trippers, including in Mong La,<sup>87</sup> Tachilek,<sup>88,89</sup> Panghsang<sup>90</sup> and Maizayang.<sup>91</sup> While these towns are effectively under the control of non-state actors and so the central Myanmar Government has limited influence, efforts from the Chinese Government to counter wildlife trafficking in these areas has been inadequate.

**Above:** Despite being listed as an organised crime group involved in trafficking wildlife and drugs, the Hong Kong registered company that runs the Golden Triangle Special Economic Zone in northern Laos has continued to expand its footprint

A lack of reported seizures indicates that the vast majority of tourists are able to return to China with their purchased contraband with no threat of interception of prosecution.

There is a significant risk that new developments led by Chinese networks in areas of Myanmar primarily controlled by non-state groups, such as those at Shwe Kokko, Saixigang and Huanya,<sup>92</sup> could play host to wildlife trafficking and consumption alongside other forms of crime. This would mirror the documented convergence of wildlife trafficking and other crime at Chinese-led casino developments in Laos.

Chinese investors in these projects frequently have links to criminal activities and illicit gambling<sup>93</sup> and, while not affiliated with Chinese State institutions, have marketed their projects under the BRI banner; in the case of Shwe Kokko, the development has been specifically denounced by the Chinese Embassy in Myanmar.<sup>94</sup> Nonetheless, there are significant opportunities for Chinese Government agencies to restrict illegal activities through financial investigations and sanctions.

News reports and EIA investigations have recorded the trafficking and purchase of pangolin meat by Chinese nationals<sup>95,96</sup> in Africa and illegal sale of pangolin meat in Chinese-owned restaurants in African cities.

Transnational criminal networks led by Chinese nationals play a major role in wildlife trafficking across

Asia and Africa. For example, EIA has documented illegal wildlife trade – often via the social media app WeChat – conducted among Chinese nationals in Kathmandu, Nepal. EIA investigations in Africa indicate that Chinese nationals continue to be among the most important buyers of illegal ivory and pangolin scales. Since 2010, Chinese nationals have been implicated in the seizure of at least 18,053kg ivory, 14,848kg pangolin scales and 776.204kg of rhino horn outside mainland China.<sup>97</sup>

Recent years have seen some exemplary actions taken by Chinese law enforcement authorities to disrupt Chinese-led wildlife crime networks, such as the arrest and repatriation of two ivory traffickers in Africa whom EIA exposed in 2017.<sup>98</sup> However, this degree of international cooperation has not been consistent: no reported action has been taken against Chinese networks trafficking Asian and African wildlife into China from South Asia, which EIA reported to authorities in 2018.

There is, moreover, much room for improvement in the sharing of information relating to illegal wildlife trafficking with India, Nepal and other countries in Asia.

We further urge China to continue to collaborate with Mexico, the US and other transit countries to target the Chinese-led crime groups supplying totoaba maw and to promote decisive action within CITES to encourage other countries to uphold CITES Decisions to combat illegal trade in totoaba.

### Recommendations

Chinese authorities should apply the full range of possible enforcement mechanisms to disrupt transnational wildlife crime worldwide, including:

- impose stringent checks in border areas known to be hubs for illegal wildlife trade, including those close to illegal wildlife markets in Myanmar, Laos and Vietnam, and prosecute those found to have purchased and smuggled illegal wildlife items;
- increase scrutiny of ground transportation and international courier services operating across the Chinese border (particularly with Nepal, Laos, Myanmar and Vietnam) and domestic courier and post services operating nearby hubs (e.g. Kunming, Nanning) to increase detection and investigation of illegal wildlife trade;
- conduct financial investigations to trace movement of illegally sourced income and assets and identify individuals, companies and bank accounts linked to cross-border illegal wildlife trade or illegal trade and consumption among Chinese nationals in other countries; proactively pursue prosecution, asset freezing, asset seizure and other sanctions to impede the operations of networks involved in illegal wildlife trade;
- collaborate fully with INTERPOL and law enforcement counterparts in other countries to investigate and prosecute those engaged in illegal wildlife trade, utilising mutual legal assistance mechanisms under UNTOC.



**Ensure that international development of traditional Chinese medicine (TCM) does not impact negatively on biodiversity by putting a comprehensive end to the use of wildlife threatened by trade in TCM**

The international promotion of TCM is touted as a significant element of the BRI. The Chinese Government's plans include the establishment of hospitals, TCM museums and 'TCM centres' around the world.<sup>99</sup>

The vast majority of TCM products do not contain body parts of threatened wild animals. However, the Chinese Government continues to allow the use in TCM of species which are seriously threatened by trade, including pangolin scales, leopard bone and bear bile, despite international trade bans adopted by CITES in recognition of the threat trade poses to these species. Continuing legal trade contrasts with calls from several opinion leaders within TCM for an end to the use of threatened wildlife, recognising such a move would benefit the international image of TCM, as well as biodiversity conservation.<sup>100</sup>

Expansion of TCM in its current form could present a risk to biodiversity by potentially driving illegal or unsustainable extraction of wildlife resources in other countries for export to China; the use of new wildlife species as novel, replacement or supplementary TCM ingredients; and expansion of demand for TCM that contains wildlife parts among new TCM user groups. According to China's Ministry of Commerce, export of TCM ingredients was valued at \$1.139 billion as of 2017, with a significant rise in export to BRI countries.<sup>101</sup>

Frequent seizures of wildlife parts used in TCM, such as tiger and leopard bones, pangolin scales and bear gallbladders from illegal trade en route to China,

demonstrate the impact that extraction for use in TCM is having on these species, whether the end use is legal or illegal.

