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# Certifying China

## The Rise and Limits of Transnational Sustainability Governance in Emerging Economies

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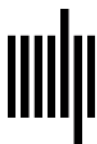
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## 5 Tea: Fertile Ground without Seeds for Transnational Eco-Certification

As an important cash crop across five continents, tea constitutes the most consumed manufactured drink in the world (Chang and Brattlof 2015). While the commodity has played a critical role in rural development and poverty reduction in the Global South, its production is anything but sustainable for the environment, farmers, and workers due to issues like chemical pollution, biodiversity loss, and labor abuses. Realizing these challenges, several Northern-based transnational initiatives have stepped into the sector to certify sustainable tea over the past two decades. While the uptake of certified products quickly increased in the global tea market in the 2010s, the relevant programs have made little progress in China—the world’s leading tea producer and consumer country, accounting for, by volume, more than 40% of the global production and 33% of the global consumption (Chang 2015; FAO 2018a; Willer et al. 2019).<sup>1</sup> What has prevented the rise of sustainable tea certification in China?

Drawing on a range of data, including field interviews and surveys, this chapter examines the challenges facing transnational certification programs in China’s tea industry and the possible pathways for soliciting support from Chinese producers for sustainable tea certification. The analysis highlights three takeaways. First, the structure of China’s tea industry limits the influence of transnational market agents on the spread of eco-certification to the country. More specifically, a large, self-sufficient domestic value chain, where the type of dominant products differs from that in developed markets, has made China a difficult territory for multinational brands—the main advocates of sustainable tea certification. Second, transnational certification programs have shown little intention to engage with Chinese stakeholders, and a fragmented regulatory structure in China’s tea sector

has further reduced the likelihood of collaboration between transnational programs and Chinese state actors. As a result, the relevant programs have yet to harness support from influential actors in China's state bureaucracy to increase their market uptake. In this sense, the tea case contrasts with those of seafood and palm oil by relying primarily on market forces to spread transnational governance to China, and this dynamic further explains the low adoption rate of sustainable tea certification among Chinese producers. Third, through a survey experiment with a sample of Chinese tea producing companies, I find that seeking linkages with China's goals on sustainable development and policy support from local governments can be an effective strategy for transnational programs to increase their uptake in China; by contrast, Chinese producers have little interest in using certification to gain access to foreign markets. This quantitative study provides further evidence of the state's influence on the rise of transnational governance in China.

In this chapter, I first introduce different eco-certification programs in the global tea market and their uptake in China. Next, I analyze the structure of China's tea industry and examine its fit with transnational standards. I then investigate the slow progress of each transnational program in China and show that the forces that can potentially drive the spread of sustainable tea certification have been largely missing in the past two decades. In section 5.4, I present the results of a survey experiment conducted as part of the Organic Tea Producer Survey (see details on this survey in appendix C), which suggest the strong influence of state policy on businesses' interest in sustainable tea certification. I conclude with some recommendations for promoting sustainability governance in China's tea industry.

## 5.1 The Rise of Eco-Certification in the Global Tea Market

Located in tropical and subtropical areas, most tea production regions are ecologically sensitive and underdeveloped. The commodity has therefore been associated with several sustainability issues. Biodiversity loss and land-use change are deemed the key environmental challenges, due to the expansion of monoculture plantations at the expense of tropical forests (H. Li et al. 2012; Owuor et al. 2018). Another major concern is the overuse of agrochemicals as pesticides and fertilizers, which have negative effects on both consumers' health and the local environment. For instance, residues of hazardous pesticides have been found to be higher than the recommended limits in many tea products sold in China and India (Greenpeace

2012, 2016; Greenpeace India 2014). Moreover, labor rights violations—including exploitation, unsafe working conditions, and child labor—are prevalent in tea plantations across developing countries (van der Wal 2008; Wu 2009). Additionally, in the global tea supply chain, the value distribution has been highly uneven between upstream producers and a handful of multinational brands focusing on blending, packing, and marketing, and as a result, Southern producers hardly benefit from market growth and have few resources to improve their practices (Talbot 2002; van der Wal 2008; LeBaron 2018).

Despite the salience of these issues, tea was relatively late in becoming a dynamic field of eco-certification compared to other tropical commodities, such as coffee and cocoa. By the late 2000s, only a small group of stakeholders in the global tea supply chain were aware of corporate social responsibility and sustainability standards (van der Wal 2008). But rapid progress has been made since then with the development of tea standards by large transnational certification programs like Rainforest Alliance (RA). In the past decade, sustainable tea certification has experienced remarkable growth: as of 2017, around 19% of the area on which tea is harvested globally was certified to sustainability standards to supply at least 20.9% of the global production volume (Willer et al. 2019).<sup>2</sup> At the time of writing, Fairtrade International, RA, and UTZ are the three major transnational eco-certification programs for tea, whereas organic certification is subject to national regulation in most countries.<sup>3</sup> I now discuss these programs and their market uptake in China.

Fairtrade was the first transnational certification program to enter the tea sector back in the 1990s. The “fair trade” movement originally emerged in Europe to promote more equitable North-South trade by empowering producers to combat poverty, strengthen their position in value chains, and take more control over their lives through a premium set above world market prices (Raynolds 2000). Fairtrade International was created in 1997 as a global membership organization to coordinate different fair trade schemes that supported the sustainable development of small-scale producers and agricultural workers through a range of social, economic, and environmental requirements.<sup>4</sup> In 2016, the program certified 3.1% of the global tea area (representing 4.3% of the global production volume), and most Fairtrade-certified areas were in Kenya, Uganda, and India (Lernoud et al. 2018). Fairtrade certification was introduced to Chinese producers relatively early, with the first certificate awarded in 2001 to a cooperative in Jiangxi.<sup>5</sup>

However, the program has had little growth since then in China: as of 2016, there were only nine certified cooperatives with a total annual production of less than 3,400 metric tons (BRECC 2017; Lernoud et al. 2018).

RA has been the program with the highest uptake in the global tea market since 2011. As an NGO dedicated to environmental conservation and sustainable livelihoods, RA developed its certification program on sustainable agriculture in the 1990s.<sup>6</sup> The program began to certify tea through a partnership with Unilever, the owner of Lipton and PG Tips, with the aim of promoting sustainable tea certification in the mainstream market (Henderson and Nellemann 2012). In May 2007, Unilever announced its goal of certifying all tea in Lipton and PG Tips teabags sold in Western Europe by 2010 and in the world by 2015. Soon thereafter, other tea brands, including Twinings and Tetley, made similar sourcing commitments (Braga et al. 2010). With support from these brands, RA soon became popular in the global tea industry: In 2016, the program certified 11.4% of the global tea area (469,000 hectares), producing more than 1.08 million metric tons of tea (Lernoud et al. 2018). The program was initially introduced to producers in China in 2012 by Unilever due to Lipton's sourcing requirement.<sup>7</sup> However, compared to other major producer countries, RA has made little progress in spreading its standards to Chinese producers: As of March 2017, only 26 tea farms with a total area of 6,515 hectares were certified in the country, which produced only 1.4% of the total volume of RA-certified tea (Newsom and Milder 2018).<sup>8</sup> Hence, despite its influence on the global supply chain, the program remains marginal in the world's largest producer country.

The third transnational program is UTZ, a Dutch initiative originating in 2002 to promote sustainable farming in the coffee sector. The program aims to ensure social and environmental sustainability and improve farm management. UTZ entered the tea sector in 2007; had its first certified tea producer in Malawi in 2009; and has since received support from several European tea brands, such as Pickwick and Messmer.<sup>9</sup> As a younger program, UTZ has rapidly increased the uptake of its tea certification since 2010, although its certified area has been much smaller than that of the two aforementioned programs. In China, UTZ remains largely unknown: As of 2016, it had only certified 1,040 hectares of tea farms in the country, with an estimated annual production volume of less than 3,000 metric tons (Lernoud et al. 2018).

