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Integrity and geopolitics: Addressing the China factor in natural resource governance

Corruption erodes sustainable and inclusive development. It is both a political and technical challenge. The U4 Anti-Corruption Resource Centre (U4) works to understand and counter corruption worldwide.

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Growing geopolitical competition surrounding natural resources poses challenges to engagement with China over their governance, especially in resource-rich developing countries. But in some sectors this competition has made Chinese actors more responsive to both host-country demands and to voluntary international standards. This has been the case in China's timber sector and even more so in minerals and mining; we examine the shifting trajectories of both sectors. China's role in global traceability efforts is becoming increasingly important, especially as the US steps back from international leadership. This analysis offers practical insights for practitioners working on anti-corruption, sustainability, and governance in host countries.

Main points

- Despite the Chinese government vowing to promote a 'clean Belt and Road' initiative with 'zero tolerance' for corruption, it is crucial to better understand how Chinese approaches in natural resource governance are evolving in practice and how they could impact international initiatives promoting clean business conduct vis-à-vis developing country partners.
- Chinese investment in natural resources overseas is governed more by voluntary sectoral guidelines and host-country laws than binding anti-corruption regulations. This creates uneven practices across countries and sectors, often determined by local enforcement dynamics and reputational concerns.
- Chinese state-owned enterprises and business associations are engaging more with international environmental, social, and governance (ESG) frameworks, providing entry points for governance-related discussions. However, their impact may be limited without independent oversight and stronger enforcement.
- Civil society in China plays an important role in promoting responsible business conduct abroad, despite strict limitations on public advocacy. Many non-governmental organisations (NGOs) rely on indirect influence through environmental or development-focused projects, data collection, and consulting services.
- Voluntary international standards such as certification schemes and industry codes offer channels to influence Chinese corporate behaviour in politically sensitive contexts.
- Geopolitical competition has had mixed effects on Chinese governance standards in overseas natural resource sectors. While it has driven stronger due diligence and international engagement in the mining sector, forest governance has stagnated due to reduced political attention and concerns over traceability requirements and international data sharing.
- With the United States retreating from ESG leadership, the European Union (EU) should focus its efforts on strengthening multilateral platforms that are open to Chinese participation, while strengthening the emphasis on governance mechanisms in existing bilateral platforms and shared priority areas like green finance.
- Engaging Chinese NGOs and business associations through sustainability-related

efforts and global benchmarking can help promote higher standards without direct confrontation. Any enforcement of mandatory standards must be combined with systematic outreach activities – to both Chinese midstream actors and producing countries – to avoid an international backlash.

- UN-level engagement, especially via the Critical Energy Transition Minerals Panel, offers a strategic opportunity to advance global standards for transparency and accountability in natural resource supply chains.

Contents

The China factor in natural resource governance

The good governance of natural resource extraction and processing is a key policy area with regards to the just transition and the UN Sustainable Development Agenda.[1] Due to the potential for elite rent-seeking and the prevalence of informality, resource extraction is also particularly prone to corruption risks which undermine equitable development and cause harm to human rights and the environment.[2] Multinational corporations and their intermediaries may use bribes to influence the granting of timber and mining concessions or to circumvent law enforcement, while corrupt elites may distort the ways in which environmental laws are designed and control systems set up.[3]

Numerous, partially competing international multi-stakeholder initiatives have been developed to promote better governance standards in vulnerable contexts in the name of more environmentally and socially 'responsible' resource extraction.[4] Many take place in settings where Chinese actors, from large state-owned enterprises (SOEs) to small-scale informal traders, have a sustained economic presence on the ground.[5] In the metals and minerals sector, China has successfully enhanced its pivotal role in global supply chains through strategic long-term investments by Chinese companies in many source countries of key commodities, eg in the Democratic Republic of the Congo's cobalt sector and in Zambia's copper sector.[6] While the Chinese leadership has remained reluctant to formally join international donor initiatives that promote higher transparency and accountability standards, it actively advances its own 'anti-corruption cooperation' (反腐败合作) agenda internationally, at the UN level and through 'South–South Cooperation' (南南合作) frameworks.

International initiatives to tackle natural resource corruption therefore need to better understand and account for Chinese actors' impact on governance standards. The lack of transparency and data availability surrounding many Chinese investments and barter agreements in countries with weak governance has been highlighted in earlier research as a major challenge.[7] At the same time, engaging in

1. UNDP 2018.
2. Fitzgerald 2024; TI Accountable Mining Programme 2022.
3. Williams 2023.
4. Gargule 2023.
5. TI Australia 2024.
6. Escobar et al. 2025; Development Reimagined, 2024.
7. Isaksson and Kotsadam 2018; The Sentry 2021.

binary distinctions between responsible and irresponsible investors or governments may not be convincing in developing countries where Chinese investment and development finance is often viewed more as an economic opportunity that requires proper management than as a zero-sum confrontation.

The ‘China factor’ is particularly relevant for European supply chain governance initiatives. Earlier U4 research has identified trade deviation of lootable natural resources, particularly from African countries, to jurisdictions with lower documentation requirements, notably China and the UAE, as a major challenge.[8] If the EU remains committed to stepping up its unilateral mandatory due diligence frameworks as part of the European Green Deal, it will need to find some way of dealing with Chinese (and other powerful countries’) concerns over detailed transparency and accountability requirements.

At the same time, the increasingly open competition for access to natural resources in third countries and control of global resource supply chains complicates prospects for anti-corruption, accountability, and integrity initiatives. This is especially the case in contexts of weak governance that characterise many resource-rich jurisdictions. Rising geopolitical competition for critical resources risks a race to the bottom – what UN Secretary-General António Guterres has denounced as a ‘stampede of greed that crushes the poor’[9] – particularly at a time when the new US administration is backtracking on earlier commitments to fighting corruption and promoting higher governance and integrity standards in the global economy. Against this backdrop, exploring new pathways for reducing corruption’s harmful impact is all the more important.

This U4 Issue therefore examines the complex array of standards and actors in this sphere, to assess current trends and to provide readers with a way to understand the sources and drivers of governance standards for Chinese actors and to identify channels for international cooperation. Part one discusses which Chinese frameworks and incentives may constrain Chinese firms from engaging in bribery, fraud, or embezzlement abroad and what we can learn from recent developments about the efficacy of these frameworks. The analysis highlights countervailing trends at different governance levels: whereas corruption risks are increasingly recognised under the Belt and Road Initiative framework and in Chinese corporate reports, the decline in transparency in sectors considered strategic, as well as the shrinking operating spaces for non-governmental organisations (NGOs), make accountability initiatives more difficult.

8. Stridsma and Østensen 2017, p. 63.
9. UN News 2024.

The way and extent to which geopolitical tensions affect resource supply chains varies depending on the type of natural resource. In Part two, we therefore compare the evolution of governance standards in critical minerals and forestry and ask how these sectoral developments interact with global dynamics and geopolitical competition. Nuancing the notion of an inevitable 'race to the bottom', the Issue shows that heightened competitive pressure on critical mineral supply chains has also created momentum for raising governance standards among Chinese industry associations and companies. By contrast, forest governance, which used to be a pioneering sector in the diffusion of sustainability standards to China, has suffered setbacks and declining attention in recent years as long-anticipated regulations have failed to adequately address governance risks.

The report draws on a review of Chinese policies, sector-specific guidelines, and Chinese-language academic and policy literature, alongside 20 formal, semi-structured interviews conducted in China and online, mostly between May and December 2024.[10] Due to the sensitivity of conducting direct interviews with Chinese corporate managers in this area, we relied on a combination of interviews with Chinese and international civil society representatives, China-based consultants and business associations, as well as international experts and practitioners engaged in dialogues with Chinese actors.

10. See the anonymised List of Interviews at the end of this Issue. The interview framework covered: interviewee position and experience; perceptions of the domestic and international policy environments; and the respective roles of business associations, multinational companies, and non-profit organisations; recent developments in the target sectors and resource supply chains, as well as in resource-rich countries with a strong presence of Chinese actors.

Part one: Evolution of Chinese resource governance standards at different levels

Understanding risks and the evolution of related standards in overseas natural resource governance requires a distinction between different levels. The Chinese central government's standards for overseas business conduct remain largely non-binding and corruption risks are addressed only in voluntary guidelines and in calls upon Chinese investors to respect host country laws. In the absence of binding legislation, business associations play a key role in shaping industry standards, while NGOs have played an important role as thought leaders and international intermediaries. At the company level, a surge in environmental, social, and governance (ESG) reporting practices has so far focused mostly on the environmental and social dimensions, with both reporting and audits still paying limited attention to governance.

