

A Study on “Greenwashing” Behavior of Export Enterprises from the Perspective of International Green Trade

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Abstract: This work examines the legal and reputational risks of “greenwashing” faced by Chinese export enterprises under evolving EU environmental compliance frameworks. It centers on the case of SHEIN’s 2025 fines in Italy and France for misleading environmental statements, arguing that such incidents transcend mere marketing failures and reveal systemic deficiencies in legal compliance. As the European Union strengthens its regulatory regime through instruments like the Green Claims Directive, merely symbolic or exaggerated environmental claims become increasingly untenable. The paper argues that for sustainable market access, Chinese exporters must proactively internalize these external green trade rules into their corporate governance structures. Specifically, it emphasizes the critical need for robust, verifiable ESG (Environmental, Social, and Governance) information disclosure systems and the alignment of external communications with actual operational practices. The research concludes that transcending superficial promotion and embedding substantive environmental compliance is not only a legal imperative for risk mitigation but also a strategic cornerstone for long-term competitiveness and sustainable development in the global marketplace. This shift represents a crucial adaptation for Chinese firms navigating the intersection of international trade, environmental regulation, and corporate accountability.

Keywords: Greenwashing; International Trade; Export Enterprises; Energy and Environmental Law.

1. The Legal Compliance Crisis Behind the SHEIN “Greenwashing” Penalty Case

In August 2025, SHEIN, a Chinese fast-fashion export company, received significant fines in Italy and France. The core reason was that its environmental declarations violated EU regulations, as its sustainability claims were found to be misleading. This event clearly demonstrates that within the EU market, corporate communications regarding environmental and sustainable concepts are no longer merely a matter of voluntary marketing strategy. They have entered a compliance domain defined by rigorous legal standards. The “greenwashing” practices of export enterprises are now being classified by EU enforcement authorities under regulations such as the *Unfair Commercial Practices Directive* and the *Green Claims Directive* as actions that may constitute fraud, consumer deception, or unfair competition.

Consequently, a critical question arises: why do Chinese export enterprises, exemplified by SHEIN, continue to encounter compliance pitfalls in this area, despite the EU’s use of green trade regulations as legal instruments? On the surface, this seems to result from a delayed corporate response to international rules and inadequate marketing strategies. However, it reveals a deeper systemic dilemma. The primary challenge is an internal corporate deficiency: many enterprises have not established effective compliance management systems that successfully “internalize” externally imposed green regulations. ESG disclosures often remain disconnected from actual business operations, creating a gap between public “claims” and on-the-ground “practices.” This discrepancy renders any environmental statement made by an export company vulnerable to “greenwashing” suspicions due to a lack of verifiable,

systematic evidence and robust internal oversight.

2. Research Status on “Greenwashing” Behavior of Export Enterprises

2.1. Domestic Research Status

Academic research on corporate “greenwashing” has intensified in recent years. From the perspective of causal analysis, scholars generally agree that “greenwashing” stems from a combination of internal and external factors. Zhang Xinyi et al. identify three primary motivations for export enterprises: the public relations motive linked to social responsibility; motives arising from regulatory gaps and insufficient supervision; and herd behavior driven by industry standards and competitive pressure[1]. The author argues that in markets that favor environmentally friendly products, the drive for greenwashing includes making exaggerated claims for public relations purposes. This behavior can influence the communication strategies of other firms, thereby creating opportunities for disseminating unsubstantiated information in ESG reporting.

From a governance perspective, existing research focuses on strengthening internal corporate governance structures. Chen Jinyu et al. propose that implementing a “top-level commitment principle,” enhancing the competence and oversight responsibilities of boards of directors and supervisory boards, proactively disclosing third-party-assured ESG reports, and cultivating an ethical and environmentally conscious corporate culture can effectively curb “greenwashing”[2]. Strengthening internal supervision of “greenwashing” not only improves the quality of ESG reports but also, by reinforcing the roles of boards and supervisors, contributes to better internal governance and long-term economic performance.