Table 5.1 shows that, compared to their global reach, the three transnational programs have gained little traction in China's tea sector. The

**Table 5.1**

Uptake of sustainable tea certification (including organic certification)

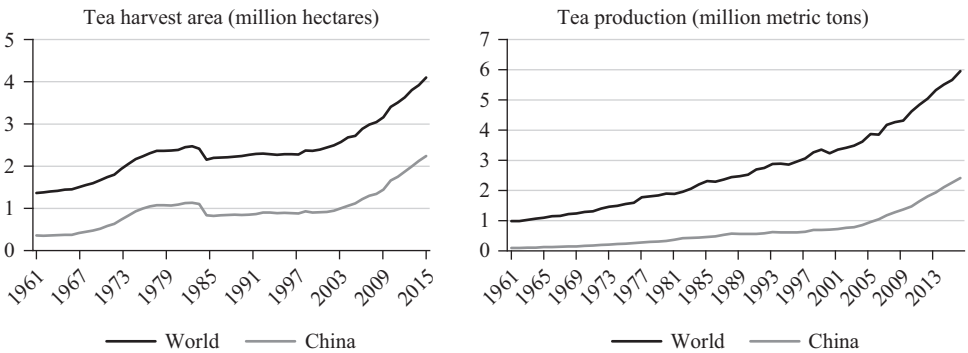
Certification program	Global reach	Uptake in China
Fairtrade International	3.1% of the global harvested area; 4.3% of the global production volume	0.1% of China's harvested area; 0.15% of China's production volume
Rainforest Alliance	11.4% of the global harvested area; 18.4% of the global production volume	0.28% of China's harvested area; 0.48% of China's production volume
UTZ	1.7% of the global harvested area; 2% of the global production volume	0.05% of China's harvested area; 0.13% of China's production volume
China National Organic Product Certification	2% of the global harvested area; 1.5% of the global production volume	2.1% of China's harvested area; 2.2% of China's production volume

*Note:* Data are as of 2016, drawn from Lernoud et al. (2018), and the percentages of the certified volume over the total production volume are calculated using the relevant data from FAO 2018a.

proportions of their certified areas and production volumes in China are all below 0.5%. By contrast, we find that organic certification, which has more stringent environmental standards than these programs promoting sustainable agriculture, is much more popular among Chinese tea producers. In fact, since the late 2000s, China has emerged as the world's leading producer country of organic tea (CNCA and China Agricultural University 2016; Lernoud et al. 2018). Nearly all organic tea producers in China have been certified by the national certification program run by the government, which has not been recognized by most foreign countries. This means that organic tea produced in China has been sold mainly domestically.<sup>10</sup> While the rise of organic tea certification in China has benefited from some supportive government policies, it also suggests important developments in China's tea industry that are relevant to sustainability governance (CNCA 2014). To understand the limits of transnational sustainability certification and the relative success of national organic certification in China's tea sector, we first consider the structural features of the Chinese industry.

### 5.2 Characteristics of China’s Tea Industry

For centuries, tea was produced exclusively in China, due to specific agro-climatic requirements and manufacturing processes that were unknown to the rest of the world. In the early seventeenth century, tea began to be exported to Europe by the East India Company and soon became a fashionable drink, especially in Britain. Growing tea consumption also caused large trade deficits for the British Empire with Qing China, which became a major cause of the First Opium War in 1839 and later led the East India Company to commission botanists to take tea seedlings from China for replantation in India (Rose 2010).<sup>11</sup> Hence, in the second half of the nineteenth century, many large-scale plantations emerged in British India and Ceylon, which challenged China’s position as the leading exporter in the global tea market (Gupta 2008). In the first half of the twentieth century, China’s production and export fell dramatically because of foreign invasion, civil war, and economic dislocation; it was only after the Communist Party took power that the tea industry slowly began to recover (Etherington and Forster 1993). Figure 5.1 illustrates the growth of the global and Chinese tea industries in the past half century. It shows that, since the mid-1980s, the tea harvest area and production volume in China increased by 2.5 times and 3.8 times, respectively, and this rapid expansion has been a key driver of the global tea market. While the rejuvenation of China’s tea sector has benefited from modern technologies and economies of scale, the

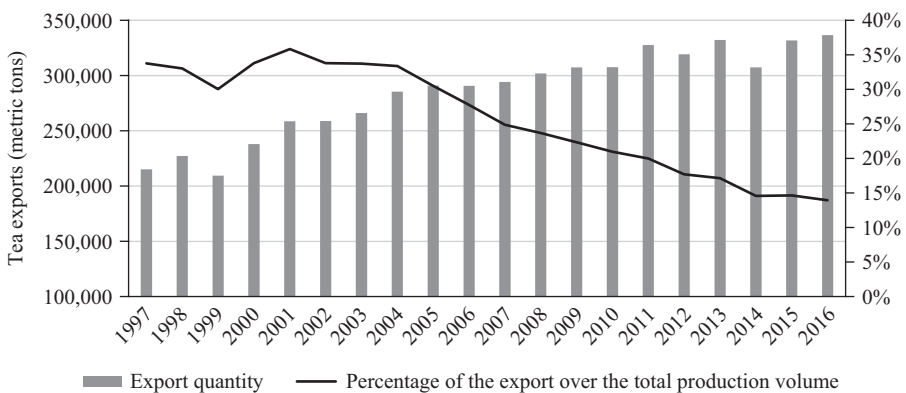


**Figure 5.1** Expansion of tea production in China and the world (1961–2016).  
*Data source:* FAO 2018a.

industry itself has several unique characteristics compared to those of other major producer countries. Three of these characteristics are likely to condition the rise of sustainable tea certification: trade patterns, degree of market concentration, and scale of production.

### 5.2.1 Trade Patterns: A Large Domestic Market and Rising South-South Trade

First, China's position in the global tea market has limited the influence of Northern buyers on Chinese producers' adoption of eco-certification. Although China had regained its position as the world's largest exporter country of tea in the mid-2010s in both volume and value, the relevant trade patterns have limited the exposure of its tea industry to the certification requirements of transnational market agents. In fact, as shown in figure 5.2, the importance of the export market for China's tea industry has continuously decreased from 35.8% in 2001 to only 13.9% in 2016. In other words, tea is no longer an export commodity for most Chinese producers. Meanwhile, the domestic tea market in China is huge and has grown very rapidly since the early 2000s. Between 2006 and 2013, the amount of tea consumed in China almost doubled, surpassing 1.6 million tons and accounting for one-third of the world's total consumption (Chang 2015).<sup>12</sup> Hence, for Chinese producers, more opportunities seem to exist in the domestic market.



**Figure 5.2**

Evolution of China's tea exports (1997–2016).

*Data source:* FAO 2018b.



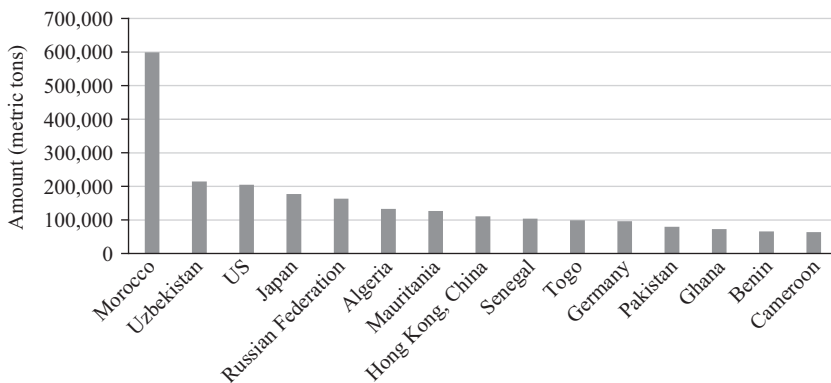
More importantly, the Chinese market has been increasingly more profitable than foreign markets, even those in developed countries, due to the special cultural meanings of tea. For the Chinese, tea is not just a hot beverage but a symbol of hospitality and entertainment, and it is therefore always considered to be a luxury consumer item (Etherington and Forster 1993). This unique understanding of the commodity is well reflected by the large gap between the price in China and that in the export market. According to estimates by the China Tea Marketing Association (CTMA 2017), in 2016, the average sales price in China's domestic market was RMB 110 per kilogram (around \$16.6), which was more than three times higher than the average export price (\$4.5). In fact, prices in the domestic market have been driven by a variety of high-end teas, for which 1 kilogram can cost more than \$1,000; by contrast, in the export market, Northern buyers offer lower prices in order to minimize the costs and compete against coffee and soft drinks.<sup>13</sup>

