

Recommendations contained on pages 9 & 10



global witness

A Disharmonious Trade

China and the continued destruction of Burma's northern frontier forests

A Review by Global Witness: 2006-09. October 2009

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2 PREFACE

On 2 March 1962, General Ne Win seized power establishing a military dictatorship and one party rule under the Burma Socialist Programme Party. Burma^{a1} is currently run by the military in the form of the State Peace and Development Council (SPDC).^{a2} The human rights abuses committed by the regime, in particular against the ethnic minority peoples, have been well documented and are abhorrent.^{a3}

According to the United Nations Special Rapporteur on the Situation of Human Rights in Myanmar, Tomás Ojea Quintana, there are, “[...] *more than 2,100 prisoners of conscience in Myanmar*”.^{a4, 1} Burma’s most high profile prisoner, Aung San Suu Kyi, has spent 14 of the last 19 years under house arrest. On 11 August 2009 Aung San Suu Kyi was sentenced to a further 18 months under house arrest. The legal process, described as a ‘show trial’ by U.S. President Barack Obama,² has been widely condemned by the international community.³ UN Secretary General Ban Ki-moon said the case brought into question the, “*credibility of the political process*” in Burma.⁴

Global Witness supports efforts to achieve a peaceful transition to a legitimate civilian system of

government in Burma. To this end, the international community should support the SPDC’s goal of ensuring that the parliamentary elections planned for 2010 are both free and fair. These elections should be transparent, inclusive, and based on international standards. This will not be possible so long as Aung San Suu Kyi and other political prisoners are in jail. The SPDC, pursuant to its stated goals of holding free and fair elections and building a modern, developed, and democratic nation, should free all political prisoners and detainees.

In 2007-08, timber was the SPDC’s fourth most important export commodity earning it US\$538 in legal foreign exchange.⁵ Foreign exchange earnings, derived from the sale of timber and other natural resources, are important to the regime because international trade is almost exclusively conducted in hard currency, usually U.S. dollars. By buying timber from official SPDC sources, even timber produced in accordance with Burma’s forest laws, companies are contributing directly to the finances of the military regime with all the consequences that that entails. The link between timber revenue and the regime’s violent repression on civilians will only be broken once the human rights abuses stop. In the meantime, socially responsible companies should not buy timber directly from official sources or via third parties.



Teak logs in Rangoon

^{a1} The military government renamed the country Myanmar, the name subsequently used by the United Nations, in 1989. In this report however, Global Witness will use Burma. Myanmar will only be used where it is quoted by name.

^{a2} Formerly the State Law and Order Restoration Council (SLORC)

^{a3} For further information on the human rights situation in Burma please see the “Report of the Special Rapporteur on the situation of human rights in Myanmar, Tomás Ojea Quintana, A/HRC/10/19”; 11 March 2009, from: <http://www2.ohchr.org/english/bodies/hrcouncil/docs/10session/A.HRC.10.19.pdf>
Please see also UN Resolution 10/27 'Situation of human rights in Myanmar' adopted without a vote by the Human Rights Council; 27 March 2009, from: http://www2.ohchr.org/english/bodies/hrcouncil/docs/10session/Unedited_versionL.11Revised.doc

3 INTRODUCTION

“Logging is very bad for the environment. Chopping down too many trees will cause lots of disasters, for example, causing floods. People should learn to protect the environment. I have learned that in school. I am top of my class.” Ten year old school girl, Pian Ma, Nujiang Prefecture, Yunnan Province, China, April 2007

The Chinese government aspires to achieve a ‘harmonious society’ (héxié shèhuì) by 2020. The application of President Hu Jintao’s political doctrine, which seeks to address some of the social and environmental concerns associated with China’s economic growth, could not be more pertinent to the issue of natural resource exploitation. The continued destruction of Burma’s northern frontier forests, largely by Chinese companies, provides a striking counterpoint to that vision.

Although it is mainly the responsibility of the authorities in Burma to combat illegal and unsustainable logging in Kachin State, given the fact that the vast majority of the timber is exported to China, the Chinese authorities are ideally placed to help. It is also in China’s long term self-interest to end the logging in northern Burma and the over-reliance of its border prefectures on Burma’s natural resources. For these reasons, this report, ‘*A Disharmonious trade – China and the continued destruction of Burma’s northern frontier forests – a review: 2006-09*’, is aimed largely at the Chinese authorities, both locally, at a provincial level, and in the capital Beijing. Indeed, if the 11 May 2006 ‘Interim Measures to Manage Timber and Mineral Cooperation between Myanmar and Yunnan Province’^{a5} (Interim Measures) are to be implemented these authorities must work together more effectively.