Government level: Soft law and diplomatic manoeuvring

The discourse on 'anti-corruption' within China remains dominated by the Communist Party's top-down disciplinary campaign; anti-corruption does not appear as a standalone topic in Chinese development finance or overseas investment governance.[11] However, the Chinese leadership did take increasing note of the operational and reputational risks of Chinese companies' involvement in natural resource extraction in high-risk environments during the 2010s.[12]

Company 'guidance' and references to host country laws

Instead of issuing binding national-level regulations covering overseas investments, the Chinese government has raised political pressure on companies formally to adopt 'voluntary' corporate social responsibility (CSR) standards.[13] In the Chinese governance context, this has amounted to a *de facto* obligation. Regarding overseas

11. Lang 2019.
12. Lang and Rudyak 2022.
13. Liu 2019.

investment, voluntary guidelines for 'responsible' business conduct date back to the 2008 Circular to Regulate the Overseas Investment and Cooperation of Chinese Companies.[14] Fundamentally, the approach outlined in this original document has not changed: the only stringent legal requirement is for Chinese SOEs to abide by host country laws, while 'all relevant departments and enterprises should take a long-term view and pay significant attention to regulating overseas investment and cooperation to ensure the national image and social stability' (authors' translation). The guidelines also established the principle of 'knowing and complying with the law, and doing business with integrity' ('知法守法，诚信经营') and refer to tender and bidding processes. They do not, however, mention bribery risks explicitly.

Corruption risks based on standard international indices such as the Corruption Perceptions Index (CPI) have been routinely integrated into country-specific investment guidelines for Chinese companies.[15] This amounts to a recognition that corruption risks harm business interests, without any guidance on appropriate countermeasures.

Regulatory promotion of ESG standards

The Ministry of Commerce's latest foreign investment guide of 2023[16] still omits any mention of risks related to corruption or bribery. Instead, Chinese regulators have mimicked global investment trends by formally encouraging Chinese companies involved in international business activities to follow ESG standards. This implicit way of managing corruption risks has been integrated into the evolving financial risk management agendas advanced by Chinese development funders and regulators. The 2022 Green Finance Guidelines issued by the China Banking and Insurance Regulatory Commission (CBIRC) require policy banks as well as commercial lenders 'to prevent environmental, social, and governance (ESG) risks' and 'to strengthen ESG information disclosure and interaction with stakeholders'.[17]

The international trend towards mandatory ESG reporting for stock-listed companies is gaining traction in China as well. In February 2024, China's major stock exchanges (Shanghai, Shenzhen, and Beijing) published new ESG disclosure rules to be implemented by 2026, with the goal of 'attracting capital to empower companies in their green transformation efforts'.[18] In May 2024, the Ministry of Finance further released draft ESG reporting standards (Corporate Sustainability Disclosure Standard – Basic Standard) for public consultation, aiming to establish a

14. Ministry of Commerce, Ministry of Foreign Affairs, and State-owned Assets Supervision and Administration Commission of the State Council 2008.
15. Gong, Wang, and Qi 2019.
16. Ministry of Commerce of the People's Republic of China 2023.
17. China Banking and Insurance Regulatory Commission 2022.
18. Shanghai Stock Exchange 2024.

mandatory sustainability reporting system by 2030, aligned with the International Sustainability Standards Board (ISSB).[19] Thus, the Ministry of Finance for the first time acknowledged the limitations of purely voluntary disclosures by Chinese companies and the lack of uniform standards.

This trend towards more comprehensive reporting on overseas business activities notwithstanding, the government's main organising principle for handling risks in overseas investment remains the declared respect for host country laws and regulations.

Corruption is widely regarded as one of the thorniest issues in ESG reporting and due diligence, so for Chinese actors there is no appetite to address it, unless specifically required to do so by a host country.

The resulting flexibility in Chinese approaches leads to hugely diverging practices, from a no-standards-at-all approach to case-by-case accommodation in the face of external pressure from host countries.

Diplomatic outreach through the 'clean Belt and Road' framework

The main channel through which the issue of (anti-)corruption has been proactively addressed by the Chinese government is the Belt and Road Initiative (BRI). The BRI, in constant evolution since 2013, has not only tied Chinese commercial investments more tightly to diplomatic goals in terms of managing China's reputation in the Global South, but also offered partner countries new institutional mechanisms for voicing concerns to Chinese policymakers. The agenda of 'greening the Belt and Road' has been meshed with geopolitical considerations[20] and the promotion of the vague Chinese notion of building an 'ecological civilization', with frequent reference to the UN 2030 Agenda for Sustainable Development. However, Sustainable Development Goal (SDG) 16, which explicitly recognises corruption as an impediment to sustainable development and effectively mainstreams anti-corruption across the UN 2030 Agenda,[21] has been largely ignored in Chinese debates.

Instead, the Chinese leadership advances its own anti-corruption norms through the 'clean Belt and Road' (廉洁丝路) framework – an adjunct to the BRI, launched during the High-Level Belt and Road Forum in 2017. The framework is not comparable to the kind of good governance conditionality imposed by international lenders like the World Bank; instead, it mainly consists in recognising corruption as a real challenge to connectivity and in joint commitments to pursue a 'zero tolerance'

19. State Council of the People's Republic of China 2024.
20. Ferguson 2021.
21. Jenkins 2024.

approach. References to the UN Convention Against Corruption (UNCAC) also abound and the notion of 'integrity building' has in recent years entered the official discourse on promoting a 'high-quality' Belt and Road based on higher governance standards.[22] The need to strengthen bilateral and multilateral cooperation on anti-corruption was for the first time included in the final document of the Forum on China–Africa Cooperation (FOCAC) in 2018.[23] The Beijing Action Plan, adopted at the 2024 summit of FOCAC, included an entire section dedicated to anti-corruption.[24] While the emphasis remains on Beijing's diplomatic priority of enhancing joint efforts to combat money laundering and deny 'safe havens' to corrupt 'fugitives' and their stolen assets, both sides pledged to 'promote a cleaner and more efficient business environment for China–Africa cooperation.'[25] The Action Plan also calls on governments to join and actively use the United Nations Office on Drugs and Crime (UNODC)'s GlobE Network against corruption (of which China's National Commission of Supervision and Ministry of Public Security are members) for knowledge exchange and cooperation.

Reduced transparency in strategic sectors

The Chinese government's broad definition of what constitutes 'critical' and 'strategic' raw materials[26] has led to growing secrecy, not only regarding geological information within China but also concerning resource-related policy plans. Geopolitical tensions have also increased Beijing's reluctance to join international disclosure initiatives as the government pursues an agenda of reducing foreign access to any kind of government or industry data that could be deemed remotely sensitive to national security. Data related to what the leadership considers to be 'critical' natural resources has been increasingly classified and removed from official government websites,[27] while tightened secrecy and counter-espionage provisions such as the Law on Guarding State Secrets put anyone publishing related information at risk of breaching 'national security'. This makes independent assessments of corruption risks in China's mining industry elusive and poses challenges to accountability in supply chains with strong Chinese midstream involvement.

Incipient enforcement of anti-foreign-bribery legislation

China criminalised bribery of overseas officials in 2011 as part of its implementation of the UNCAC, which also remains a consistent reference in Chinese policy

22. Ministry of Foreign Affairs of the PRC 2023.
23. China Discipline Inspection and Supervision News 2018.
24. Ministry of Foreign Affairs of the People's Republic of China 2024.
25. Ministry of Foreign Affairs of the People's Republic of China 2024.
26. Andersson 2020.
27. Andersson 2020.

documents on international anti-corruption efforts. However, the lack of prosecutorial action under the foreign bribery clause sparked criticism of 'deliberate non-enforcement of foreign corruption'.[28] But more recently, the leadership's initiative to strengthen 'foreign-related rule of law' has led to the first conviction for bribing a foreign official:[29] in October 2023, the Intermediate People's Court of Guangzhou sentenced two former managers of the state-owned China Railway Tunnel Group to prison terms and fines for bribing a former Singaporean government official.[30] This local court case in Guangzhou appears to have been the first of its kind and was only taken up after the bribee was indicted in Singapore and the case had caused a major stir there. Nonetheless, its endorsement and publication by the Supreme Court does encourage lower-level courts to pursue similar cases and exercise extraterritorial jurisdiction. Furthermore, an amendment to China's Criminal Law, effective March 2024, significantly raised penalties for active bribery, including by managers of private companies.[31] Thus, criminal liability for bribing foreign public officials is at least becoming an actual risk that Chinese corporate managers need to take into consideration. It appears so far, however, that cases are only taken up in China after they have been publicised and taken to court in host countries. The Trump administration's weakening of the US Foreign Corruption Practices Act therefore risks significantly reducing international pressure on Beijing to move further in the direction of enforcement.