In addition, given the country's long history of production, the Chinese consume a much richer variety of teas than do consumers in the rest of the world. Beyond green and black teas, tea in China has been broadly classified into six categories according to different processing methods, and these classifications have been further refined by other product features, including the variety of bush, shape of the leaf, time of plucking, and region of production (Z. Chen and Yang 2011). Accordingly, for many Chinese producers, the value of their products can hardly be understood by foreign buyers and consumers, and as a result, these producers have focused on the domestic market. In that market, producers can also build their own brands by marketing their geographic origins and specific manufacture methods, whereas in Northern markets, they can only serve as suppliers to foreign buyers without any chance to promote their own brands.<sup>14</sup>

Relatedly, the tea culture in China has led to different consumption habits from those in developed markets. In Europe and North America, tea is mainly brewed using teabags made from broken tea leaves, which is usually blended and flavored. However, broken tea signals low quality in China, where most teas are in the form of dried whole leaves that are not blended with products from different regions and rarely have other flavors added. Hence, teas that are highly ranked in China have yet to become attractive to European consumers.<sup>15</sup> In other words, the products that Northern markets need the most require different types of leaves and manufacturing methods from those that are considered popular and of

high quality in China. This mismatch between China's supply and Northern markets' demand in terms of product categories has further limited the industry's export, because for many Chinese producers, expanding export business is not cost effective.<sup>16</sup>

Additionally, in China's export market, developing countries, not developed ones, have become major destinations for Chinese tea. Figure 5.3 shows the top 15 importers of Chinese tea by volume from 2007 to 2016. Africa has become the most important market for China's tea industry, representing more than half of the country's tea export by volume, and Morocco alone accounted for 20% of China's export in 2016. This market trend began in the early 2000s and has been driven by growing tea consumption in the developing world, especially in countries having large Muslim communities with whom tea is a highly popular beverage.<sup>17</sup> This expansion of Southern markets has been also coupled with strict food safety standards, such as the maximum residual limit of pesticides imposed by developed countries, which have further prevented Chinese producers from exporting tea products to Northern markets, especially the European Union (Wei, Huang, and Yang 2012; Yue et al. 2010). Considering both market changes and food safety regulations, many Chinese producers in the export market have decided to move their business to developing countries. More recently, China's Belt and Road Initiative has given another impetus for the expansion of China's tea export to Southern markets (Y. He 2015; Ministry of Agriculture 2016).



**Figure 5.3**

Major destinations of China's tea exports (2007–2016).

*Data source:* United Nations Comtrade database at <https://comtrade.un.org/data>.

### 5.2.2 Degree of Concentration: Lack of Dominant Brands

The second key feature of China's tea industry is horizontal fragmentation due to the rise of many local brands since the 1990s. This makes the Chinese market different from Northern markets, which are dominated by a small number of major brands in the downstream part of the supply chain. As mentioned above, this fragmentation is partly caused by the diversity in the categories of teas produced and marketed in China. As distinctive teas are grown and produced in 20 provinces and thousands of counties, horizontal integration is very costly and technically impossible, such that each producer or brand can only be specialized in a limited number of product categories.<sup>18</sup> China's rich tea culture has also made Chinese producers unwilling to follow the strategy of Northern brands of marketing tea products in a less differentiated way (Wu 2009).

Moreover, market reforms in China have further exacerbated this trend of fragmentation, as the state no longer has a monopoly on tea marketing. In the pre-reform era, China's tea industry had a centrally planned system, in which farmers sold their leaves to a dedicated government agency. The latter allocated raw materials to state-owned manufacturers, who then sent final products to trading companies that were also controlled by the government for distribution in the both domestic and export markets. But this system was completely dismantled by the market-oriented reforms in the late 1980s, which also led to the privatization of many tea manufacturing and trading companies. Subsequently, producers in different places began to market their products themselves, often by emphasizing their production regions, and this marketization process has generated thousands of small brands created by entrepreneurial farmers or manufacturers.<sup>19</sup> Hence, the industry has been highly fragmented since the 1990s in both the production and marketing stages of the supply chain. According to data reported by the Ministry of Agriculture in 2016, 90% of the 66,000 tea manufacturing companies in China remain small enterprises with an annual revenue of less than RMB 5 million (approximately \$750,000), and the sales value of the top hundred Chinese tea brands represents only 12% of the industry's total sales (Xinhua 2017a).

Seeing this fragmented structure, Western observers generally believe that "Lipton is more powerful than 70,000 Chinese tea companies" (Miller 2010). Some have even suggested that "the tea brand with the greatest market share in China is Lipton" (Sigley 2015: 336). However, these claims are not grounded in accurate data. Instead, in contrast with their dominance

in other markets, big Northern brands like Lipton have a very small market share in China, as they only offer teabags, which represented a mere 4% of the teas consumed by the Chinese and only 2% of the total sales in China's domestic market in 2014 (China Economic Net 2014; Yicai 2017). In other words, Northern-based multinational brands remain marginal in the Chinese tea market.

Moving to the retail stage, teas in China are sold through many different channels, including supermarkets, specialty stores, tourist shops, and e-commerce platforms, due to a wide variety of product grades (CTMA 2016). Moreover, as different varieties of teas have their own niche markets in specific regions, many producers have been able to establish long-term relationships with their major customers and directly supply them without going through other intermediaries. Indeed, in my survey conducted in 2017, direct sales were reported as the most popular sales channel by a nationally representative sample of Chinese organic tea producers (see table 5.2). In contrast, the same survey also suggests that the supermarket is not a key channel to sell tea in China. More recently, an increasing number of Chinese producers has joined the movement of e-commerce by opening their own online shops to sell tea products. Nonetheless, unlike the development in the seafood sector, large Chinese e-retailers have yet to invest in the tea market. In summary, the industry structures have remained highly fragmented across all stages of China's tea supply chain. According to hypothesis 4 in chapter 2, this characteristic is likely to remain a challenge for the rise of sustainable tea certification in China.

**Table 5.2**

Retail channels used by Chinese tea producers

Type of channels	Number of companies	Proportion of the total sample (%) ( $N=215$ )
Direct sales to regular customers	195	90.7
Supermarket	31	14.4
Specialty store	63	29.3
Membership subscription	26	12.1
E-commerce	101	47.0

*Note:* Companies were asked to indicate all channels they used in the survey, so the sum of the numbers in the second column of the table is more than 215.

*Data source:* Organic Tea Producer Survey.

### 5.2.3 Small Scale of Production but Increasing Vertical Integration

The third important characteristic of China's tea industry is the predominance of smallholders. The lack of economies of scale is reflected by the average yields of tea farms in China over the past two decades, which were much lower than those of other major producer countries (see figure 5.4). In fact, early research has shown that around 80% of tea land in China was operated by individuals or individual households on small farms after the introduction of land ownership reforms in the 1980s (Etherington and Forster 1993). In this respect, the land tenure system in the post-reform era has prevented Chinese tea farmers from consolidating their lands to form large plantations, which could help them increase productivity and improve quality (Miller 2010). As a result, many smallholders have struggled to secure the resources to adopt sustainability standards and market their products (Blackmore et al. 2012). Assessing this structural feature against the observable implication of hypothesis 4 on economies of scale, we can conclude that this relatively small scale of production is likely to hinder the adoption of eco-certification programs by Chinese tea producers.