Global Witness has written two previous reports on the destructive and mostly illegal logging of Burma’s forests: ‘*A Conflict of Interests – the uncertain future of Burma’s forests*’, published in October 2003, and ‘*A Choice for China – Ending the destruction of Burma’s northern frontier forests*’, published two years later. ‘*A Disharmonious trade*’ focuses primarily on Kachin State, where deforestation is at its worst, and the subsequent illegal export of timber to China. The report also documents the response of the relevant authorities in both Burma and China to ‘*A Choice for China*’. Following Global

Witness’ exposure of the massive illegal timber trade between Burma and China in 2005 the authorities in both countries initially denied that there was a problem. However, the denials were swiftly followed by action on both sides of the border: a ban on logging and timber transportation in Kachin State in Burma and a Chinese ban on the importation of Burmese timber followed by Interim Measures to control the trade.

Both the bans and Interim Measures have been enforced, albeit inconsistently, and, as a result, illegal logging in Kachin State has decreased dramatically, as has the associated trade with China. The global economic downturn has also played a part. Indeed, press reports from March 2009 suggest that many people, previously involved in the timber business in Kachin State, are switching to gold mining⁶ and large-scale agricultural plantations instead. This decline follows almost two decades of uncontrolled exploitation in the forests of northern Burma by Chinese logging companies. Throughout this period about one million cubic meters of timber were exported to China each year across the mountainous borders from Burma. However, Global Witness research shows that Chinese business people are already circumventing the new rules regulating the importation of Burmese timber and the situation could deteriorate rapidly if the economic situation improves.

Global Witness researchers have carried out extensive field investigations along the China-Burma border, to ascertain the impact of the Burmese and Chinese efforts to crackdown on the illegal timber trade, first in 2006-07 and then again in 2009. This research focused predominantly on the border areas between Burma’s Kachin State and Yunnan Province in China where Global Witness visited Nujiang, Baoshan, and Dehong prefectures. Lincang and Simao prefectures, situated opposite Burma’s Shan and Wa States, were also visited briefly. Global Witness undertook field investigations in Kachin State in 2006-07 and on China’s eastern seaboard in late 2006.^{a6} In addition, Global Witness has conducted numerous interviews with timber traders, loggers, business people, local officials, and others involved in this illicit trade, throughout the intervening years. News reports and statistics, from both Burmese and Chinese sources, make up the remainder of the information contained in this report.

^{a4} People imprisoned solely for their peaceful political or religious beliefs; that have not used or advocated the use of violence.

^{a5} This document can be read in full, in Chinese, at: <http://www.yn.gov.cn/yunnan,china/78533717525528576/20060728/1088436.html>

^{a6} The investigations follow detailed studies of the Burma-China cross-border timber trade carried out by Global Witness in 2001-03 and again in 2004-05 (see ‘*A Conflict of Interests*’, pages 85-91 and 97-109, and ‘*A Choice for China*’, pages 32-49 and 55-71).

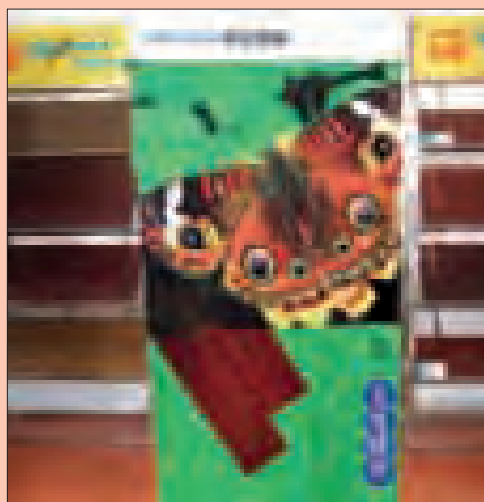
4 EXECUTIVE SUMMARY

"See, we got this [timber] overland. Smuggled in of course. Tell your colleague that we can guarantee the supply. We Chinese are very resourceful. We are the best at finding holes. Otherwise, how can we continue to do the business?"^{a7}
Jiashan Longsen Lumbering Co., Ltd. representative, October 2006