Sectoral-level standard setting by industry associations

In practice, Chinese learning from international standards has been most active at the level of industry associations. Sector-specific chambers of commerce (商会) and industry associations (行业协会) used to function as government entities but have been progressively 'decoupled' and made responsible for their own income and costs, with the twin aims of professionalising the organisations and strengthening their role as intermediaries between the state and industries.[32] In the absence of binding government regulations for overseas investments, they have emerged as the main players promoting unified sectoral guidelines developed through international partnerships.

In the minerals sector, the China Chamber of Commerce for Metals, Minerals and Chemicals Importers and Exporters (CCCMC, 中国五矿化工进出口商会), was set up

28. Ferguson 2017.
29. Chi Yin 2024.
30. Caixin Global 2023.
31. Senff and Shi 2024.
32. Wang 2016.

in 1988 to coordinate industry members and disseminate compliance information while also carrying out industry supervision and inspection tasks. It has assumed a leading role in linking the Chinese minerals industry with international development donors and standardisation bodies, actively working to expand these connections through concerted global outreach after the end of Covid-related restrictions.[33] In the timber and wood industry, two Chinese industry associations have piloted legal timber verification and championed more sustainable practices, often with significant knowledge support from international NGOs and bilateral development programmes such as the China-UK Collaboration on International Forest Investment and Trade (InFIT). The China National Forest Products Industry Association (CNFPIA), which has over 3,000 members,[34] operates under the guidance of the National Forestry and Grassland Administration. Its mandate is to 'organise, coordinate, direct, and service enterprises in the industry', and it has established 36 professional committees covering the entire wood forest products industry chain.[35] The China Timber and Wood Products Distribution Association (CTWPDA) is another major industry association, with over 3,000 members, under the guidance of the State-owned Assets Supervision Administration Commission.[36] Its members are mainly engaged in timber importing, exporting, and wholesaling, as well as the manufacturing, marketing, and exporting of wood products. CTWPDA members accounted for around 76% of China's total wood imports in 2021.[37]

For these industry associations, the abstract motives of showing a willingness to learn from international standards and build Chinese 'soft power'[38] have become more tangible with the tightening of international standards for corporate due diligence and supply chain accountability (see Part two).

A challenging context for civil society involvement

Comparative research has confirmed the crucial role of national and civil society organisations in natural resource governance, even if there remains significant room for improvement at an international level.[39] While China's political system tends to prevent civil society or independent journalism from attaining any real 'watchdog' role, savvy NGOs and engaged researchers took advantage of an opening in the mid-2010s[40] to position themselves as policy advocates and trusted intermediaries

33. Interview with a China officer from an international organisation, October 2024.
34. People's Daily 2019.
35. CNFPIA. n.d. About the Association.
36. wood365.cn. 2021. 再获行业肯定，鹏鸿荣任中国木材与木制品流通协会副会长单位[Once again receiving industry recognition, Peng Hong has been appointed as a Vice President Unit of the China Timber and Wood Products Distribution Association]. wood365.cn, 31 March.
37. Yang 2022.
38. Buhmann 2017.
39. Wilson, Claussen, and Valverde 2021.
40. Liu 2014.

between Chinese companies investing and operating overseas on the one hand and foreign civil society actors on the other.[41] Non-profit organisations within China, such as the Global Environmental Institute (GEI) and the Social Resources Institute, have advanced their own guidelines for responsible overseas investments[42] and offered their expertise to Chinese companies facing social resistance to Belt and Road projects in host countries.[43] GEI also played a significant role in the formulation of the government's 2013 Guidelines for Environmental Protection in Foreign Investment and Cooperation.

In recent years, however, many pioneering actors have faced increasing challenges, both in terms of funding difficulties and growing administrative burdens.[44] Previously, many Chinese CSOs relied significantly on funding and knowledge support from international partners (bilateral donors, foreign foundations, and international NGOs) to carry out policy research and advocacy work in China. However, this advocacy network has contracted substantially after many international partners decided to downsize their China-focused programmes or move their China offices away from mainland China due to changing geopolitical dynamics, operational difficulties under China's restrictive Overseas NGO Law, and security concerns for their employees.[45] Despite increasing global attention to supply chain and governance issues related to natural resources, the presence of Chinese NGOs capable of participating in and shaping these discussions has diminished, and those that remain face significant operational pressure, in some cases even existential crises.[46]

These pressures notwithstanding, China's non-governmental sector remains dynamic, and organisations are continuously adapting to changing contexts. One example of an internationally visible non-profit organisation providing data and expertise in the ESG and responsible business sector is the Beijing-based Institute of Public and Environmental Affairs (IPE, 公众环境研究中心), which advocates for increased corporate environmental disclosure and collects factory-level data on environmental compliance to support Chinese and foreign companies' supply chain due diligence efforts. The dataset remains China-focused but IPE hopes to expand it to cover overseas activities.

Another potential channel for civil society engagement consists in Chinese participation in international non-governmental standard-setting and transparency

41. China Development Brief 2015; Holbig and Lang 2022.
42. Global Environmental Institute 2015.
43. Interview with a Chinese NGO employee in Hong Kong, June 2019.
44. Interview with a Chinese NGO researcher in Beijing, May 2024.
45. Interview with head of China office of a foreign NGO, August 2024.
46. Interview with project manager of an international CSO, September 2024.

initiatives. In the extractives sector, many Chinese companies are reporting according to the Extractive Industries Transparency Initiative (EITI) Standard in host countries where they are required to do so. According to the EITI's own assessment, Chinese companies in EITI implementing countries disclosed information on payments to governments to similar extents as companies from other countries.[47] However, the loose exchanges between EITI and the Chinese government never materialised into full participation or even formal engagement with the initiative's outreach scheme.[48] Thus, progress on company-level engagement with the non-governmental standard – beyond the required minimum – remains limited. In the forestry sector, the Forest Stewardship Council (FSC) has maintained a presence in China since 1999 and played a pivotal role in promoting forest certification and sustainable forest management across the country; by 2020, over 9,000 Chinese enterprises had obtained FSC chain of custody (CoC) certification, placing China first globally.[49] Other international NGOs have also been instrumental in promoting more sustainable forestry and timber practices, such as the effort by the World Wide Fund for Nature (WWF) to help establish the Global Forest and Trade Network-China, and the China Sustainable Paper Alliance to drive market-based changes. These International NGOs are also partnering with Chinese non-profits, government agencies, or companies' corporate social responsibility (CSR) departments to promote environmental sustainability in global supply chains. However, given the party-state's distrust of non-governmental actors, integrity-related topics can at best be raised in confidential exchanges under the umbrella of 'constructive' advocacy.

Additionally, our interviews in Beijing also revealed a sense that Chinese companies engaged in natural resource extraction and processing overseas were not competing on a level playing field with Western firms in terms of anti-corruption expectations and oversight. Some Chinese civil society representatives were sceptical about whether Western companies operating in countries with weak governance are subject to similar levels of anti-corruption advocacy and scrutiny. Addressing this sense of hypocrisy and double standards – which was common even among sustainability advocates in China – will require credible European leadership on transparency and accountability standards, especially under conditions of geoeconomic competition.

47. EITI Secretariat 2016.
48. Participation as an EITI implementing country would involve obligations for information disclosure and would subject China to independent monitoring and evaluation – something that has also kept the United States, Australia, and Canada from joining the initiative.
49. World Economic Forum 2022, p. 25.

Company level: Voluntary reporting without stringent oversight

International standards, including the Global Reporting Initiative's sustainability standards or the EU's Corporate Sustainability Reporting Directive, have figured prominently in Chinese discussions on industry self-regulation and serve as blueprints to be adjusted to fit Chinese policy priorities.[50] Large Chinese companies in extractive industries have become involved in voluntary transnational transparency initiatives, especially private certification schemes such as the Responsible Minerals Initiative, the Aluminium Stewardship Initiative, the Tin Code, the Fair Cobalt Alliance, or the Programme for the Endorsement of Forest Certification (PEFC).[51] This has contributed to an extension of CSR and ESG reporting to include overseas activities.