However, two important caveats should be added to this pessimistic view on the potential of sustainable tea certification in China. First, in addition to the country's fragmented land tenure regime and the limited capability of farmers, low yields in China's tea industry have historical

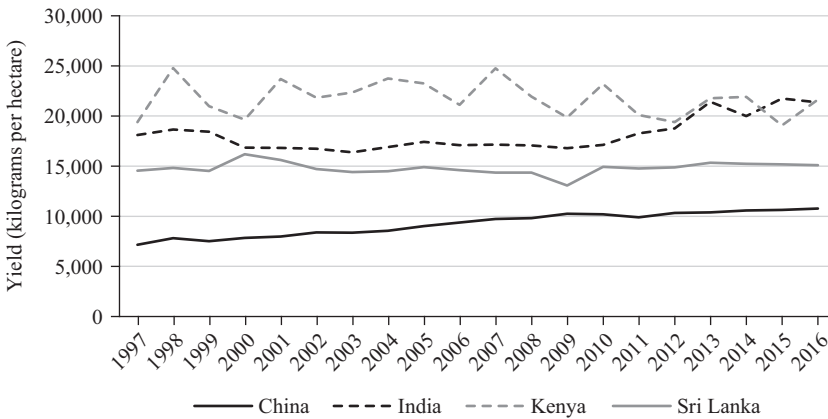


Figure 5.4

Tea production yields in major producer countries (1997–2016).

Data source: FAO 2018a.

roots that could be conducive to the rise of eco-certification. For thousands of years, tea production was a family affair, and except for experiments with state farms in the Mao era, was never associated with large plantations or estates having hired labor to maximize yield (Etherington and Forster 1993; Sigley 2015).<sup>20</sup> This origin is in stark contrast with tea plantations in the British Empire, which were established from the very beginning on an industrial scale to exploit cheap native labor and use “modern” agricultural techniques (Sharma 2011; Ellis, Coulton, and Mauger 2015). The tendency toward small-scale production also generated an important tradition among Chinese tea producers: valuing quality over quantity. Today, many Chinese producers still deliberately choose to cultivate on small farms using traditional methods to produce quality tea and targeting the high-end niche market within the country. For instance, during my visit in Anhui, a region well known for its high-quality green tea, the manager of a large tea company indicated that on most of their farms, tea leaves are plucked manually and only in spring, even though the company is financially capable of using mechanical harvesting machines to harvest in three seasons.<sup>21</sup> Considering this tradition, we can expect that small-scale production in China implies great attention to farm management rather than an emphasis on minimizing costs. For this reason, many Chinese producers may have a strong willingness to adopt sustainable practices.

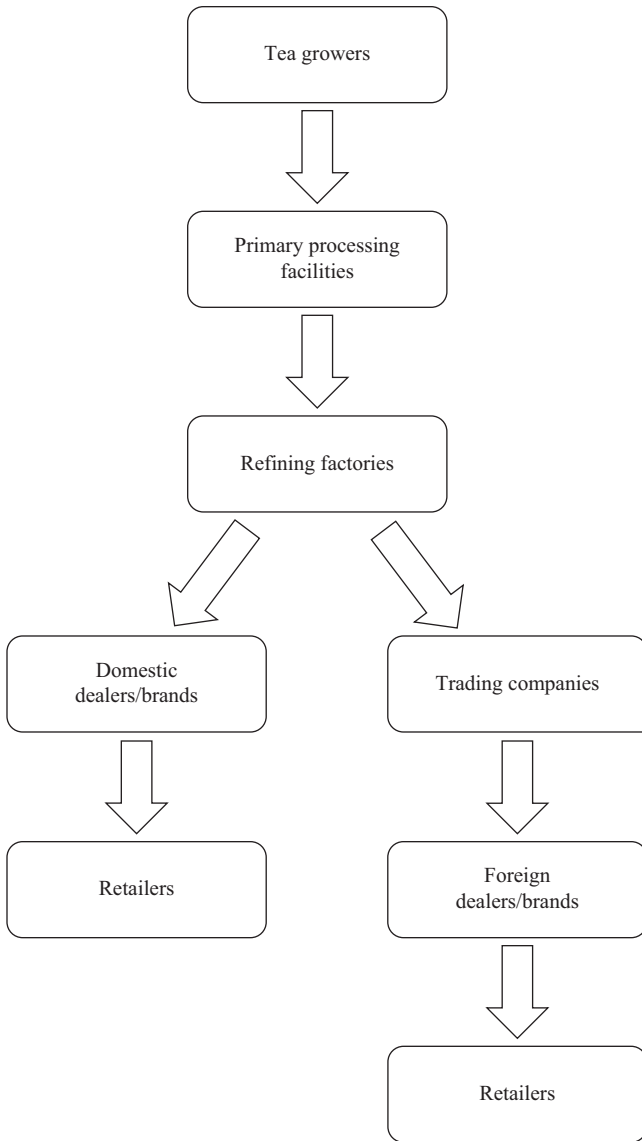
Second, over the past two decades, China’s tea industry has undergone fundamental changes with respect to the consolidation of producer organizations, which have significantly increased vertical integration in the supply chain. These changes have been driven by the Chinese government’s plan for rural development: Since the mid-2000s, the state has provided strong support for farmer professional cooperatives and farmland transfer to increase efficiency in agricultural production (H. Deng et al. 2010; Xinhua 2016; Z. Li 2017). At the same time, rapid urbanization in China has further facilitated the rise of large farms, as farmers (especially young people) who have migrated to cities are motivated to transfer their land use rights (Zhao et al. 2017). As a result, today Chinese farmers rarely grow tea individually as smallholders, but rather participate in professional cooperatives or simply transfer their land use rights to other farmers wanting to build larger farms.<sup>22</sup> These changes have been also conducive to vertical integration, as farmers’ professional cooperatives and large farms can more easily secure long-term contracts with processing companies. In many cases, owners of

large farms have created their own companies having vertically integrated supply chains that include their own farms, processing factories, and even sales departments.<sup>23</sup> Hence, for many tea companies in China, their capacity for vertical coordination along the supply chain, especially in the cultivation, processing, and refining stages, is no longer weak, and accordingly, they should not face serious technical challenges to establishing traceability systems and promoting new management methods. Additionally, vertically integrated companies having their own brands are likely to have incentives to use eco-certification to build their reputation in the market.

Figure 5.5 illustrates China's tea supply chain, and its structural features suggest a mixed picture of the potential for eco-certification. On one hand, the existence of a large domestic market, rising exports to developing countries, and the lack of leading brands are likely to limit the influence of Northern buyers and investors in China's tea industry and to increase the difficulty of transnational certification programs in engaging with domestic stakeholders. On the other hand, the industry's tradition of valuing quality over quantity and recent improvements in vertical coordination along the supply chain can be conducive to the adoption of eco-certification by Chinese companies. In short, the industry structure itself cannot fully explain the very low uptake of sustainable tea certification in China. Therefore, we must examine the agency and strategies of different stakeholders for introducing the relevant certification programs to the Chinese tea industry.

### **5.3 The Slow Growth of Sustainable Tea Certification without Any Domestic Champion**

This section investigates the entry and slow growth of sustainable tea certification in China. I highlight two findings. First, all certification programs on sustainable tea were initially introduced by Northern buyers or investors, which remain major sources of demand for eco-certification in China's tea industry.<sup>24</sup> Second, due to both the lack of their own interest in the Chinese market and the difficulty of finding domestic partners, transnational certification programs have been unable to closely engage with actors in China's state bureaucracy, and the lack of support from state actors has been a key contributor to the low uptake of sustainable tea certification in China. Below I first examine the development of Fairtrade certification



**Figure 5.5**  
Structure of China's tea supply chain.



in China, followed by RA and UTZ, and finally discuss the positions and actions of relevant domestic stakeholders.