BOX 1: KEY FINDINGS

Decline in the Illegal timber trade on the Burma-China border:

- On 11 May 2006, following the launch of Global Witness' report 'A Choice for China' in October 2005, the Office of Yunnan Provincial People's Government issued 'Interim Measures to Manage Timber and Mineral Cooperation between Myanmar and Yunnan Province' (Interim Measures).^{a7}
- China recorded a decrease in log and sawn wood imports of more than 70% being imported across the Burma-China border in 2008 than it did in 2005, prior to the launch of 'A Choice for China'.
- Log imports, across the Burma-China land border, have fallen from one million cubic metres in 2005 to 270,000 m³ in 2008 according to Chinese import data.
- Sawn wood imports into Kunming customs district have also fallen, from a high in 2005 of 570,000 m³ to only 170,000 m³ in 2008 according to Chinese import data.
- Figures from the Myanmar Ministry of Forestry show that no timber crossed the Burma-China border during the financial year 2007-08 and only 38,000 m³ in 2008-09.
- More than 90% of the Burma-China border trade in logs and sawn wood is illegal.
- Most of the logs imported into China from Burma across the land border have been imported into Dehong Dai Jingpo Autonomous Prefecture, apparently from areas under the control of the Kachin Independence Organisation (KIO) (see Chart 5 page 26).



Wood flooring for sale on China's eastern seaboard

International trade in timber illegally logged in Kachin State:

- Much of the timber illegally exported from Burma to China finds its way to the furniture and flooring manufacturers on China's eastern seaboard, from where it is exported.
- U.S.-based companies are offering Burmese wood flooring for sale despite U.S. legislation, which includes a ban on the importation of any article, "that is a product of Burma", (see '11.2.5 Consumer country legislation', page 109).

The decline in illegal logging in Kachin State:

- Illegal logging in Kachin State has fallen dramatically since the launch of Global Witness' report 'A Choice for China' in October 2005.
- Chinese logging companies have moved deeper into Burma in their quest for timber as forests in the border regions have been depleted.
- Foreigners and foreign companies are not permitted to harvest timber in Burma, including Kachin State.⁸
- The illegal logging and associated trade, more often than not, takes place with the full knowledge and complicity of local SPDC troops, Chinese authorities along the China-Burma border, and armed ethnic opposition groups in Kachin State.
- Timber transportation in Kachin State is increasingly taking place at night to avoid detection.
- Since 2006, the clearing of forest, backed by Chinese money, to make way for sugar cane, tapioca, castor oil, and rubber plantations has become one of the worst threats to the forests of Kachin State.
- Former Northern Commander, Major General Ohn Myint, has established private plantations, including one in a protected area, which has resulted in forest clearance and encouraged others to do the same.

Official SPDC-controlled timber trade:

- In 2007-08, timber was the SPDC's fourth most important export commodity earning it US\$538 in legal foreign exchange.⁵
- In 2008, China's imports of selected timber products from Burma, 'not directly overland', at 219,000 m³ Round Wood Equivalent (RWE), were just under 30% greater than that recorded as exports by Burma. This discrepancy probably represents illegal timber in the official trade between the two countries (see charts 1 and 2 page 15).

^{a7} For an unofficial translation of the Interim Measures please see '13.5 Appendix V', page 123.

Decline in the illegal timber trade on the Burma-China border:

*"I am confused if the border is open or not. The customs say it is closed for importing timber from Burma but trucks loaded with timber show up in town from time to time, and enter the timber storage areas of the companies. The timber businessmen are still busy with no apparent end to the Burmese timber. How much timber you can get in depends on your relationships, on 'guanxi', and your financial power as well."*⁹ Local man, Guyong, Baoshan Prefecture, Yunnan Province, January 2007

Global Witness' field research, carried out between 2005 and 2009, documents a significant decline in cross-border timber trade between Burma and China following the order by Chinese authorities to suspend the trade and subsequent Interim Measures. As a result, the sawmill industry in Chinese border areas has come to a near standstill in most places and thousands of migrant workers have left. For example, Pian Ma was almost completely deserted following the closure of more than 90% of the sawmills. Only a few timber traders have stayed on, hoping for the border to reopen or for the new rules to be relaxed. At the height of the trade in 2004-05, on average, one log truck carrying about 15 tonnes of timber logged illegally in Burma crossed an official Chinese checkpoint every seven minutes, 24 hours a day, 365 days a year. In stark contrast, Global Witness researchers saw very few log trucks along the China-Burma border during 2006-07 and 2009.