Chinese SOEs operating overseas tend to be more advanced than many of their private counterparts in implementing risk management measures due to their greater emphasis on longer-term reputation management.[52] The greater sensitivity of state capital to political influences has also made large SOEs involved in the upper ends of supply chains more responsive to international demands for ESG disclosure.[53] This higher sensitivity contrasts with the comparative international anti-corruption literature which has frequently singled out SOEs as particularly prone to corruption risks, due to easy access for corrupt political actors, the large scale of their controlled assets, and the often monopolistic market conditions under which they operate.[54] In addition, Chinese companies with strong supply chain linkages to international downstream industries are more likely to respond to local pressure, including from NGOs and unions,[55] irrespective of their ownership structure.

One notable trend in recent years concerns the explicit inclusion of anti-corruption risks, along with ethical commitments and risk mitigation measures, in internationally operating Chinese companies' ESG reports. This trend is led by Hong Kong-listed affiliates of Chinese SOEs.[56] For instance, China Nonferrous Mining Corporation reports on having established a group-wide mechanism for 'anti-corruption supervision and management' and claims to include 'relevant anti-corruption clauses in the procurement contract to ensure the openness and

50. Interview with Shanghai-based supply chain manager, September 2024.
51. Park 2023.
52. Lee 2018.
53. Shieh et al. 2021.
54. Natural Resource Governance Institute 2022; International Monetary Fund 2019; TI 2020.
55. Sändig, Hönke, and Kabemba 2024.
56. Interview with Shanghai-based supply chain manager, September 2024.

transparency of the bidding process'.[57] The company also reports on specific 'anti-corruption training' activities for employees in its Zambia operations. However, corruption risks generally play a negligible role in companies' social auditing.[58] Strengthened governmental environmental audits have been shown to effectively curb corporate fraud within China;[59] however in the absence of external accountability mechanisms for overseas activities, the potential for China's burgeoning social audit industry to reduce corruption-related environmental or human rights risks overseas remains questionable. Moreover, despite a marked increase in formal due diligence standards, enforcement remains a critical challenge, particularly for Chinese companies operating in upstream and midstream segments of import-dependent supply chains abroad.[60]

Chinese participation in the UN Global Compact (UNGC), which has anti-corruption as one of its ten core principles, has been constantly rising. As of November 2024, 1,279 Chinese companies, among them 14 from the metals and mining sector, have signed up to this UN-level initiative, with well over 300 newcomers in 2024 alone.[61] This surging Chinese participation points to a government push for companies to join the initiative as part of the Chinese leadership's concerted efforts to strengthen China's voice within the United Nations System through active participation at all levels. Participating businesses pledge to 'work against corruption in all its forms, including extortion and bribery' and are required to submit an annual standardised Communication on Progress to ensure compliance. According to this self-reporting tool, 74% of participating Chinese companies had established an anti-corruption compliance programme and 49% reported having undertaken some form of remediation or internal investigation measure to address suspected cases of corruption in 2024. However, apart from the impossibility of verifying such reports to ensure genuine accountability, reporting itself is uneven across sectors and positions in global supply chains. While more internationally exposed downstream companies, such as electronics giant Huawei, have integrated explicit commitments to UNGC's Principle 10 (such as a 'zero-tolerance policy towards corruption and bribery') along with integrity management systems and 'red lines in procurement' into their corporate sustainability reports,[62] most mining companies such as China Minmetals only include generic references to the UNGC's ten principles without addressing corruption-related risks, let alone explaining what they are doing to prevent them.

57. China Nonferrous Mining Corporation Limited 2023, p. 22.
58. Interview with Shanghai-based supply chain manager, September 2024; Interview with Chinese auditor, May 2024.
59. Lei, Wang, and Deng 2024.
60. See for instance a critical assessment of due diligence among Chinese refiners and smelters for tin, tantalum, tungsten, and gold, which identified enforcement of existing standards as a major shortcoming (Global Witness 2021).
61. UN Global Compact 2024.
62. Huawei Investment & Holding, 2024.

Table 1: Overview: Promoting integrity standards in resource governance

Level	Governance mechanisms	Policy reference points	Potential channels of influence
Government: regulations and diplomacy	▪ Overseas responsible investment and sustainable finance guidelines ▪ Principle of respecting host laws ▪ Anti-foreign bribery legislation ▪ Belt and Road diplomacy and South–South Cooperation ▪ FOCAC	▪ MOFCOM country-specific investment guidelines ▪ 2008 Circular to Regulate the Overseas Investment and Cooperation of Chinese Companies (MOFCOM & SASAC) ▪ 2022 Green Finance Guidelines (CBIRC)	▪ Host country legislation ▪ Policy dialogues on sustainable finance ▪ Regional cooperation, eg in African Union ▪ UN-level diplomatic initiatives on resource governance
Industry/sectoral level	▪ Standards development and certification led by industry associations (CCCMC, CNFPIA)	▪ CCCMC Chinese guidelines ▪ 2007 Guide on Sustainable Overseas Silviculture by Chinese Enterprises (MOFCOM & the Former State Forestry Administration) ▪ 2009 Guide on Sustainable Overseas Forest Management and Utilization by Chinese Enterprises (MOFCOM & the Former State Forestry Administration)	▪ Global reporting standards as templates (eg Global Reporting Initiative) ▪ Compliance (EU Corporate Sustainability Reporting Directive) ▪ Bilateral development programmes to pilot and promote guidelines implementation
Civil society	NGOs as knowledge providers; expertise-based advocacy; intermediaries between Chinese firms and international actors	▪ EITI Standard ▪ FSC/PEFC ▪ Open Timber Portal	▪ EITI Standard implementation in resource-rich countries ▪ International NGO Global China

Level	Governance mechanisms	Policy reference points	Potential channels of influence
			programmes
Company level	▪ Anti-corruption as part of mandatory ESG reporting for stock-listed companies ▪ Audits and certification based on international and Chinese industry standards	▪ Hong Kong and Shanghai stock exchange standards ▪ UN Global Compact (Principle 10)	▪ UN Global Compact participation and reporting ▪ International industry associations ▪ Host country regulatory pressure and engagement

Note: CBIRC: China Banking and Insurance Regulatory Commission; CCCMC: China Chamber of Commerce for Metals, Minerals and Chemicals Importers and Exporters; CNFPIA: China National Forest Products Industry Association; ESG: environmental, social, and governance; FOCAC: Forum on China–Africa Cooperation; FSC: Forest Stewardship Council; MOFCOM: Ministry of Commerce of the People's Republic of China: PEFC: Programme for the Endorsement of Forest Certification; SASAC: State-owned Assets Supervision and Administration Commission of the State Council.

Part two: Anti-corruption provisions in critical minerals and forest governance

Part one examined the cross-cutting sources of constraints on corruption in natural resources at different governance levels. To better understand how governance standards for Chinese organisations are affected by international standards, as well as by geopolitical competition, we now turn to a sectoral comparison of corruption risk management measures in transnational supply chains for critical transition minerals on the one hand and timber and wood products on the other.

Both sectors face corruption risks, particularly in source countries with large informal economies and limited transparency requirements. However, the two sectors are not affected to the same extent by geopolitical competition. In recent years, access to critical minerals has emerged as a major issue in the geopolitical stand-off between Western and Chinese policymakers, leading to widespread concerns that soaring global demand will exacerbate existing corruption risks.[63] These risks arise at multiple stages, from the awarding of concessions and licences to the trade of extracted resources. During the concession stage, bribery and political favouritism can influence the allocation of mining rights, often at the expense of fair competition and environmental considerations.[64] In licensing and trade, risks include opaque permitting processes, tax evasion, and illicit financial flows, all of which can allow powerful actors to exploit regulatory loopholes and conceal profits.

The tension between geoeconomic considerations and concerns for higher governance standards in global supply chains has become most tangible in the critical minerals sector. Beyond China's dominance in rare earth and natural graphite extraction due to domestic mining, Chinese companies are strategically fortifying their position in global supply chains of other critical minerals, following the leadership's strategy of economic self-reliance. New overseas investments in nickel, lithium, and cobalt projects exceeded US$10 billion in 2023 alone,[65] despite downward pressure on global market prices.[66]

63. For instance, a Global Witness study of Africa's emerging lithium industry showed how the rush for access to battery minerals expands opportunities for kleptocratic corruption. Such corruption deprives governments of potential significant revenues that could be used to fund expenditure in other social and economic sectors (Global Witness 2023).
64. Fitzgerald and Salomon 2022.
65. White 2023.
66. International Energy Agency 2024.