### 5.3.1 Fairtrade

Fairtrade was the first transnational certification program to be introduced to Chinese tea producers by European buyers back in the late 1990s. The first Fairtrade-certified tea producer organization was in Wuyuan, a traditional production county in the Jiangxi province, well known for its high-quality green tea. Fairtrade certification was initially introduced to tea growers in Wuyuan through a local tea manufacturing company—Dazhangshan Organic Food Co., Ltd. (hereafter, “Dazhangshan”). The company was created in the 1990s by the former CEO of the Wuyuan county’s state-owned tea company after the government abolished the state’s monopoly over distribution and marketing in the tea sector.<sup>25</sup> Due to good ecological conditions and low-input farming practices on tea farms in Wuyuan, Dazhangshan’s products were selected by the China Green Food Development Center of the Ministry of Agriculture to be exhibited in organic food fairs in Europe in the mid-1990s. By 1997, the company had gotten the attention of Naturkost Ernst Weber GmbH, a Bavarian organic trading company, which visited tea farms in Wuyuan and helped the company get certified according to the German organic standard.<sup>26</sup>

In 1998, Dazhangshan began to export its certified organic tea to Europe. After the initial establishment of this sourcing relationship, the German buyers found the management system used by the company to organize organic production to be eligible for Fairtrade certification. As a tea manufacturer, Dazhangshan does not own farms but instead contracts with smallholders who grow tea. To ensure the adoption of organic farming practices by farmers, the company established a chain of responsibility system to form many production bases. Each base consists of a primary processing plant with farmers in the same area, and on each base, a farmer is assigned as the general manager to monitor production. This system is in line with Fairtrade standard for small-scale producers, which is used to certify smallholders who run their farm using their own family’s labor. Hence, in 2000, Dazhangshan was introduced to Fairtrade International by its German customer. It then formed an organic tea farmer association, uniting its contract suppliers, and applied for Fairtrade certification.

However, the first application was rejected by Fairtrade International. According to the company's chairperson, after the first audit, the lead auditor told him that the company had complied with all standards; but the auditor still anticipated a rejection due to Fairtrade's doubts about the compliance with the criterion on the democratic decision-making process in the farmer association in China's authoritarian context. The subsequent decision was in line with this expectation. In response, Dazhangshan reapplied the following year with the same dossier plus an English copy of the new Organic Law of the Villagers' Committees promulgated by the Chinese government in 1998, which introduced self-government and free elections at the village level.<sup>27</sup> This strategy proved useful: In 2001, the Dazhangshan Organic Tea Farmer Association became the first Fairtrade-certified producer organization in China. Since then, the company has maintained its compliance with both Fairtrade and organic standards.

Farmers in this association have benefited from Fairtrade certification as the relevant price premium has been used to support schools and students in their villages and to purchase organic fertilizers. Moreover, eco-certification has been critical for Dazhangshan to maintain a long-term relationship with its German buyer, securing its position in the European market. According to the company's estimate, as of the mid-2010s, its export volume represented more than half of China's total export of organic tea to the EU, making it the largest Fairtrade-certified producer in the country.<sup>28</sup> Over time, the economic benefits from eco-certification have also strengthened the company's identity as a Fairtrade and organic producer, such that all products it has produced are from Fairtrade-certified organic farms and are only for export to Northern markets.

Despite the early entry of Fairtrade certification in China's tea industry and the success of Dazhangshan, the program has subsequently made little progress in the country. Several factors have contributed to this puzzling outcome. First, as shown by the experience of Dazhangshan, Fairtrade International has been skeptical about the implementation of its standards in China because of the country's political system. This skepticism has significantly reduced Fairtrade International's interest in engaging with stakeholders in China and introducing its program to Chinese producers. Without collaboration with any state actors, the program has also worked in a gray area in China, as the auditing activities for the Fairtrade standard

were not accredited by the Chinese government. Moreover, by definition, Fairtrade aims to promote equitable North-South trade relationships, and therefore had little intention to penetrate Southern markets. As a result, Fairtrade International has never attempted to promote its program in China's domestic market, even if its goals of reducing poverty and promoting sustainability could also be championed by some Chinese tea consumers, especially those in the high-end niche market.<sup>29</sup> In fact, the program's local capacity in China has remained limited. To date, Fairtrade International has not yet created an office in Mainland China with full-time staff.<sup>30</sup> Fairtrade's weak organizational capacity in China has also increased the difficulty and cost for Chinese producers to adopt the relevant standards, as producers cannot receive adequate training and advice and must pay for auditors who are not based in China.

In short, the emergence of Fairtrade tea certification in China has been purely driven by Northern buyers, especially in the niche of organic production. Given the small size of China's export market, transnational market forces have been unable to significantly increase the uptake of Fairtrade certification. In addition, because of Fairtrade's market and political orientations, the program has made little effort to proactively reach out to Chinese stakeholders, who may be interested in sustainable production and consumption. Consequently, no actor in the Chinese state or industry has ever helped the program promote its standards in China.

### 5.3.2 RA and UTZ

RA was also introduced to Chinese tea producers by a Northern buyer: Unilever. In 2011, the multinational corporation began to introduce RA's sustainable tea certification in China in order to fulfill its commitment of globally sourcing tea in Lipton teabags from certified farms. To identify suppliers and facilitate the certification processes, Unilever partnered with local governments in some tea production regions in China. The first RA certificate in China was awarded in August 2012 to a 1,000-hectare tea farm in Lincang, Yunnan—a southwestern province in China famous for black tea. It was the outcome of collaboration among Unilever, RA, and the Department of Commerce of Yunnan's provincial government. In 2011, through the provincial Department of Commerce, Unilever and the municipal government of Lincang signed a MoU in which the company committed to source 2,000 to 3,000 tons of black tea from local farms, and, in response,

the local government agreed to provide support for the adoption of RA tea standards by local farmers and manufacturers (Department of Commerce of the Yunnan Province 2013). Accordingly, the local government assisted RA in reaching out to tea producers suitable for certification and organizing training for farmers, and it even covered part of certification costs.<sup>31</sup> Moreover, Yunnan's Department of Commerce also helped RA obtain permission from the national regulatory agency on certification for conducting audits in China. Since the issue of that first certificate, the local government in Lincang has continued its support for RA to promote sustainable tea certification: By the end of 2015, over 2,700 hectares of tea farms supplying four companies in Lincang were RA-certified (Xie and Li 2017).

In this case, the support of the governments in Yunnan and Lincang for a transnational certification program can be understood as a development strategy to boost exports and promote local industry, particularly as the province has remained relatively underdeveloped compared to China's coastal regions. Thus, local government officials have been "quite enthusiastic" to partner with RA, as the program "has demonstrated its contribution to local economy without touching any sensitive topics in China."<sup>32</sup> After the successful experience of collaborating with the government in Yunnan, Unilever and RA have subsequently pursued a similar strategy in other tea production regions. In July 2016, Unilever reached an agreement to build sustainably managed tea farms with the municipal government of Zunyi, in Guizhou, another southwestern province that has rapidly expanded its tea land area in recent years (China Development Gateway 2016). In this case, Unilever has also played the role of a foreign investor by supporting the establishment of new farms compliant with RA standards. But the ultimate impact of this project on sustainable tea production in China remains to be seen, as it only started in late 2016.

Besides working with local governments, RA has also gained support from Unilever's preexisting suppliers in China, who had to get certified to keep their buyer's orders. In such cases, RA-certified tea produced in China is mainly for export.<sup>33</sup> According to the owner of one of the largest Unilever suppliers in China, his company complied with RA standards without any support of the local government, but he had been compensated for the cost of certification by the higher sourcing prices offered by Unilever.<sup>34</sup> However, other than support from Unilever, RA itself has made little effort to promote its certification in China's tea industry. This is partly because of

the limited resources that the program has in the field: Since 2012, it has only hired two part-time project consultants in China for training farmers and for business engagement. The program has accredited a Chinese certification body to conduct all audits in China, but this certifier has been also unable to help RA market its tea certification.<sup>35</sup> Both consultants working for RA in China felt that there was a lack of opportunity to engage with state actors in China, as no specific bureau in the Chinese government oversees the tea industry and the industry also remains too small to gain attention in the Ministry of Agriculture.<sup>36</sup>

Therefore, the spread of RA tea certification in China largely has been driven by a Northern-based multinational company—Unilever—and the strategy of relying on this mechanism has quickly shown its limits. Despite having more certified producers than Fairtrade, the uptake of RA certification in China's tea industry remains insignificant due to the small sourcing volume of Unilever in the country. Of about two dozen RA-certified companies in China as of 2017, only two spontaneously sought certification to differentiate their products in the market instead of being driven by their buyers' sourcing requirements.<sup>37</sup> Additionally, for many producers, the incentive for implementing the relevant standards remains weak, as Unilever does not always purchase all of the tea produced on their certified farms.<sup>38</sup> In such situations, certified farms can no longer benefit from the price premium offered by Unilever and have to sell some of their products in a nondifferentiated way to buyers who do not ask for certified tea.