Enforcement of the new rules by the Chinese authorities and border army police has been uneven, and attempts to smuggle timber across the border and further into China are widespread. The extent of the decline in Burmese timber imports and

enforcement by local authorities has varied over time and differs from town to town. Local business people explained that most of what was left of the trade had gone underground. Such 'snake business' includes bypassing official checkpoints, transporting the timber at night, and the laundering of Burmese timber into the domestic market for Chinese timber. In addition, the amount of timber being transported is routinely falsified and sawn wood transported rather than logs (as it is easier to hide). In some instances, local enforcement agencies have chosen to turn a blind eye to these obvious smuggling scams, and several sources claim that corruption and bribery are rife. In a few places, timber is still crossing the Burma-China border unhindered.

Burmese timber is generally prevented from being transported from the Chinese border towns further inland. This has, on several occasions, resulted in large amounts of timber piling up along the border with no immediate prospect of it reaching wood-processing factories and timber markets. As a result, Chinese timber traders have faced heavy losses. They complain about the uncertain business environment, the rise in the price of the timber, and the risky situation for their workers inside Burma, where they fear arrest and/or being attacked by Burmese government soldiers.

Local officials and timber traders have made several attempts to convince the provincial and central Chinese authorities to lift the import restrictions, citing their negative impact on the local economy. The Interim Measures were suspended in several areas between July and August 2006 fuelling a rush to recover timber from Burma. The prospect of future concessions to the trade has encouraged continued Chinese engagement in, and financing of, logging activities in the forests of northern Burma.



Empty log yard in Dian Tan, China; March 2009

Prior to the launch of ‘*A Choice for China*’, the timber trade was considered legal by all the parties involved and was conducted out in the open. In 2006-07 and 2009, all traders, logging workers, and local officials that Global Witness spoke to were aware of the new timber import restrictions and the largely illegal nature of the trade; fewer were aware of the Interim Measures, however, let alone their precise nature.

The cross-border timber trade has clearly become a much more sensitive issue. Several local people declined to be interviewed, citing concerns over exposing the trade to the outside world. Local and foreign visitors were treated with much greater suspicion than previously. In one incident, Global Witness researchers were told to leave the area by officers from the local police and the Yunnan Border Defence Brigade (under the People’s Liberation Army) who said, “*The whole timber thing between China and Myanmar is very sensitive. China has already been exposed and we don’t want the same thing to happen again, especially now with the Olympics coming.*”¹⁰ Global Witness is also aware of at least one local Chinese journalist who has been prohibited from visiting the border area by local police. He was prevented from researching the timber and jade trades and writing about these issues. “*Don’t write, don’t talk*”, local police told him.¹¹ In two other separate incidents, Chinese media reporters and a Chinese timber market researcher, suspected of being a reporter, were beaten up by employees of a large timber importing company (see ‘*Box 3: Hongxin*’, page 39).

International trade in timber illegally logged in Kachin State:

*“I don’t exactly know how we get the teak – I am not in charge of buying. We don’t log or smuggle any teak out of Burma. As for how the suppliers get teak, I don’t really care. If we have an order, we need to get it.”*¹² Company representative, Shanghai Anxin Flooring Co., Ltd., Shanghai, China, September 2006

The impact of the Interim Measures has been felt further down the supply chain on China’s eastern seaboard. According to one senior manager, interviewed by Global Witness in 2006, at Guangzhou Yuzhu International Timber Market, “*In future, the market will make a policy to ask the sellers to import Burmese timber according the agreement signed between China and Burma Governments. This means to import from the proper way.*”¹³ However, all but one of the fourteen flooring companies visited by Global Witness said that it was still possible for them to obtain timber from Burma across the land border despite the import restrictions. The companies cited the U.S. as the biggest importer of teak and other flooring of Burmese origin. Europe was also a big market. According to a representative of the Shanghai Anxin Flooring Co., Ltd., the largest manufacturer of solid wood flooring in China, who emailed Global Witness in May 2009, the company can still, “*do the Myanmar teak flooring*”. Apparently, “*at present*”, Anxin is exporting, “*this species wood flooring to USA and Korea*”.¹⁴