Regarding the consequences, research highlights the severe impacts of “greenwashing.” Zhou Dapeng outlines three main effects: first, it distorts ESG information, leading investors and the market to misjudge a company’s true value; second, its deceptive marketing causes consumers and clients to form incorrect perceptions of the “greenwashing” company’s products, services, or overall image; third, it may expose multinational corporations to significant overseas operational risks. Failure to comply with host-country environmental regulations and being labeled as engaging in “greenwashing” can attract attacks from competitors and severely damage corporate reputation[3]. The SHEIN penalty case confirms the substantial negative impacts: both financial and reputational that result from “greenwashing” claims. Moreover, such false claims mislead the market and consumers, ultimately hindering the sustainable, long-term development of export enterprises.

2.2. Foreign Research Status

International research addresses similar themes but tends to emphasize empirical validation and institutional design, paying particular attention to the role of the external regulatory environment.

In terms of influencing factors, studies go beyond internal motives to examine specific mechanisms. Hongjun Sun et al. find that management corruption effectively promotes ESG “greenwashing”, and this effect diminishes when external regulatory pressure increases[4]. The author posits that when corruption impedes effective decision-making by corporate boards and supervisory oversight is weak, “greenwashing” is likely to occur in the pursuit of profit.

Regarding potential solutions, research demonstrates a deep exploration of market-based and contractual instruments. Xiumei Liu et al. indicate that firms adopting ESG-linked contracts tend to receive more environmental subsidies and benefit from lower debt costs, exhibiting better financial performance and reduced volatility. While a general “greenwashing effect” may persist, ESG contracting can positively influence firms that genuinely prioritize ESG measures, thereby reconciling the dual outcomes of effective contracting and potential greenwashing[5]. The author contends that ESG contracting can provide effective guidance for multinational enterprises in their export activities, reducing the risk of being accused of “greenwashing” in marketing, thus helping to avoid substantial fines and reputational harm.

3. Internalizing External Rules as the Core Solution to Enterprise “Greenwashing”

3.1. Research Summary

A synthesis of existing literature shows that scholars globally have explored the motivations, impacts, and governance of export enterprise “greenwashing” from multiple angles. There is a consensus that “greenwashing” is driven by a mix of internal and external factors. Research also indicates that “greenwashing” can distort the authenticity of ESG information, misleading investors and consumers, disrupting market order, and potentially exposing firms to severe overseas legal risks (such as heavy fines) and reputational crises, which threaten their long-term viability. Proposed governance solutions primarily follow two directions: strengthening internal corporate governance

mechanisms, and utilizing external market and contractual tools.

3.2. Research Gaps

Despite existing scholarship, several areas warrant further exploration. First, regarding research focus, many studies concentrate on corporate governance aspects, such as executive oversight. However, detailed analysis and response strategies addressing the specific legal compliance risks triggered by multinational “greenwashing” that particularly under frameworks like international trade law and specific EU regulations that remain underdeveloped. Second, concerning governance frameworks, existing countermeasures sometimes reveal an “internal-external disconnect”: domestic research predominantly emphasizes perfecting internal governance but offers limited discussion on how to seamlessly integrate external mandatory regulations into a company’s routine compliance operations. Furthermore, while acknowledging external pressures, there is insufficient focus on the unique challenges faced by Chinese exporters in unfamiliar legal environments and on developing systematic solutions tailored to their context.