The case of UTZ is very similar to that for RA, although UTZ has relied on other, smaller Northern buyers to introduce its standards to Chinese producers engaging in the export market.<sup>39</sup> As for its local organizational capacity, the program only entered China in 2013 and has hired two local staff. With limited resources, it has lacked the capacity to engage with local stakeholders and so could not build collaborations with any industry associations or government agencies. Operating in China as a foreign NGO, UTZ's leadership has been cautious about coming to the attention of the Chinese government, and has therefore been hesitant to officially register in the country and has asked its local representatives to "keep a low profile."<sup>40</sup> Hence, as of mid-2017, UTZ has certified a very small number of tea producers in China due to the low demand of Northern buyers as well as the lack of domestic partners.

### 5.3.3 Positions and Actions of Chinese Stakeholders

The analysis above shows that all three transnational certification programs have largely relied on buyers based in the Global North to introduce their standards to Chinese tea producers. Although in the case of RA, the program has partnered with subnational governments in some production regions, this mechanism for spreading transnational governance has not yet become popular in China's tea industry, and its effect on the uptake of certified products in the market has been very limited. Indeed, beyond the few subnational governments discussed above, these transnational programs have not yet found supporters in China's state bureaucracy. However, some Chinese state or quasi-state actors, such as industrial associations, have interacted with transnational programs; unfortunately, for several reasons, they could neither effectively partner with the relevant programs nor provide strong support to incentivize businesses to get certified. I now discuss these domestic actors' positions on sustainable tea certification.

The most relevant Chinese actor in this respect is the China Tea Marketing Association (CTMA), a national association in the tea industry supervised by the All-China Federation of Supply and Marketing Cooperatives (ACFSMC), a ministry-level agency that used to play a central role in the purchase, processing, and sale of agricultural commodities before China introduced market-oriented reforms (Etherington and Forster 1993). The Association's members include enterprises, institutions, social groups, and individuals involved in different stages of China's tea supply chain.<sup>41</sup> In the late 2010s, the entry of sustainable tea certification in the Chinese industry has come to the attention of CTMA. In 2010, with the support of *Solidaridad* (a Dutch NGO), CTMA launched a project to develop a code of conduct on sustainable production, and in the following year, published "Guidelines on Sustainable Development of the Chinese Tea Industry," which draws on standards of relevant transnational certification programs (CTMA 2011). At first glance, CTMA's guidelines have shown the embryonic form of a home-grown standard system that could facilitate Chinese producers getting certified according to transnational programs, and practitioners involved in the project have even indicated the aspiration to further develop, based on the "Guidelines," a Chinese certification program.<sup>42</sup> However, since 2011, little progress has been made in promoting and implementing these guidelines, of which most stakeholders in the industry remain unaware. According

to an expert participating in the development of the “Guidelines,” CTMA did not have a clear follow-up plan but just wanted to use the project as a demonstration to follow the state’s general policy goals on sustainable development.<sup>43</sup>

The inability of CTMA to further promote the “Guidelines” throughout the industry and convince producers to adopt relevant practices suggests the lack of influence of this association in the market. In fact, unlike the seafood case discussed in chapter 3, where a national industry association is deemed highly important by businesses to represent their interests and communicate government policies, today, CTMA only plays a marginal role in China’s tea industry. As already mentioned, the Chinese government never formed a central agency for tea like India’s Tea Board to oversee the whole sector, but it did separate the regulation by three ministries: the Ministry of Agriculture for production, the ACFSMC for domestic business, and the MOFCOM for export.<sup>44</sup> Although the ACFSMC was once the most powerful government agency in China’s tea sector, able to determine output and export volumes, it gradually lost its monopoly on the distribution and marketing of tea in China’s post-reform era, as farmers no longer had to sell all their harvest to the state. The ACFSMC thus created CTMA in 1992 as a quasi-state agency with the hope of maintaining its influence in the tea industry. However, as a legacy organization from the planned economy era, CTMA has little influence in the market today.<sup>45</sup> Hence, it has not yet effectively implemented its guidelines, although it has been eager to develop a scheme to “localize or even replace” relevant transnational certification programs.<sup>46</sup>

To date, a focal industry association still does not exist in China’s tea industry, partly due to the fragmentation of the domestic regulatory architecture in this sector (Ding 2010). Accordingly, several associations sponsored by different state agencies coexist. These include, in addition to CTMA, China Tea Science Society (under the Chinese Association for Science and Technology and supported by the Chinese Academy of Agriculture); Chinese Teaman Friendship Association (supervised by the MOFCOM); and China International Tea Culture Institute (supervised by the Ministry of Agriculture). This regulatory structure has not only weakened the influence of each individual association but also increased the difficulty for transnational certification programs to seek partners in China’s state organization. From this perspective, the case of China’s tea industry is in line with hypothesis 7 on the conditions shaping the support of domestic state actors.

Moreover, the little interest that the Chinese government has displayed in the tea sector has also contributed to such fragmentation. In the post-reform era, the Ministry of Agriculture has actually been the most important state agency for the regulation of the tea industry. But until recently, the ministry's leadership had paid little attention to the crop because of the relatively small output value of tea compared to other commodities in China's agricultural sector.<sup>47</sup> As a result, the office responsible for tea in the Ministry of Agriculture has remained understaffed and lacks the capacity to coordinate different stakeholders along the supply chain to promote sustainable production and consumption.<sup>48</sup> For this reason, it does not seem too surprising that transnational actors have not engaged with officials in the Ministry of Agriculture, such that even those responsible for tea business in the ministry have little or no knowledge about eco-certification in the global market.<sup>49</sup>

Nonetheless, since the mid-2010s, the Chinese government seems to be paying increasing attention to tea, as the country's leadership has begun to promote China's tea culture on the diplomatic front (Sigley 2015; Xinhua and China Daily 2017). Observing this development, in 2016, the Ministry of Agriculture published an ambitious plan to strengthen China's tea industry, which includes a roadmap to promote sustainable production (Ministry of Agriculture 2016). In 2017, the ministry also took the lead in establishing the China Tea Industry Alliance, uniting 157 large tea companies and 34 research institutes to strengthen the industry and brand Chinese tea in the world market (Xinhua 2017b). While this is likely to create opportunities for the growth of sustainable tea certification, we have not yet seen any interaction between the Alliance and transnational certification programs.

Another noteworthy development in the industry concerns a recent initiative led by Chinese non-state actors to promote sustainable production. Seeing the rise of sustainable tea certification and Chinese producers' challenges in adopting sustainability standards, a group of agronomists, farm service providers, and product quality inspectors launched the "Tea Sustainability Union" in 2017 to help Chinese tea companies improve their farm management and monitor the production process.<sup>50</sup> Several transnational certification programs were also invited to join the Union and showed their interest in collaborating with relevant stakeholders. The initiative indeed shows the increasing awareness of sustainability standards and certification in China's tea industry and may provide opportunities for transnational



programs to increase their uptake in the country. But its ultimate impact remains to be seen.

The rapid growth in organic tea production in China may also be helpful to further spread transnational certifications that have a broader sustainability focus. Since the establishment of a national organic certification program in 2003, the area devoted to organic tea farms in China has increased more than ten-fold, making China the world's largest organic tea producer (CNCA 2014). In contrast with sustainable tea certification originating outside China, this movement for organic farming has benefited from various types of government support at different levels—the central government wants to reduce agro-chemical pollution through organic practices, while local governments are eager to use organics to brand products from their regions (CNCA and China Agricultural University 2016).<sup>51</sup> My survey of organic tea producers confirms the importance of such government support: More than 80% of the participants had received some type of support from local governments, including technical training, subsidies, and marketing assistance. While such support aims to promote organic production, it has also raised awareness of Chinese producers about sustainable production and made them familiar with the governance mode of eco-certification. As most producers do not solely engage in organic farming, those who have adopted, or have been trained to adopt, organic standards can more easily adopt other sustainability standards. In this sense, the growing attention to organic production and relevant policy support may have provided a fertile ground for the rise of sustainable tea certification. But the relevant transnational programs have yet to leverage this transformation to proactively promote themselves in China.