At the time of writing several U.S.-based companies are advertising Burmese wood flooring

despite the fact that the U.S. ‘Burmese Freedom and Democracy Act’, prohibits the importation of any article, “*that is a product of Burma*”. An investigation by the U.S. Department of Justice into U.S. companies selling products made from Burmese timber, originating in factories on China’s eastern seaboard, would be justifiable under the circumstances (see ‘*8 The trade in Burmese timber on China’s eastern seaboard*’, pages 45-55).



“Network of globalised Anxin product”, Shanghai Anxin Flooring Co., Ltd. office; September 2006

Illegal logging in Kachin State:

"I am most afraid of getting caught by the Burmese military [...]" Chinese logger, Nabang, Dehong Prefecture, May 2006

As a result of both Burmese and Chinese enforcement activities, there has also been a decline in the level of illegal logging taking place in Kachin State in Burma. Logging authorised by the Myanmar Ministry of Forestry, mainly in southern Kachin State, continues and logging to clear land for plantations is on the increase.

China's timber trade in a Global Context

*"Chinese woodproducts corporations will have little incentive to alter their predatory behavior so long as consumers in wealthy nations blithely continue buying their products."*¹⁵ Dr William F. Laurance, staff scientist, Smithsonian Tropical Research Institute, February 2008

As far as the Chinese timber industry is concerned, the importation of timber illegally logged in Burma is just part of the problem: half of China's timber imports from all countries are probably illegal.¹⁶ In fact, China imports roughly a quarter of all illegal timber being traded internationally and its timber exports account for almost 10% of the trade in illegal timber.¹⁷ This has a direct impact on other timber importing countries. The UK for instance imports more illegal timber than any other European country, mainly because it imports so much timber from China.¹⁸ However, China's largest export markets, the U.S., Europe and Japan, are taking steps to deny market access to illegal timber. For example, the UK government's new timber procurement policy will effectively exclude the majority of timber exports from China to the UK from UK government contracts. The new policy states that, *"Central government departments, their executive agencies and non-departmental public bodies are now*



Log truck at the entrance to Pangwah Town, Burma

*required only to procure timber and wood-derived products originating from either legal and sustainable or FLEGT licensed or equivalent sources."*¹⁹ Forest Law Enforcement Governance and Trade (FLEGT) is discussed in full in Section 11.2.2 (pages 104-106). The U.S. Lacey Act,²⁰ which bans commerce in illegally obtained timber and wood products, will also have a significant impact on the China-U.S. timber trade (see '11.2.5 Consumer country legislation', page 109).

Clearly the action taken by both the Burmese and Chinese authorities to combat illegal logging in Kachin State and the associated trade with China has had a significant positive impact. However, the relevant authorities in both countries could and should do more. Despite the best efforts of the illegal loggers and smugglers, the sheer scale of the timber industry on the China-Burma border is such that it should be relatively straightforward to detect and to close down.



Zhangjiang Port, Guangdong Province, China

5 RECOMMENDATIONS

*“We will create conditions that allow people to criticise and supervise the work of the government more effectively, and foster a lively political environment in which everyone feels happy and the society is harmonious.”*²¹ Wen Jiabao, Chinese Premier, ‘2008 Summer Davos’ in Tianjin, 27 September 2008

END ILLEGAL LOGGING IN KACHIN STATE AND ASSOCIATED BURMA-CHINA TIMBER TRADE

The Central People’s Government of the People’s Republic of China (PRC) should:

