Pulp & Paper Sourcing

Country Profile: China

February 2016

PULP & PAPER INDUSTRY CONTEXT:

Forestry in China- China has a large forest resource, which covers 207 million ha, equivalent to 22.5%[1] of its total land area. The forest industry contributes to 1.6%[1] of China's GDP of which the pulp and paper industry is one of the important sectors.

Key element of the P&P supply chain - The pulp and paper supply chains in China comprise both domestic and international elements. The industry is modern and highly mechanised and coupled with cheap labour China has become the second largest pulp and paper producing nation in the world. In spite of its large domestic raw material production capacity the country also imports significant volumes of fibre and semi-finished pulp and paper products from around the globe. China's local consumption has been steadily increasing and now exceeds that of its exports.

	Imports	Domestic production	Exports
Fibre - Industrial round wood (1,000 Tonnes)	391,686	230,924	1,656
Pulp for paper (1,000 Tonnes)	20,506	9,761	99
Paper and paperboard (1,000 Tonnes)	83,685	5,388	4,850
Total (1,000 Tonnes)	495,877	246,073	6,605
Top 5 countries	Russian Federation, New Zealand, USA, Vietnam, Canada.	-	Japan, India, Australia, Republic of Korea, USA.

Table 1: P&P table showing volume of fibre imports, domestic production and exportsand top five trading countries[2]

Main species used by the industry – *Eucalyptus Spp, Acacia Spp* and *Poplar Spp* are the key species produced domestically and used by the pulp and paper industry. China also uses large volumes of waste paper collected domestically or imported for recycled content.

Plantation vs Natural forest – China's plantation forest resource has grown considerably in recent years and supplies the majority of the raw fibre for the industry, though fibre from natural forest sources do enter the supply chain. China also imports large volumes of pulp and paper products where virgin fibre could originate from natural forests.

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[1] - FAO,2011, State of Worlds Forests, http://www.fao.org/docrep/013/i2000e/i2000e.pdf,accesssed on 12.8.2014
[2] - FAO Stat, 2012, http://faostat.fao.org/site/626/default.aspx#ancor, accessed on 12.8.2014

Spatial concentration of the industry – The pulp and paper production sites are concentrated on China's eastern and southern seaboard close to the ports. (See Annex 1)

Forest ownership (State vs Private)[3]-

- Community administered - 54.7%
- Government administered - 45.3%

Legality issues –

- The 2014 Transparency International[4] CPI score for China is 36. This is lower than 50 and indicates higher concern for governance and corruption in China and the forest sector in general. As the world's largest importer of wood products China concerns have been documented over the legality of many imports, especially those originating from countries which lack robust forest governance.
- Global Forest Registry[5] states that China has unspecified risk based on its forest governance and law enforcement related to logging and trade.

ENVIRONMENTAL CONTEXT:

Forest cover/growth – Between 2000 and 2010 China's forest cover increased by 1.2%[1] one of the highest afforestation rates in the world. This is due to large-scale government afforestation initiatives such as the 'Six key Forestry Program,' which aims to increase forest cover to 26% by 2050, together with the establishment of an additional 40 million hectares by 2020.

Concerns raised about the industry – While large volumes of fibre are produced domestically it has been documented that fibre imported from countries where Illegal logging is prevalent. There are many cases where fibre from far-east Russia and North Korea enters the supply chain of Chinese forest products[6]. Some paper manufacturing countries such as Brazil and the EU have also started imposing stricter importing licenses, anti-dumping and anti-subsidy on imports of Chinese

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[3] - United Nations Forum on Forests, 2012, http://www.un.org/esa/forests/session-documents.html, accessed on 12.8.2014
[4] - Transparency International, 2013, http://cpi.transparency, accessed on 12.8.2014
[5] - Global Forest Registry, http://www.globalforestregistry.org/, accessed on 17.09.2015.
[6] The Washington Post,no date, http://www.washingtonpost.com/wp-dyn/content/article/2007/03/31/AR2007033101287.html, last accessed on 12.08.2014.

paper products in order to protect their domestic industries [7] in light of these concerns.