China is also a major player in global timber value chains as the world's largest wood importer, the second-largest wood consumer, and a global wood-processing hub.[67] However, in contrast with critical minerals, global markets for forest products remain dominated by (albeit often informal) market mechanisms and have not come into the crosshairs of geopolitical competition.

China's forest product imports mainly consist of primary materials such as logs, lumber, wood chips, and wood pulp.[68] In terms of exports, after a tenfold growth between 1998 and 2015, China's forest product exports underwent a decline due to the global economic downturn, the US–China trade war, and China's recent focus on boosting domestic demand.[69] Still, China supplies the EU with nearly half its timber furniture and more than 40% of all cardboard boxes, creating a high level of interdependence in the supply chain.[70] China's overseas investment in the forest sector also grew steadily between 2011 and 2020, amounting to US$3.9 billion.[71] Given China's deep embeddedness in the global value chain of timber, its business actors are also exposed to numerous corruption risks that are commonly identified along the entire value chain of the forest sector, from accessing, permitting, and hiring, to transporting, processing, exporting, and trading.[72] Interpol estimates that illegal logging is responsible for 15–30% of global timber production and amounts to as much as 50–90% of logging in many tropical countries – those most crucial to climate resilience as carbon sinks.[73] This section begins by reviewing the evolution of Chinese sectoral guidelines before discussing their interaction with international governance initiatives and the impact of geopolitical factors.

International influences on Chinese sectoral guidelines

The forestry sector was the first to have sector-specific responsible business guidelines for Chinese overseas investment. In the early 2000s, international NGOs – especially WWF, Greenpeace, and Forest Trends – along with investigative media reported irresponsible practices by Chinese forestry business actors overseas, highlighting threats to biodiversity and local communities. In response, and with knowledge support from both international and domestic NGOs, Beijing developed voluntary policy guidelines for overseas forestry investments.[74] This constructive and

67. Zhang and Chen 2021.
68. Wang, Sun, and Zhu 2023.
69. Wang, Sun, and Zhu 2023.
70. Dasgupta 2024.
71. Su 2022.
72. Mayers, Assembe-Mvondo, and Zhou 2023.
73. Interpol 2019.
74. Buckingham and Jepson 2013; GEI 2015.

collaborative dynamic resulted in China's first two guidelines on sustainable forestry investment overseas – the Guide on Sustainable Overseas Silviculture by Chinese Enterprises (2007) and the Guide on Sustainable Overseas Forest Management and Utilisation by Chinese Enterprises (2009). While neither makes explicit references to corruption risks or China's commitments under the UNCAC,[75] timber legality and certification for sustainable forest management emerged as a central focus in international development cooperation with China.[76] Chinese regulators' and companies' interest in cooperation was driven by the EU's intensified regulatory measures to combat illegal logging, including the introduction of the EU Timber Regulation (EUTR) and the Forest Law Enforcement, Governance and Trade (FLEGT) regulation.[77] One of these technical cooperation programmes – InFIT –lead to the world's first comprehensive, risk-oriented sustainability framework for the natural rubber industry, the Guidance for Sustainable Natural Rubber released by CCCMC in 2017.[78] The guidance represents the China's first effort to set global sustainability standards for commodities and makes explicit references to corruption risks, requiring companies to fully understand risks related to 'corruption in public and private sectors' in the host country and refrain from 'participat[ing] in any corrupt practices'.[79] It also emphasises ethical business conduct and demands that companies 'prevent and control potential bribery or any forms of corruption during operations.'[80] However, as a voluntary guideline, this document has been applied only through pilot projects led by industry associations.[81]

In 2017, the CNFPIA introduced the Timber Legality Verification Group Standard, outlining the criteria for ensuring legality in forest management and across the entire supply chain. It forms part of the continued effort to establish a China Timber Legality Verification System (CTLVS), which was initiated with support from UK development funds in the 2000s. The Group Standard requires entities in forest management, timber processing, and trade to set up their own monitoring mechanism to prevent corruption practices in timber distribution.[82] The CTLVS system has only been piloted, with full adoption delayed partly due to concerns over the high cost on Chinese timber businesses to fulfil due diligence.[83]

75. Lee 2014; Su et al. 2016.
76. For instance, in 2005, the UK and China launched a bilateral sustainable development dialogue, which led to the creation of the UK-China Working Group on Forestry, focusing specifically on combating illegal logging.
77. Interview with a Chinese environmental conservation foundation manager, November 2020; Interview with a Chinese sustainability consultant, November 2021.
78. Jiang 2022.
79. CCCMC 2022.
80. CCCMC 2022, p.43.
81. Corrie Maccoll 2020.
82. CNFPIA 2018. According to a 2022 World Economic Forum report, sixty-three enterprises have adopted the group standard.
83. Ren and Zhang 2021.

The 2019 revision of China's Forest Law further strengthened forest governance, at least on paper.[84] The newly added Article 65 stipulates that no unit or individual may purchase, process, or transport timber of illegal sources, and requires that any timber operating or processing enterprises should establish a ledger system to record the entry and exit of raw materials and products of wood.[85] However, its application to imported timber remains unclear, as the revision focuses on domestic nature-conservation efforts.[86]

In the mining industry, the impetus for developing sector-specific overseas governance standards came in 2012, following the Democratic Republic of the Congo's (DRC) temporary suspension of operating licences for two Chinese companies, Huaying and TTT Mining (CMM), due to their involvement in sourcing materials from conflict-affected areas, including alleged illegal payments to warlords.[87] While the Chinese government pressured their Congolese counterparts to reinstate their operating licences, the CCCMC engaged in a concerted international outreach strategy by partnering with established international actors such as the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the Organisation for Economic Co-operation and Development (OECD).[88] Resulting from this international consultation process, particularly under the bilateral Sino-German CSR project, the CCCMC published their first Guidelines for Social Responsibility in Outbound Mining Investment in October 2014. The Guidelines acknowledge that 'revenue transparency is becoming globally imperative for the mining industry' and 'encourage' companies to refer to the EITI Standard. The ensuing 2015 Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains focus more directly on conflict-related materials, in accordance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. The Chinese guidelines are heavily influenced by the OECD's five-step due diligence framework[89] and propose a 'model supply chain policy' which companies should adopt as a 'supplier code of conduct', including a section on 'corruption, money laundering and payments to governments':

84. Mukpo 2020.
85. The inclusion of Article 65 faced opposition from some major stakeholders in this sector. For instance, when the draft of China's revised Forest Law was made available for public consultation, a representative from CTWPDA claimed that incorporating Article 65 'did not align with the State Council's reform directives on "streamlining administration, delegating power, improving regulation, and optimizing services (放管服)", and constituted an undue interference in business operations', and proposed a more relaxed regulatory item – 'The use of legally sourced timber and wood products is encouraged. Forestry operators may voluntarily apply for forest certification to enhance forest management standards and promote sustainable operations.' (see Mao Chuanwei 2019).
86. Hiromitsu 2023, p.14.
87. Global Witness 2012.
88. Interview with China officer at an international organisation, October 2024.
89. Chen 2024.

> We will not offer, promise, give or demand any bribes, and will resist the solicitation of bribes to conceal or disguise the origin of mineral resources, to misrepresent taxes, fees and royalties paid to governments for the purposes of mineral resources extraction, trade, processing, transport and export. (CCCMC 2015)

More industry-specific standards were developed in subsequent years. Notably, CCCMC was supported by the OECD in launching the Responsible Cobalt Initiative (RCI) in 2016. Chaired by CCCMC director Sun Lihui, the RCI brings together Chinese and international downstream and upstream companies around a standard that closely mirrors principles established by the US-based Responsible Minerals Initiative (RMI). RCI and RMI also cooperated to develop the 2021 Cobalt Refiner Supply Chain Due Diligence Standard. With direct reference to the OECD Guidance, the standard requires improved community engagement and 'effectively implemented compliance systems to prevent and control bribery and other forms of corruption in the supply chain'. These international partnerships remain important for the CCCMC, which struggled for many years to have its own guidelines recognised by Chinese mining companies.[90] As the CCCMC lacks its own financial and human resources, the Association is also dependent on knowledge transfers and foreign support in standard development.[91]

Thus, in both the forestry and mining sector, corruption prevention mechanisms were introduced in Chinese standards, drawing directly on international models and developed in close cooperation with international donor organisations.