- Make all relevant authorities and businesses in China aware of the 11 May 2006 ‘Interim Measures to Manage Timber and Mineral Cooperation between Myanmar and Yunnan Province’ (Interim Measures) (see ‘13.5 Appendix V’, page 123).
- Work closely with provincial and local authorities to fully enforce the May 2006 Interim Measures.
- Establish permanent measures to manage the Burma-China cross-border timber (and mineral) trade.
- Monitor the environmental and social impacts of Chinese logging companies and Chinese companies clearing forested land for the production of cash crops operating in Burma.^{a8} End operations with negative environmental and social impacts.
- Ensure that Chinese companies in Burma are made familiar with, and operate in accordance with and in the spirit of, the Chinese Ministry of Commerce and State Forest Administration guidelines for Chinese enterprises engaged in ‘sustainable forest cultivation’ overseas,²² until such time as guidelines for their specific activities are issued.
- Strengthen bilateral cooperation with the Burmese Forestry Department, and establish a dialogue with relevant officials within armed ethnic opposition groups’ administrations, to address the issue of continued illegal and unsustainable logging in northern Burma, the illegal timber trade with China and corruption linked to this trade.
- Ensure that funds raised by the 15% afforestation levy, on the cross-border timber trade of Yunnan Province, are returned to the appropriate authorities in Kachin State. Such funds should be used to combat illegal and associated trade and other initiatives to reduce deforestation and forest degradation. The use of these funds should be subject to meaningful consultation with all relevant sectors of society
- Develop mechanisms for the effective exchange of experience relating to forest protection and information including log and timber trade data.

The State Peace and Development Council should:

- Continue efforts to stop illegal and unsustainable logging in Kachin State and end the illegal cross-border timber trade with China.
- In accordance with established Ministry of Forestry practice,⁸ ensure that foreigners and foreign companies are not involved in timber harvesting in Kachin State.
- Ensure that companies not on the Ministry of Forestry list of companies and individuals permitted to harvest timber in Kachin State,⁸ such as the Momentum Company, cease operations immediately (the list is reproduced in full on page 88).
- Ensure that natural resources in Kachin State, including forests, are managed in an equitable, participatory, sustainable, and transparent manner.
- Create an enabling legal and political environment for the establishment of community forests in Kachin State. This should include assistance to rural people in gaining legal tenure and management rights over local forests.
- Increase aid to, and development in, the impoverished border regions and ensure that the local economies are not reliant on unsustainable natural resource exploitation.
- Prepare and implement a national strategy to Reduce Emissions from Deforestation and forest Degradation (REDD).^{a9} This should include the preparation and implementation of a plan to end illegal logging and meaningful consultation with all relevant sectors of society.
- Eradicate unsustainable forest management practices by 2010,²³ in accordance with the Vientiane Action Programme 2004-2010.^{b1,24}

The armed ethnic opposition groups in Kachin State should:

- Notify the relevant authorities in both Burma and China of all illegal timber transportation as and when it passes through areas under their control and prior to its export to China.
- Suspend logging activities, development projects and commercial operations that are unsustainable or are of questionable economic and social value.
- Give full support and access to grassroots initiatives that aim to protect the environment and to other sustainable development activities at a community level.

^{a8} Recommendations relating to Burma are, in several cases, relevant to other countries where the Chinese authorities and industries have dealings.

^{a9} At the time of writing no specific activity relating to REDD is being carried out in Burma. This is despite the fact that Burma is currently losing more forest than any other country in Asia except Indonesia, more than 450,000 ha per year. For further information on REDD in Burma please see, ‘R-PIN and REDD Activities Review – Myanmar’; 25-26 May 2009, from: http://www.iddri.org/Activites/Interventions/090525_ASEAN_REDD_Myanmar.pdf

The International Community should:

- Establish a working group with representatives from the SPDC, armed ethnic opposition groups, civil society, United Nations agencies and the Chinese authorities to facilitate measures to combat continued illegal and unsustainable logging in northern Burma and support initiatives to promote sustainable development in Kachin State.^{b2}
- Help rebuild society at a local level in northern Burma through the promotion and funding of educational projects including environmental awareness.
- Encourage sustainable resource use and protection, and support grassroots environmental initiatives, which aim to halt illegal logging and other environmentally destructive activities.
- Pursuant to international REDD efforts in developing countries, support an independent assessment of the extent and composition of natural forests in Kachin State. This should include an assessment of the extent of illegal logging and forest loss, through a combination of satellite imagery and photography, aerial photography and ground-truthing.
- Facilitate a forest value assessment for Kachin State. This should include the valuation of ecosystem services, including carbon storage and sequestration, and be carried out under the auspices of the working group referred to above, followed by participatory forest zoning.