Some species already documented in illegal trade for TCM are not included in traditional TCM literature, such as African pangolins, while African plant species such as moringa seed and yohimbe bark are being advertised in China as medicinal products.<sup>102,103</sup>

It is imperative that any expansion of TCM be accompanied by an unambiguous prohibition on use of threatened wildlife to avoid any corresponding expansion in demand for and use of threatened wildlife.

**Recommendations**

- Amend the Wildlife Protection Law to prohibit use of wildlife that is threatened by trade in TCM or production of tonics and supplements, including at a minimum all big cats, pangolins, rhinos, elephants and bears, and remove these species from official pharmacopoeia, working with experts in traditional medicine to implement substitution with sustainably sourced herbal alternatives
- Investigate and prosecute companies and individuals who persist in using threatened wildlife in TCM
- Publicise the move away from use of wildlife in TCM and ensure this message is consistently conveyed in any BRI-associated promotional activities overseas

**Above:** The Government of China can show true leadership in addressing biodiversity loss by amending the Wildlife Protection Law to prohibit the use of threatened wildlife species, including from captive bred specimens, for medicinal and ornamental purposes



**Address plastic pollution at the international level through strengthening the recent Basel Amendment and supporting development of a new comprehensive legally binding treaty**

Up to 12 million tonnes of plastics leak into our oceans annually, harming biodiversity, human health and the climate system. This has been precipitated by an increase in plastic pollution globally, driven by significant new investments in petrochemical development and expansion.

Downstream waste management efforts are overwhelmed with current plastic production and are incapable of addressing the ever-growing volumes of plastic placed on the market.

The effects of plastics along the lifecycle are inherently transboundary, as are the solutions, and a coordinated international approach is needed. As the world's largest plastic producer and manufacturer, China's leadership role in supporting a global governance regime is critical.

**Recommendations**

- EIA urges China to establish leadership on the plastics issue by:
- supporting the call for a new legally binding multilateral framework at the global level to establish targets for virgin plastic reduction, including calling on UNEA to agree a clear, time-bound mandate to negotiate the adoption of such an instrument;
  - strengthening the recent amendments to the Basel Convention by eliminating the exemptions in Annexes II and IX and requiring prior informed consent for all types of plastic waste.

**Above:** The mismanagement of plastic waste results in an estimated \$13 billion in annual environmental damage to marine ecosystems, as well as other economic losses and significant human and environmental health concerns



**Support a rapid phase down of HFC greenhouse gases through ratification and implementation of the Kigali Amendment under the Montreal Protocol**

China is the largest producer of refrigerant greenhouse gases and the world's largest producer by far of cooling equipment using these gases. China is also a pioneer in trialling and producing climate-friendly refrigeration and air-conditioning equipment, using energy efficient natural refrigerants such as propane.

Under the Montreal Protocol, damaging refrigerants such as ozone-depleting HCFCs and climate-warming HFCs are being gradually phased out. China is in the process of phasing out HCFCs, but is yet to ratify the Kigali Amendment which mandates controls on HFCs, including the mandatory destruction of HFC-23 by-product.

In June 2019, State Councilor and Foreign Minister of China Wang Yi reaffirmed China's strong commitment to international cooperation on climate change and its determination to ratify and implement the Kigali

Amendment and support improved energy efficiency standards in the cooling sector.

**Recommendations**

EIA urges China to ratify the Kigali Amendment without delay and seek to strengthen implementation and speed up the phase-down of HFCs, given the scale of China's HFC consumption and production and the fact that the first mandated controls start in 2024.

The Kigali Amendment could avoid about 70 billion tonnes of CO<sub>2</sub>-equivalent emissions and up to a half degree of warming by the end of the century. With China's leadership, as the largest manufacturer of these chemicals and their alternatives, much greater climate mitigation could be achieved.

**Above:** The Montreal Protocol aims to protect and restore the ozone layer and reduce climate damaging emissions by phasing out harmful refrigerant gases



**Require V-legal licences for imports of Indonesian timber**

China is a major consumer market of tropical timber and timber products from Indonesia.<sup>104</sup>

The Indonesian Government has implemented measures to combat illegal logging under the Forest Law Enforcement, Governance and Trade (FLEGT) scheme with the European Union. Starting in 2016, Indonesia became the first country to issue FLEGT licenses designed to certify legality of timber.<sup>105</sup> Building on the same procedures covering EU markets, Indonesia also issues V-Legal Documents for its timber shipments to non-EU markets in accordance with the Voluntary Partnership Agreement (VPA).<sup>106</sup>

China does not, however, currently recognise V-Legal Documents as proof of legality for timber and timber products that it imports from Indonesia. Even though China amended its Forest Law in 2020,<sup>107</sup> prohibiting the purchase, transport and processing of illegal wood, implementation is yet to follow.

Recognising and requiring V-Legal Documents for imports from Indonesia would be another immediate step to emphasise the commitment of the Chinese Government to forest law reforms and provide a baseline legality standard for relevant industry stakeholders.

**Recommendations**

- Sign a timber trade agreement specifying that Indonesian products covered by the EU-Indonesia VPA and entering China would have to be accompanied by valid V-Legal Documents
- V-Legal Documents could be recognised as standard evidence of legality in a future Chinese timber legality system
- Facilitate the cooperation between Chinese and Indonesian industry associations to promote bilateral trade in legal forest products

**Above:** Forests are the last line of defense - once cleared, the far reaching environmental and social impacts are irreversible



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