3.3. Core Argument

To address these gaps, this study argues that the fundamental solution lies in internalizing external rules to eradicate “greenwashing” among export enterprises. For businesses, the key is to shift from passive reaction to proactive internalization. This requires abandoning the outdated view of green communication as mere marketing “packaging” and instead treating it as a mandatory constraint integrated throughout production and operational processes. In the article Corporate Governance Transformation and Reshaping Under ESG Guidance, Du Ben points out that with the growing recognition of ESG in the capital markets, ESG, as a new investment philosophy and corporate evaluation criterion, has become an important factor for investors in making investment decisions. Companies make investments based on assessment results from rating agencies, and both parties in a transaction also tend to prefer companies with favorable ESG ratings as their counterparties[6]. Accordingly, enterprises must first establish mechanisms to routinely monitor and interpret regulatory developments in key target markets like the EU, genuinely understanding the rationale behind these rules. Secondly, they should use these external standards to redesign internal management processes backwards, such as establishing traceable and verifiable ESG information disclosure systems for every stage from manufacturing to marketing. This ensures every external claim is substantiated by credible internal evidence. Finally, information disclosure must adhere to a principle of prudence, replacing vague, absolute promotional language with clear, verifiable facts and data, while actively seeking third-party verification to rebuild trust through transparency.

4. Constructing a Pathway to Internalize External Rules and Eradicate “Greenwashing”

Liberating Chinese export enterprises from the “greenwashing” dilemma requires establishing a governance mechanism with coordinated internal and external linkages. In essence, international green rules must be genuinely woven into the fabric of daily corporate operations and institutional

design, eliminating the habitat for false claims.

Enterprises must first transform their mindset, moving beyond treating environmental promotion as simple market packaging. They must develop a thorough understanding of the evolving regulatory landscape in their overseas markets. For instance, tracking new stipulations under the EU's *Green Claims Directive* and analyzing cases deemed violations necessitates dedicated teams for continuous research. More critically, companies must restructure their internal management according to these rules, such as implementing traceable and verifiable record-keeping systems for every step from material selection and production methods to logistics. For example, a claim of "30% carbon reduction" must be demonstrable through specific evidence of technological upgrades and standardized energy consumption data. Ultimately, external communication should be grounded in fact, prioritizing verifiable data and authoritative certifications over ambiguous terms like "eco-friendly" or "green", using transparency and evidence to earn trust.

In this context, the strategic shifts undertaken by fellow fast-fashion brands Zara and H&M serve as instructive examples. From a macro perspective, their transformations can be viewed as corporate adaptations driven by the EU's increasingly stringent environmental regulations. Recent EU legislation, such as the *Ecodesign for Sustainable Products Regulation*, has systematically constructed a regulatory framework emphasizing comprehensive product lifecycle management. The "Extended Producer Responsibility" embedded within it explicitly extends accountability for textile waste management to producers and sellers. France's pioneering *Anti-Fast Fashion Law* further introduced a public "eco-score" system, directly channeling regulatory pressure to the consumer end. These legally binding regulations collectively form a new set of market access and competition rules, compelling companies to move beyond vague environmental marketing rhetoric and fundamentally rethink their business models. Consequently, Zara launched its official second-hand platform "Zara Pre-owned", and H&M consistently expanded its "Conscious Choice" product lines utilizing recycled materials. At their core, these initiatives translate external legal mandates, just like "extending product lifespan" and "enhancing material circularity" that into verifiable, new operational segments within the corporate structure. They exemplify the central logic for contemporary enterprises confronting green trade barriers: leading firms are no longer merely evading penalties but are proactively

internalizing regulatory pressures to drive innovation in product design, supply chain management, and business models, thereby discovering new growth avenues within the bounds of compliance. This reaffirms that "internalizing external rules" constitutes the fundamental pathway for building sustainable international competitiveness.

5. Conclusion

The key to addressing "greenwashing" lies in enterprises fundamentally shifting from "external compliance" to "internal transformation". This requires a complete abandonment of the outdated mindset that treats environmental claims as mere marketing rhetoric. Instead, companies must proactively integrate international standards deeply into their entire value chain, from product design to end sales, establishing a traceable and verifiable closed-loop management system. Only by ensuring that every environmental claim is supported by robust internal processes and data, and can withstand the strictest scrutiny, can enterprises transform regulatory pressure into genuine green competitiveness. This approach builds enduring trust in the international market and paves the way for sustainable development.

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