COMBAT ILLEGAL LOGGING AND ASSOCIATED TRADE IN ASIA AND BEYOND**The Central People's Government of the People's Republic of China (PRC) should:**

- Ensure that the draft guidelines for Chinese enterprises engaged in logging overseas are finalised and issued, following the stakeholder consultations that took place in 2008.^{b3}
- Encourage "ASEAN Plus Three" to include environmental crimes, in particular the trade in illicit timber, as a priority area for discussion/cooperation.
- Conclude a Forest Law Enforcement, Governance, and Trade Voluntary Partnership Agreement with Europe and join Voluntary Partnership Agreements established between Europe and forest rich nations.

The State Peace and Development Council should:

- Contribute fully to Forest Law Enforcement and Governance (FLEG) in ASEAN and encourage the participation of the Myanmar Ministry of Forestry, relevant officials within the armed ethnic opposition groups' administrations, and civil society in FLEG.
- Ratify the United Nations Convention Against Corruption (2005).

Members of the International Community should:

- Implement a timber procurement policy, which requires central and regional government authorities to purchase only timber and wood-derived products originating from legal and sustainable sources.
- Adopt national legislation to prohibit the importation and sale of timber, which has been harvested, transported, bought or sold in violation of national laws. This should include timber imported either directly from the country where the timber was logged or via third countries. The U.S. Lacey Act provides a useful model for requisite legislation.
- Provide the United Nations Office on Drugs and Crime with information on measures taken pursuant to resolution 16/1 of the Commission on Crime Prevention and Criminal Justice regarding international trafficking in forest products.²⁵ Information relating to Member States' use of the United Nations Convention against Transnational Organized Crime (2003)²⁶ and the United Nations Convention against Corruption (2005)²⁷ would be of particular interest in this regard.
- Support and/or implement the 'Proposed Work Plan for Strengthening Forest Law Enforcement and Governance (FLEG) in ASEAN 2008-2015.' Implementation of the proposed FLEG work plan by 'ASEAN Plus Three' could have a significant impact on the trade in illegal timber throughout the region and beyond.
- Support the development of The ASEAN Wildlife Enforcement Network and, in accordance with the recommendations of the 12 April 2009 'Manifesto on Combating Wildlife Crime in Asia,' develop a South Asia Wildlife Enforcement Network. Encourage both networks to develop measures to tackle the illegal transnational timber trade.
- Support an expansion of the mandate of United Nations Office on Drugs and Crime 'Border Liaison Offices' to include environmental transnational organised crimes, in particular the trade in illicit timber.
- Develop synergies between the Wildlife Enforcement Networks and United Nations Office on Drugs and Crime 'Border Liaison Offices' in the region as and when appropriate.

DISASSOCIATE FROM HUMAN RIGHTS ABUSES IN BURMA

- Socially responsible companies should not import timber directly from official sources in Burma, or via third parties, until a genuine and fair democratic system of government has been established.

^{b1} This is the second in a series of action programmes guiding progress towards ASEAN Vision 2020. The theme of the programme is, "Towards shared prosperity and destiny in an integrated, peaceful and caring ASEAN Community." For further information on ASEAN Vision 2020 please see: <http://www.aseansec.org/1814.htm>

^{b2} Although this report focuses on Kachin State, recommendations relating to Kachin State could be applied usefully to other states and divisions throughout Burma.

^{b3} Similar guidelines for mining companies and other industries, which are potentially damaging to the environment and to society, should also be considered.