Impacts on HCV – High Conservation Values (HCVs) are biological, ecological, social or cultural values which are considered outstandingly significant or critically important, at the national, regional or global level. China is biologically diverse with rich ecosystem, terrains and indigenous communities. However, the Global Forest Registry has indicated high risk due to unavailability of data concerning HCV governance[8]. Forests supplying the pulp and paper industry should identify HCV areas in their management plans and are able to demonstrate that they are monitored and protected.

Peat resources and associated use/activities – Peatlands are quite widely distributed but do not have a high overall significance in China's topography, accounting for only about 0.1% of the country's land area. The principal peat areas are located in the region of the Qingzang Plateau in the south-west, in the north-east mountains and in the lower Yangtze plain in the east. Peat has been harvested for a variety of purposes, including fuel use, since the 1970's. Some is used in industry (e.g. brick-making), but the major part of consumption is as a household fuel[9] .

Impacts on water resources – The water risk score for China is 2.9[10] and classified a medium risk, though this varies significantly by region. Forest plantations are generally developed where sufficient water resources exist but water management is a concern. Water pollution due to discharge from pulp and paper production has also been documented.

SOCIAL CONTEXT:

Paper and pulp industry employment[11] - Out of 3.84 million people employed in the forest industry, approximately 1.56 million (39.5%) are employed in the pulp and paper sector.

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7 Asia Pulp and Paper, accessed from https://www.asiapulppaper.com/news-media/press-releases/rise-chinas-paper-industry-app-report-highlights-increasing-global, accessed on 12.8.2014
8 - Global Forest registry, 2013, http://www.globalforestregistry.org/, accessed on 12.8.2014
9 -WEC country report, no date, http://www.peatsociety.org/peatlands-and-peat/global-peat-resources-country, accessed on 12.8.2014
10 - Aqueduct, 2013, http://www.wri.org/our-work/project/aqueduct, accessed on 12.8.2014
11 -State of Worlds Forests,2014, http://www.fao.org/3/a-i3710e.pdf, accessed on 12.8.2014

Concerns about FPIC or other social issues – Forests areas are protected under national policies and much is administered by the communities with access to some of the protected forests and national parks for recreation by the public. However, there are increasing concerns regarding the community held forests with a trend emerging where the private sectors interest in these forests leads to breaking-up of the communities' control and free access to the forests[12].

FOREST CERTIFICATION CONTEXT:

Certification Schemes available in China – Forest certification is growing in China with 3.3 million ha (1.61%) of the the countries forests certified by FSC[13]. Recently China national standard CFCC has been approved by PEFC for their endorsement.

Criticisms of the schemes – There have been increasing concerns regarding the fraudulent use of the FSC logo on the wood and paper products sourced from China and presents a credibility issue of these market based systems especially with the large increase in COC certification. Also there are some concerns from global NGOs about the transparency of CFCC operations.

GENERAL OVERVIEW- China has become a dominant player in the pulp and paper industry. Forest cover is increasing in China on the back of government afforestation initiatives and whilst this is a positive sign there are concerns regarding social and environemental issues, which should be addressed at both the national and international level. As the largest wood importer in the world with complex and opaque supply chains significant challenges are also present in the number and changing supply of raw materials for pulp and paper supply chains and traceabilty back to the source.

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[12] -The Ford Foundation,2010, http://www.scienceinpublic.com.au/blog/wp-content/uploads/Xu-White-Lee-Chinas-Forest-Tenure-Reforms-Brief.pdf, accessed on 12.8.2014
[13] - FSC, January, 2014, https://ic.fsc.org/facts-figures.19.htm, accessed on 12.8.2014

PRIORITY RATING: HIGH PRIORITY

Responsible Sourcing Values	Legal Values		Environmental Values				Social Values
	Corruption Perception Index (CPI)	Global Forest Registry	Protection of HCS	Protection of HCV	Protection of Peat lands	Water Stress	Respect for FPIC
China							

ANNEX 1: PULP AND PAPER MILL LOCATIONS IN CHINA

(Source: RISI database, accessed on December 14, 2015)