Table 5.3 summarizes the development paths of different governance initiatives promoting sustainable tea production in China. For the three transnational programs, Northern buyers have been the key driver of their uptake. In the case of RA, Unilever has also partnered with some local governments. On domestic initiatives, competitor schemes have yet to emerge in China, and the rise of organic certification may even offer opportunities for transnational programs having a broader sustainability focus. Unfortunately, transnational programs have not actively engaged with domestic stakeholders, nor have they gained the support of any influential actor in the Chinese state.

**Table 5.3**

Initiatives promoting sustainable production in China's tea industry

Initiative	Drivers	Collaborators
Fairtrade International	Northern trading companies	None
Rainforest Alliance	Unilever	Local governments in production regions (e.g., Yunnan, Guizhou)
UTZ	Northern tea brands	None
Guidelines on Sustainable Development of the Chinese Tea Industry	CTMA and Solidaridad	None
Tea Sustainability Union	Chinese agronomists, agricultural service providers, and quality inspectors	None
China Organic Certification	CNCA	Local governments, Ministry of Agriculture, Ministry of Environmental Protection (now Ministry of Ecology and Environment)

#### 5.4 The State as a Potential Driver: Evidence from a Survey Experiment

The analysis above shows that transnational eco-certification has gotten little traction in China's tea sector, although some conditions seem ripe for the rise of sustainable tea in the country. But what could motivate uncertified Chinese producers to adopt sustainability standards required by transnational programs? Can foreign markets or the policies of the Chinese government influence producers' decisions? The answers to these questions will shed light on the potential of sustainable tea certification in China and suggest useful strategies for relevant certification programs to increase their uptake. In the absence of observational data, I used a survey experiment with owners or senior managers of tea companies to identify the factors determining the interest of Chinese producers in sustainable tea certification. This study focuses on the most likely adopters of transnational eco-certification in China's tea industry: those who have engaged in organic farming, because they had prior knowledge of the governance mode of certification, and their existing practices tend to be close to the relevant standards.

The experiment was embedded in the Organic Tea Producer Survey conducted between December 2017 and June 2018, using a sample of 215 tea producing companies in 16 Chinese provinces (see more details on sampling in appendix C). Most companies ( $N=183$ ) participating in the survey have achieved vertical integration by linking tea farms with manufacturing factories, 24 companies focus only on growing tea, and eight companies focus only on processing and refining. These trends provide evidence of increasing vertical integration in the industry as discussed earlier in the chapter. In terms of ownership, 70.7% of the companies are owned by Chinese private entrepreneurs, 10.2% are state owned, and only 1.4% are owned by foreign investors. This largely reflects the landscape of the industry in the post-reform era. In addition, according to the Chinese government's statistical categorization in 2017, more than half of the companies in the sample are micro or small enterprises (i.e., with annual revenue less than RMB 5 million), and only 5% of companies participating in the survey are large agricultural enterprises (i.e., with annual revenue more than RMB 200 million). Although this generally represents the average size of companies in the industry, I recognize that the sample may be slightly biased toward rich companies that have the financial capacity to adopt organic practices. But this again suggests the sample represents a group of Chinese producers that are likely to adopt transnational certification.

In the survey, participants were asked to indicate their willingness to adopt sustainable tea certification, namely, one of the three transnational programs: Fairtrade, RA, and UTZ. The answer to this question, measured on a five-point Likert scale, was used as the outcome variable (*Interest*). The experimental setting allowed me to introduce an explanatory variable, which is the frame provided to respondents before the question on their interest in getting certified to sustainable agriculture standards (*Frame*). Here, survey participants were randomly assigned to one of the three groups. They were asked to read a text about sustainable agriculture certification proposed by Fairtrade, RA, or UTZ. Respondents in the first treatment group received information indicating synergies between eco-certification and the Chinese government's goals on sustainable development, as well as government support for the adoption of relevant standards. The second group read a different paragraph, which highlighted the demand for certified products in developed countries and the benefits of gaining access to foreign markets from getting certified. The third group was used as a

placebo control: They received the text for a general introduction to sustainable agricultural certification. Through this framing experiment, we can assess whether Northern buyers and the Chinese state can drive tea producers to adopt transnational eco-certification, as suggested by hypothesis 1 and hypothesis 5 in chapter 2. To ensure that respondents paid enough attention to the frame and reacted immediately to the following question, I screened out respondents who spent too little (less than 3 minutes) or too much (more than 30 minutes) time on the survey. The final sample includes 51 valid observations in each group.<sup>52</sup>

In addition to the frames, I added some covariates reflecting the structural conditions that may constrain companies' capacities to adopt eco-certification. The ownership of companies (state-owned enterprises were used as the baseline) was included in the statistical model to test whether foreign-invested companies are more willing to use eco-certification (which was expected by hypothesis 2). Moreover, to take into account the strategy of certification programs (hypothesis 3) and the influence of industry associations (hypothesis 6), I asked every participant to indicate the frequency of their interactions with industry associations they belong to (*Interaction association*) and environmental NGOs (including certification programs) (*Interaction NGOs*). This variable allows me to assess whether frequent interactions with these stakeholders increase companies' interest in eco-certification. Following hypothesis 4, I considered companies' financial capacity (*Revenue*) and scale of production (*Production area*). Another variable in this respect is the current practices adopted by producers, as those whose practices are close to new standards are more likely to become certified. I used the number of years for which companies have been certified to organic standards as a proxy to measure this variable (*Years*), as practices of producers who have engaged in organic farming for a long time are likely to be closer to relevant sustainability standards. Finally, as additional controls, I considered companies' prior experiences with organic production. Two variables are used in this respect. The first one is the proportion of organic tea to the total production volume (*Organic proportion*), as companies who have decided to focus on organic production may find it unnecessary to be certified to additional programs. The second one is the impact of organic production on companies' benefits (*Benefit change*), as those receiving economic benefits from organic certification may have a good impression of eco-certification in general and support other programs.

Turning to the results, sustainable tea certification seems attractive for most companies participating in the survey. The mean score of *Interest* is 4.2, implying that Chinese tea producers—at least those who have knowledge about the governance mode of eco-certification and have adopted relatively high standards—are not antagonistic to transnational programs having a broader sustainability focus. Table 5.4 shows the statistical results on the factors shaping companies' interest in sustainable tea certification, from the

**Table 5.4**  
Determinants of Chinese companies' interest in joining sustainable tea certification

	(1)	(2)	(3)	(4)	(5)	(6)
	OLS	OLS	OLS	Ordinal logit	Ordinal logit	Ordinal logit
1. Frame	0.472* (2.45)	0.470* (2.55)	0.502** (2.67)	0.910* (2.31)	0.934* (2.27)	1.049* (2.46)
2. Frame	0.335 (1.76)	0.355 (1.91)	0.392* (2.07)	0.613 (1.59)	0.683 (1.65)	0.779 (1.84)
Revenue	0.0933 (1.38)	-0.0141 (-0.20)	-0.0317 (-0.44)	0.149 (1.07)	-0.00360 (-0.02)	-0.0431 (-0.28)
Production area	-0.0313 (-0.83)	-0.0363 (-0.99)	-0.0326 (-0.88)	-0.0831 (-1.10)	-0.132 (-1.60)	-0.123 (-1.48)
Years	-0.0524*** (-3.71)	0.0539*** (-3.69)	-0.0514*** (-3.47)	-0.117*** (-3.92)	-0.133*** (-3.90)	-0.129*** (-3.75)
2. Ownership (township/ village)		-0.317 (-0.73)	-0.292 (-0.67)		-0.692 (-0.75)	-0.654 (-0.70)
3. Ownership (joint-stock)		-0.321 (-1.00)	-0.256 (-0.78)		-0.485 (-0.67)	-0.323 (-0.44)
4. Ownership (foreign- invested)		0.275 (0.39)	0.254 (0.36)		15.31 (0.01)	15.34 (0.01)
5. Ownership (individuals)		-0.490 (-1.77)	-0.458 (-1.63)		-1.022 (-1.76)	-0.980 (-1.67)
Interaction association		0.0787 (0.95)	0.0740 (0.88)		0.167 (0.92)	0.142 (0.77)
Interaction ENGOS		0.223*** (3.45)	0.215** (3.29)		0.484*** (3.40)	0.472*** (3.29)
Organic proportion			-0.0356 (-0.71)			-0.0539 (-0.49)
Benefit change			0.0961 (0.83)			0.274 (1.05)
N	153	153	153	153	153	153