90. Interview with a policy consultant for the Chinese mining sector, June 2024.
91. Interview with a CCCMC employee, May 2024.

Table 2.a: Corruption references in Chinese overseas guidelines in the minerals sector

Year	Document (English)	Document (Chinese original)	Issued by	Mentions of the term 'corrupt'/ 'bribe'	References to corruption/ bribery
2014	Guidelines for Social Responsibility in Outbound Mining Investments	中国对外矿业投资行业社会责任指引	CCCMC	5 / 5	Companies should 'eliminate all forms of corruption' as part of their 'ethical business practices'; follow relevant international standards and conventions for anti-corruption; 'Prohibit bribery in all business practices and transactions, including those of agents and other third-parties, and set criteria and approval procedures with respect to the offer or acceptance of gifts.'
2015	Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains	中国矿产供应链尽责管理指南	CCCMC	4 / 4	Mentions 'areas with endemic corruption' as a risk factor. Proposes a 'model supply chain policy' which companies should adopt as a 'supplier code of conduct'. This includes chapter 3 on 'corruption, money laundering and payments to governments'.
2021	Cobalt Refiner Supply Chain Due Diligence Standard	钴冶炼厂供应链尽责管理标准	RCI, RMI	4 / 2	Requires large-scale mining operations to 'establish... and effectively implement... compliance systems to prevent and control bribery and other forms of corruption in the supply chains.'
2022	Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains (Second Version)	中国矿产供应链尽责管理指南(第二版)	CCCMC	14 / 16	Approved standard for LME Track A due diligence assessment: ▪ Includes Guiding Note for On-the-ground Assessment on Potential Conflict Minerals, requiring companies to include corruption experts in assessment process. ▪ Companies should 'have professional knowledge of relevant risks (such as

Year	Document (English)	Document (Chinese original)	Issued by	Mentions of the term 'corrupt'/ 'bribe'	References to corruption/ bribery
					human rights and all labour rights, security forces, health and safety, anti-corruption)'. ▪ Companies should 'formulate anti-corruption procedures to prevent corruption'.
2023	Complaint and consultation mechanism for the mining industry and mineral value chain	采矿业和矿产价值链申诉磋商机制	CCCMC	0 / 1	No mention of corruption or bribery risks in the mining industry. Only mentions bribery risks in the course of investigation and fact-finding missions.
2024	Mineral Resources Law (2024 Revision)	中华人民共和国矿产资源法（2024年修订）	NPC Standing Committee	0 / 0	Aims to strengthen environmental governance and restoration of the mining sector, as well as legal enforcement, however without specific mention of bribery or corruption risks.

Note: CCCMC: China Chamber of Commerce for Metals, Minerals and Chemicals Importers and Exporters; LME: London Metal Exchange; NPC: National People's Congress; RCI: Responsible Cobalt Initiative; RMI: Responsible Minerals Initiative.

Table 2.b: Corruption references in Chinese forestry-related guidelines

Year	Document (English)	Document (Chinese original)	Issued by	Mentions of the term 'corrupt'* / 'bribe'*	References to corruption/ bribery
2007	Guide on Sustainable Overseas Silviculture by Chinese Enterprises	中国企业境外可持续森林培育指南	Ministry of Commerce and State Forestry Administration	0 / 0	No specific mention of corruption or bribery risks.
2009	Guide on Sustainable Overseas Forest Management and Utilisation by Chinese Enterprise	中国企业境外森林可持续经营利用指南	Ministry of Commerce and the then State Forestry Administration	0 / 0	No specific mention of corruption or bribery risks.
2017	Guidance for Sustainable Natural Rubber	可持续天然橡胶指南	CCCMC	3 / 1	'Open, transparent and fair competition' is one of the five guiding principles, including through 'honest business operation' and a commitment 'not to participate in any corrupt practices'. At the pre-investment stage, companies should assess potential risks in the 'social environment', including the 'host country's capacity in political and social governance', including 'corruption in public and private sectors'. Companies should shoulder 'economic responsibility' and 'prevent and control potential bribery or any forms of corruption during operations.'
2017	China Timber Legality Verification Group Standard	中国木材合法性认定	CNFPIA	4 (腐败) / 2 (贪污)	Forest companies must 'establish a timber production and sales monitoring system to ensure that the origin of harvested timber can be traced when needed.'

Year	Document (English)	Document (Chinese original)	Issued by	Mentions of the term 'corrupt'* / 'bribe'*	References to corruption/ bribery
					The 'monitoring system should include mechanisms to prevent corruption, ensuring that corruption does not occur during the timber distribution process.'
2019	Forest Law of People's Republic of China (2019 amendment)	中华人民共和国森林法(2019修订)	NPC Standing Committee	0 / 0	No specific mention of corruption or bribery risks

Note: CCCMC: China Chamber of Commerce for Metals, Minerals and Chemicals Importers and Exporters; CNFPIA: China National Forest Products Industry Association; NPC: National People's Congress.

Interaction between Chinese and global resource governance initiatives

Over-reliance on China in the critical minerals sector has been a major driver of Western-led supply chain governance initiatives and efforts to establish strategic partnerships with resource-rich nations in recent years. The Minerals Security Partnership (MSP), launched by the United States together with European allies in 2022, was explicitly branded as a more 'sustainable' alternative for developing countries to China's Belt and Road Initiative.[92] It focuses on promoting investment in mining projects across Africa and Latin America while adhering to 'rigorous' ESG standards. The U.S. State Department insisted that 'good governance and transparency protect the national security interests of countries involved in critical mineral supply chains.'[93] The EU's Critical Raw Materials (CRM) Package adopted in March 2023 similarly seeks to reconcile the goals of 'more diverse' and 'more sustainable' supply chains.[94] Derisking by reducing the EU's dependence on Chinese suppliers is widely seen as the key motivation behind these efforts. However, Chinese companies' market-leading position in the processing and refining of many

92. Mooney 2023; Widakuswara 2021.
93. U.S. Department of State 2023.
94. European Commission 2024.

critical minerals makes them indispensable players in the fight for cleaner supply chains for the foreseeable future.[95]

95. Hughes and Meinhardt 2022.

Table 3a: Overview of widely used international governance standards in the critical minerals sector

Critical minerals sector	Chinese adoption or participation
Responsible Minerals Initiative (RMI)	▪ Direct membership and active participation, especially by Chinese downstream companies in the technology sector (eg Huawei, Lenovo, Huaqin) ▪ Indirect engagement through collaboration with CCCMC and Chinese initiatives
Responsible Cobalt Initiative (RCI)	▪ Active leadership and participation: launched by CCCMC with support from OECD and RMI ▪ Major platform for Chinese companies to align with international cobalt sourcing standards
Extractive Industries Transparency Initiative (EITI) standard	▪ No formal participation ▪ Chinese corporate reporting in EITI implementing countries ▪ Reference to EITI Standard in Chinese Due Diligence guidelines
OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas	OECD–CCCMC cooperation on standardisation and use of OECD standard as reference for CCCMC guidelines
International Council on Mining and Metals (ICMM) Mining Principles	▪ Limited participation (membership by one Chinese major-owned company) ▪ 2017 memorandum of understanding between ICMM and CCCMC to promote sustainability practices
Initiative for Responsible Mining Assurance (IRMA)	IRMA standard referenced in some pilot projects and international cooperation, but Chinese industry-wide adoption remains limited

Table 3b: Overview of widely used international governance standards in the forestry and timber sectors

Forestry and international timber trade sector	Chinese adoption or participation
Forest Stewardship Council (FSC) certification	▪ Active participation since 1999 ▪ Over 9,000 Chinese companies awarded FSC CoC (chain of custody) status.
Programme for the Endorsement of Forest Certification (PEFC)	▪ Active involvement ▪ Mutual endorsement between PEFC and China Forest Certification Council
EU Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan	▪ Not a voluntary partnership agreement (VPA) partner ▪ Ongoing EU–China Bilateral Coordination Mechanism on Forest Law Enforcement and Governance (FLEG) since 2009
Rainforest Alliance (RA) Certification	▪ Participation of Chinese companies ▪ China Quality Certification Centre as an authorised certification body
Roundtable on Sustainable Palm Oil (RSPO)	Participation of around 400 Chinese companies that consume 500,000 tons of certified SPO per year
Roundtable on Responsible Soy (RTRS)	Participation of Chinese companies since 2014

A multitude of industry-led disclosure standards,[96] responsible sourcing programmes, and certification schemes have developed at the international level to address corporate abuses and governance failures in the extraction of natural resources (see Table 3). Notwithstanding well-known limitations of voluntary reporting standards in effecting substantive changes in corporate behaviour,[97] these industry-level initiatives have been the most tangible means of international

96. See Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development 2024.
97. Human Rights Watch 2022; Lead the Charge 2024.

engagement with Chinese companies precisely because of their non-governmental nature.

The potential for positive domino effects is exemplified by the London Metal Exchange (LME), which announced its own responsible sourcing standards in October 2019, which make company alignment with the OECD Guidance a mandatory requirement for accreditation.[98] This led the CCCMC to update its 2015 Guidelines in May 2022 – in order to have them recognised as Approved Standards for Track A due diligence assessments by the LME.[99] This means Chinese companies can now rely on the updated 'Chinese Guidelines' as a reference framework for their accreditation as LME-listed brands.[100] CCCMC has thus established itself as a standard-setter with international recognition, alignment, and certification power over Chinese companies.

Further responding to LME requirements, the CCCMC pioneered the first grievance mechanism specifically tailored to Chinese overseas investments in the minerals sector in late 2022. The CCCMC being largely unfamiliar with this kind of instrument, this mechanism for the mining industry was drafted with support from Accountability Counsel and Inclusive Development International and in consultation with other international NGOs.[101] Despite its voluntary and non-binding nature, it has been regarded internationally as a significant step forward.[102] The 'scope of standards' applied in the complaint mechanism includes international and Chinese guidelines, such as the OECD Guidance and those outlined in Table 1, many of which explicitly require enterprises to establish compliance systems to prevent and control corruption risks. Hence, this mechanism should, in principle, also handle corruption-related allegations. However, corruption-related charges are currently viewed as 'too challenging' to be included during the pilot phase of this complaint mechanism.[103]

Supply chain governance initiatives affecting the forestry sector have been driven much more by environmental and climate-related agendas and consumer concerns than by geopolitical considerations. Key timber consumer markets have promulgated anti-deforestation regulations mandating due diligence for illegal logging and associated trade since the late 2000s. The EU has pioneered this effort to introduce legality requirements for timber products, starting with the introduction of the EU Timber Regulation (EUTR) in 2013, aimed at preventing the

98. London Metals Exchange 2019.
99. LME. Approved partners.
100. For an overview of CCCMC accreditation reports, see https://www.cccmc.org.cn/kcxfzzx/zyzx/bg/.
101. Accountability Counsel and Inclusive Development International 2023.
102. Inclusive Development International and Accountability Counsel 2023.
103. Interview with an international NGO representative based in Beijing, May 2024.

import and sale of illegally sourced timber in the EU market. The new EU Deforestation Regulation (EUDR) –adopted in 2023 but now delayed until 2026, and intended to ensure deforestation-free supply chains – is set to expand the due diligence approach of the EUTR to include six additional agricultural commodities as well as most products made from these commodities. The EUDR's significantly broader approach to deforestation* has redirected the focus from Chinese CSOs and donor-supported development programmes to China's trade and investments in agricultural products. Crucially for corruption prevention, EUDR also requires downstream companies to fulfil increased due diligence requirements and obtain detailed information on the entire supply chain, including geolocation data of production areas.[104]

These consumer-country-led regulations have been complemented by cooperative mechanisms to spur efforts at combating illegal logging and related trade, prompting China to make cautious moves to ameliorate governance standards. Established in 2009, the EU–China Bilateral Coordination Mechanism on Forest Law Enforcement and Governance has provided engagement channels with the former State Forestry Administration and Chinese Academy of Forestry, with a view to fostering China's greater awareness of the EU's evolving regulatory efforts and developing China's timber legality system. The EUDR's predecessor, EUTR No 995/2010, in force since 2013, provided a first impetus for Chinese timber-trading companies to consider mitigation mechanisms for downstream supply chain risks.[105] In addition, the UK has also been very proactive in promoting responsible overseas trade and investment by Chinese forestry companies. British collaboration with China through the InFIT programme has been instrumental in developing sectoral guidelines. Germany's GIZ has also supported Chinese forest policy revision towards improved forest management and legal timber trade.[106] Since 2023, Germany has sponsored the Tropical Timber Trade Facility as a trilateral project supporting China and six African states of the Congo Basin to agree on regulatory instruments and create incentives for legal and sustainable trade between the two regions.

Discussion: The ambiguous impact of geopolitics

Comparing overseas investment and supply chain governance standards in the forestry and mining sectors shows the ambiguous influence of geopolitical competition in recent years. Heightened geopolitical competition increases

104. Additionally, the EUDR also expands requirements beyond the naming of suppliers and customers and demands specifying the geographic location of the plots of land where the timber used in the relevant products was sourced. This traceability to the plot could be a major step forward in identifying and preventing corruption risks linked to deforestation.
105. Interview, Chinese environmental conservation foundation, November 2020.
106. GIZ (n.d.).

governance risks but also offers new opportunities for local actors in resource-rich countries. The sectoral comparison of critical minerals and forest product supply chains shows that geopolitical competition in the former sector has led to intensified standardisation pressure in China, as the leadership is putting more emphasis on managing supply chain risks, including potential resistance to Chinese investments in key supplier countries. International standards around critical minerals, notably the OECD Guidelines, have had a significant impact in China. Chinese companies and business associations are increasingly active in voluntary sectoral disclosure initiatives. The Responsible Cobalt Initiative, led by the CCCMC in close coordination with the OECD, shows a Chinese interest in co-shaping norms in political priority sectors.

Forestry, being less influenced by the logic of geopolitical securitisation, is now often regarded as 'less strategic' and hence receives much less high-level political attention in the current geopolitical context than the mining sector. Forest governance indeed used to be a pioneering sector for international learning and non-zero-sum cooperation in Chinese overseas investment governance. Previous rounds of interviews in 2020 and 2021 highlighted the vivid interest within the Chinese sustainability sector in EU regulatory developments and their potential repercussions for Chinese companies, notably concerning negotiations on EUDR.

[107, 108]

With the promotion of sustainable forestry standards since the 2010s, Chinese actors followed the shift from voluntary disclosure to mandatory supply chain due diligence, especially in Europe, with a modest degree of policy buy-in. The absence of national security considerations has enabled more stable forms of cooperation and engagement, sustained by mutual trust between participating organisations and reinforced by the EU's use of its regulatory power to overcome the limitations of purely voluntary business initiatives.

In recent years, however, interest in sustainable forestry governance has gradually waned within China, whereas the minerals sector has emerged as the political focal point for the development and dissemination of responsible sourcing standards. Any additional steps to enhance China's timber legality governance seem to be on pause until there is greater clarity on the implications of the expanded scope of the EUDR. Initial hopes that the 2019 Forestry Law revision would address transnational governance challenges have also been dampened, and a regulation outlining the specific implementation of the revised Law has yet to be issued. A draft of the Implementation Regulation was made available for public consultation in 2022, but

107. Interview with a Chinese sustainability consultant, Nov 2021.
108.

did not clarify the specifics of Article 65.[109] Even if the future Implementation Regulation specifies that Article 65 applies to imported timber, it remains to be seen how it is implemented and enforced in practice, and whether it links illegal timber to corruption risks. Meanwhile, regarding the minerals sector, Chinese environmental activists are banking on China's revised Mineral Resources Law to advance governance standards due to its promise of boosting 'green development of the mining sector' and promoting ecological restoration.[110]

In both sectors, Chinese businesses have shown significant flexibility to adapt to changing and uneven policy and regulatory landscapes. This flexibility presents both opportunities and challenges for initiatives aimed at encouraging these actors to commit to and comply with due diligence standards. Source country governments play a crucial role if they leverage growing geopolitical competition for access to resources, not for elite enrichment but for holding foreign investors more accountable. While Chinese companies are adapting to global corporate governance standards, genuine implementation of strong preventive anti-corruption measures will depend on the combined force of external pressure (especially from source countries and international markets) and sustained international cooperation through capacity building and standardisation.