Note: *t* statistics in parentheses; OLS, ordinary least squares. \*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$ .

models of ordinary least squares and ordinal logistic regression.<sup>53</sup> The two models yield very similar results. For the framing experiment, the first frame, which aligns eco-certification with the Chinese government's policy goals, always has statistically significant and substantively strong positive effects. According to the coefficient in column 3 in table 5.4, this frame can increase companies' intention to adopt eco-certification by 0.5 on a 5-point scale (i.e., moving companies from being just "somewhat interested" to almost "very interested"). Likewise, the marginal effect in the ordinal logistic regression (column 6) suggests that companies receiving this treatment are 25% more likely to be "very interested" ( $Interest=5$ ) in joining sustainable tea certification than those in the control group, and 7% more likely than those reading the second frame. In contrast, in all models except that in column 3, the frame emphasizing the benefits of expanding international business cannot motivate Chinese tea companies to become certified. This result provides further evidence of the limited influence of foreign markets on China's tea industry, showing that many producers have little or no interest in export, probably because of the low prices offered by foreign buyers. Therefore, the experimental results suggest that in China's tea sector, highlighting the benefit of eco-certification for the achievement of domestic policy goals on sustainable development and gaining government support should be an effective strategy to increase the uptake of transnational governance.

The analysis also finds no influence of foreign investment, as companies' ownership has insignificant impact on their intention to adopt certification. This result might be caused by the existence of only a few foreign-invested companies in the sample. But this scarcity indeed reflects the dominance of domestic companies in the sector. Accordingly, foreign investment can hardly become a key driver of sustainable tea certification in China. When considering businesses' relationships with other stakeholders, in all model specifications, the coefficient of *Interaction NGOs* remains positive and statistically significant, meaning that companies interacting frequently with environmental NGOs are more interested in transnational eco-certification. As certification programs and their NGO supporters are all labeled as environmental NGOs, this finding lends support to hypothesis 3 by showing that proactive engagement of these actors can incentivize Chinese companies to adopt relevant sustainability standards. In contrast, the variable *Interaction association* has no significant result, confirming the lack of influential industry associations in China's tea sector.

The variable reflecting companies' current practices merits additional attention. The number of years that companies have engaged in organic farming has statistically negative effects on their interest in getting certified to additional transnational programs. This result can be interpreted as the possibility that producers committed to organic production find it unnecessary to use other programs to improve their production, whereas those who are new to organic certification are more interested in trying other standards. For certification programs aiming to increase their influence in China, the implication is therefore to better target producers who have recently improved their practices through organic certification but are still open to other standards having a broader scope of sustainability. Lastly, companies' revenue and production area did not have significant effects, possibly due to little variation in these variables. Given that my sample reflects the dominance of small enterprises in China's tea industry, these findings suggest that small-scale production should not be a barrier to generating incentives for Chinese tea producers to consider eco-certification.

To summarize, my survey of organic tea producing companies shows that the most likely route to increase the uptake of sustainable tea certification in China is to highlight the resonance of transnational programs with domestic policy goals and gain some government support. While my findings are in line with hypothesis 5 on the importance of subnational governments' support in driving the spread of eco-certification, they show no influence of Northern buyers (hypothesis 1), foreign investment (hypothesis 2), and industry associations (hypothesis 6) in the tea sector. However, the proactive communication strategies of transnational programs and their NGO supporters still seem helpful, as companies frequently interacting with these actors show stronger interest in eco-certification.

## 5.5 Conclusion

While sustainable tea certification holds promise for reducing environmental impacts, protecting labor rights, and improving the livelihoods of farmers and workers, the relevant programs have made little progress in the world's largest tea producing and consuming country—China. This outcome is even more striking when compared to the rapid increase in certified area and production volume around the world. This chapter identifies the factors contributing to the stagnation of sustainable tea certification in China in the past two decades.

Examining the structure of China's tea supply chain, the chapter first shows that the existence of a large domestic market lacking big brands and economies of scale presents challenges for transnational certification programs to gain traction in China. These structural factors provide some evidence supporting hypothesis 4 on the fit between domestic industry structure and transnational governance. Yet they cannot fully explain the unsuccessful experiences of the relevant transnational programs, as the recent rise of branded Chinese producers, with increased vertical integration and their tradition of valuing quality, are conducive to the adoption of eco-certification. Hence, the more important factors are the strategies of these certification programs in China and the position of domestic stakeholders. By investigating the processes through which different programs entered China, I find that sustainable tea certification has only reached out to a few Chinese producers supplying Northern brands; in the meantime, the relevant programs have not proactively promoted their standards in the country and have not sought support from actors in China's state bureaucracy. As a result, sustainable tea certification remains unknown to nearly all Chinese producers and consumers. Considering the hypotheses specified in chapter 2, we can conclude that transnational market forces identified by hypothesis 1 and hypothesis 2 have been weak in promoting sustainable tea certification in China, and the proactive engagement of certification programs identified by hypothesis 3 also has been missing. As suggested by hypothesis 5, we have seen cases of support from some subnational governments for transnational certification programs to boost the local economy. But unlike the seafood and palm oil sectors, there was no endorsement by a quasi-state industry association for sustainability certification in the tea sector, partly due to the fragmented regulatory system for the commodity in China and the lack of engagement of transnational actors, as suggested by hypothesis 7.

Despite the lack of progress in the past two decades, sustainable tea certification may still have a promising future in China's growing tea industry. The insights drawn from the Organic Tea Producer Survey suggest that Chinese producers do not lack interest in transnational certification programs, and the way in which the benefits of certification are framed influence their willingness to adopt new standards. Given a large, highly profitable domestic market in China, most producers do not want to use certification to expand exports; instead, they are likely to support certification programs that resonate with domestic policy goals and are endorsed and assisted by



the Chinese state. This finding again confirms the importance of support from various levels of the government, especially at the subnational level, in the spread of transnational governance in China—a mechanism implied by hypothesis 5. Moreover, in line with hypothesis 3, the survey also shows that the interest of Chinese producers in sustainable tea certification is associated with the interaction with environmental NGOs, including certification programs.

My mixed-method analysis sheds new light on the future of sustainable tea in China. For the relevant certification programs to reach the world's largest market, they need to better show the synergies of their standards with domestic policy goals and engage with state actors to gain support. For instance, China included a plan to achieve “zero growth of fertilizer and pesticide utilization by 2020” in their nationally determined contribution for the Paris Agreement, and sustainable tea certification could help achieve this goal as well as promote further sustainability transitions in the tea industry (National Development and Reform Commission 2015). In addition to state actors, transnational programs could also seek support from non-state actors in China and build linkages between sustainable production and food safety. In fact, the issue of chemical residuals in tea leaves already has been brought to the attention of the Chinese public by environmental NGOs like Greenpeace and has become a major concern of tea consumers in China (Greenpeace 2012, 2016). In this context, more and more producers may want to use eco-certification to gain consumer trust. If certification programs aim to transform the global tea supply chain, they need to proactively promote their standards in China and strategically engage with domestic stakeholders.

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agriculture—Certification—China. | Business logistics—Environmental

aspects—China. | Social responsibility of business—China. |

Transnationalism.

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