Recent transnational developments in critical mineral governance show both the potential for global standardisation via industry-level due diligence standards and their inherent limitations. Voluntary industry-level disclosure initiatives have secured growing buy-in from larger Chinese companies. International certification mechanisms such as the LME's responsible sourcing requirements provide tangible incentives for Chinese companies to establish formal due diligence standards and undergo social compliance audits. They also support progressive actors within China in pushing for the implementation of more stringent risk governance standards. But they can only be effective in reducing corruption risks if they are independently supervised (both in China and in source countries). Even with growing Chinese buy-in, voluntary industry standards can hardly address structural power inequalities in source countries with weak political accountability and ample opportunities for elite corruption and rent-seeking.

In a context of diminishing global trust in multilateral cooperation, Beijing's quest for legitimacy and influence in the United Nations system provides entry points for governance-related cooperation. The rapidly growing number of Chinese corporate participants in the UN Global Compact offers opportunities for the dissemination of higher transparency standards based on globally agreed principles. Despite their

109. The Implementation Regulations of the Forest Law of the People's Republic of China (Revised Draft for Public Consultation), 20 July 2022.
110. Lai and Chen 2024; National People's Congress 2024.

voluntary, non-enforceable nature, the Global Compact's ten principles provide a common language for corporate responsibility that explicitly includes anti-corruption principles.

Higher transparency and traceability along global value chains is a prerequisite for many other necessary corruption-control measures in highly vulnerable sectors. This rationale has also undergirded the EU's ambitious corporate due diligence agenda, which relies on European market power to effect global change. However, after an initially hesitant approach towards regulatory changes in the EU as a key market for Chinese forest products, Beijing joined the US in openly opposing EUDR transparency requirements in June 2024. The 'traceability to the plot' principle is notably conflicting with the prohibition in China's Data Security Law on sharing 'critical' data with international business partners or independent auditors, since any geolocalised data may be viewed by Chinese authorities as sensitive to national security. Unless this opposition is resolved in bilateral negotiations, it will be extremely difficult for Chinese societal actors or even industry leaders to advocate for improvements in tracing timber imports. Thus, even in this geopolitically less-charged sector, securitisation stands in the way of greater supply chain transparency. Managing this uncertainty will require both bilateral negotiations and concrete proposals for a multilateral traceability and corporate accountability mechanism, ideally under UN auspices.

The potential for a global 'race to the top' on responsible sourcing standards has been undermined by the Trump administration's open criticism of corporate ESG standards, which will also put additional strain on global responsible sourcing partnerships. As the new US retreats from promoting corporate environmental and social responsibilities, a crucial question is whether Beijing will similarly reduce its own commitments or seize the opportunity to take on a new leadership role, particularly within the UN framework. Against this backdrop, the final section lays out several policy recommendations emanating from our review of recent developments in Chinese overseas natural resource governance standards in the mining and forestry sectors, along with the list of expert interviews undertaken for this study.

Policy recommendations

Prioritise collaborative good governance initiatives in resource-rich countries:

- Promote mechanisms and capacities for effective government oversight in resource-rich countries, regardless of foreign investor origin. Highlight that both producing countries and export markets share a common interest in transparency and accountability as preconditions for supply chain resilience and fair competition, as well as for the respect of environmental and social safeguards.
- Since China's approach to overseas investment risks still relies mainly on compliance with host-country laws, promoting and enforcing robust anti-corruption regulations and mechanisms in those host countries remains a critical lever for improving the conduct of Chinese businesses abroad.

Strengthen transnational corporate and civil society engagement:

- Step up the support for local accountability initiatives by civil society and multi-stakeholder groups that are essential for better resource governance at the local level.
- Involving Chinese NGOs in sustainability-related activities remains important, due to their expertise and capacity to provide unique perspectives. Due to their sensitivity, governance-related issues are at best indirectly addressed through projects related to issues like environmental conservation.
- Provide clear public incentives to fill the global leadership gap on responsible business conduct created by the US reversal on ESG requirements. Promote independent global benchmarking of responsible business conduct to offer incentives for companies to raise corporate governance standards. To the extent that resource supply chains remain globally interconnected, corporate reputation is a major entry point for cooperation based on actual leverage vis-à-vis larger companies headquartered in China.
- Enhancing awareness and building knowledge among Chinese business associations and civil society actors about the complex dynamics of natural resource corruption – including its causes, enablers, and the diverse range of anti-corruption approaches – can be the first step to encourage the integration of anti-corruption measures into their advocacy agendas and initiatives. Given the practical constraints that many Chinese civil society actors currently navigate, it remains important to maintain dialogue and cooperation with them on governance-related aspects of the natural resources sector. This ongoing engagement can help strengthen their long-term capacity and readiness to contribute constructively when opportunities emerge to support improved

transparency, sustainability, and policy advocacy.

Address governance blind spots in Europe–China engagement and multilateral fora:

- Given the US retreat from promoting sustainability standards in the global value chain of natural resources under the second Trump administration, there is a more urgent need to promote EU–China engagement on this matter. Realistically, European influence will be limited to areas in which the Chinese government also sees an interest in international cooperation. One example of such an area concerns the regulatory efforts to promote green finance, which have been found to 'have a deforestation blind spot'[111] and lack attention to related governance risks. Rather than trying to create separate anti-corruption or governance dialogues, the EU can take advantage of existing bilateral and multilateral channels, including the EU-China High-Level Environment and Climate Dialogue, the International Platform on Sustainable Finance, and the G20 Sustainable Finance Working Group to address such blind spots and emphasise the relevance of due diligence measures against corruption in this context.
- The EU should also step up its support for globally inclusive collective action initiatives for supply chain integrity and increase diplomatic and financial support for UN-level initiatives – both because the UN remains the best option for direct engagement with Chinese stakeholders and to uphold Europe's own relevance and normative influence in the face of the US retreat from multilateralism and Beijing's push to fill the void. Such initiatives should also explicitly include – and where possible be coordinated with – resource-rich countries of the Global South as well as regional organisations such as the African Union or ASEAN.

Seize opportunities for multilateral and UN-level engagement:

China's official participation (via the Chinese Academy of Geological Sciences) in the UN Secretary-General's Panel on Critical Energy Transition Minerals (CETM) opens another space for multilateral dialogue. The CETM Panel's first report, issued in September 2024, addresses corruption risks in several instances, relating them to human rights violations and environmental degradation. It establishes that 'Transparency, accountability and anti-corruption measures are necessary to ensure good governance' (Principle 6) and recommends a multi-stakeholder expert process be launched – led by UNCTAD – to develop a global 'transparency for accountability' framework. UNIDO's Global Alliance for Responsible and Green Minerals, launched as a multilateral, multi-stakeholder format in 2024, offers another inclusive format for discussions on stronger whole-of-supply chain governance mechanisms

111. Yin 2022.

transcending geopolitical confrontation in the critical minerals sector. Following up on this recommendation with strong support for a globally inclusive multi-stakeholder framework for comprehensive and independently verified disclosures on the minerals sector's due diligence measures should be a priority for any government or donor organisations interested in promoting higher governance standards across natural resource supply chains.

List of Interviews

Date (month)	Interviewee description	Place
Jun 2019	Interview with a Chinese NGO employee in Hong Kong	Hong Kong
Nov 2020	Interview with a Chinese environmental conservation foundation manager	Online
Nov 2021	Interview with a Chinese sustainability consultant	Online
May 2024	Interview with an officer at an international NGO working on resource governance	Beijing
May 2024	Interview with an officer at an international NGO working on human rights	Online
May 2024	Interview with a project manager at a European development agency	Beijing
May 2024	Interview with two researchers at a Chinese NGO working on sustainability within and beyond China	Beijing
May 2024	Interview with a project manager at CCCMC	Beijing
May 2024	Interview with a manager of a bilateral development programme	Beijing
May 2024	Interview with a researcher at an international NGO working on environmental justice	Online
May 2024	Interview with a project manager at a private foundation	Beijing
May 2024	Interview with a Chinese development consultant	Beijing
Jun 2024	Interview with a policy consultant for the Chinese mining sector	Online
Jul 2024	Interview with a corporate anti-corruption expert	Online
Aug 2024	Interview with head of China office of a foreign NGO	Online
Sep 2024	Interview with China project manager of an international NGO working on resource governance	Online
Sep 2024	Interview with a Shanghai-based supply chain sustainability manager	Online
Nov 2024	Interview with two programme managers at an international resource governance standards body	Online

Date (month)	Interviewee description	Place
Oct 2024	Interview with China officer at an international organisation	Online
Dec 2024	Interview with an Indonesian mining sector expert	Online

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