ABBREVIATIONS

AMAF	ASEAN Ministers on Agriculture and Forestry	KDNG	Kachin Development Networking Group
APEC	Asia-Pacific Economic Cooperation	KIA	Kachin Independence Army (The armed wing of the KIO)
AQSIQ	Administration of Quality Supervision Inspection and Quarantine	KIO	Kachin Independence Organisation
ASEAN	Association of Southeast Asian Nations	KNCA	Kachin Nationals Consultative Assembly
ASOF	ASEAN Senior Officials on Forestry	KSIC	Kachin State Interim Committee (alternatively: IKC Interim Kachin Committee)
BLO	Border Liaison Office	KSPP	Kachin State Progressive Party
BSO	Bureau of Special Operations	LAS	Legality Assurance System
CoC	Chain of Custody	MOFCOM	Chinese Ministry of Commerce
CCICED	China Council for International Cooperation on Environment and Development	MTE	Myanmar Timber Enterprise
CCPCJ	Commission on Crime Prevention and Criminal Justice	NDA(K)	New Democratic Army (Kachin)
CFTN	China Forest and Trade Network	NGO	Non-Governmental Organisation
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora	NLD	National League for Democracy
CPB	Communist Party of Burma	PLA	People's Liberation Army
CPC	Communist Party of China	PRC	People's Republic of China
CPET	Central Point of Expertise on Timber	REDD	Reducing Emissions from Deforestation and Forest Degradation (in Developing Countries)
ECOSOC	Economic and Social Council (of the UN)	RRF	Rebellion Resistance Force
ENA	Europe and North Asia (in the context of FLEG, see below)	RWE	Round Wood Equivalent
ESIA	Environmental and Social Impact Assessment	SFA	Chinese State Forest Administration
FLEG	Forest Law Enforcement and Governance	SLORC	State Law and Order Restoration Council
FLEGT	Forest Law Enforcement Governance and Trade	SPDC	State Peace and Development Council
FSC	Forest Stewardship Council	UNESCO	United Nations, Educational, Scientific and Cultural Organization
GDP	Gross Domestic Product	UNODC	United Nations Office on Drugs and Crime
IFM	Independent Forest Monitoring	UNSC	United Nations Security Council
IISD	International Institute for Sustainable Development	UWSA	United Wa State Army (The armed wing of the UWSP)
IUCN	International Union for Conservation of Nature	UWSP	United Wa State Party
		VPA	Voluntary Partnership Agreement
		WEN	Wildlife Enforcement Network
		YPSBDB	Yunnan Public Security Border Defence Brigade



Burmese charcoal, Sudien, China; January 2007

As a result of these discussions, the governments of Burma and China announced increased cooperation on forestry issues, including curbing the illegal timber trade, and a memorandum of understanding was signed to this effect.³² On 5 January 2006, the Burmese Forest Minister Thein Aung conceded that, *“Annually, more than 100,000 tonnes of teak and other precious hardwoods are illegally extracted from Kachin and Shan states in northern Myanmar and smuggled into China.”*^{b5, 33, 34}

Details of the forest protection agreement between the two governments made it clear that China committed itself to *“only allow in timber [from Burma], which has been lawfully licensed”*.³⁵ In a separate communiqué a spokesperson from the Chinese government stated that it will, *“firmly crack down on illegal deforestation and illegal imports”*.³⁶ The statement continued: *“China enforces rigid control over imports”* and it, *“will impose tough countermeasures to curb the illegal cross-border timber trade [with Russia, Burma and other south-east Asian countries].”*³⁷

On 23 March 2006, Chinese foreign ministry spokesman Qin Gang said, in response to questions from journalists about the illegal Burma-China timber trade, *“We cannot deny that, driven by [their own] interests, a few of them are doing illegal logging.”* He told the Bangkok Post that the Chinese government was *“paying high attention”* to the problem and that, *“requests the Chinese companies and individuals to abide by local laws and regulations”*.³⁸ On 27 March, the Yunnan Public Security Border Defence Brigade (YPSBDB)^{b6} announced the suspension of all cross-border imports of timber and mineral products from Burma to China, with immediate effect. The Border Defence Brigade called upon all border posts, government offices, and checkpoints to take action to stop the transportation of, and trade in, timber and mineral goods. The border authorities were further required to prevent Chinese citizens from leaving the country illegally for the purpose of logging or mining in Burma. According to press reports, anyone that did not enforce the order effectively would be subject to investigation.³⁹

Subsequently, the Yunnan Provincial Authorities moved to regulate the cross-border timber trade making clear under what circumstances they would consider timber imports from Burma to be legal, and allow them to cross into China. The Office of Yunnan Provincial People’s Government issued ‘Interim Measures to Manage Timber and Mineral Cooperation

between Myanmar and Yunnan Province’ (Interim Measures) on 11 May 2006 (see ‘13.5 Appendix V: Interim Measures’, page 123). According to these measures, all timber cooperation projects in Burma have first to be evaluated and, if they qualify, will be issued with a certificate of approval from the Provincial Bureau of Commerce. In order to qualify each project must be endorsed, in writing, by the Burmese government. Companies that are simply buying timber from Burma must also register with the Provincial Bureau of Commerce having first been selected, evaluated, and recommended by local bureaus. Registration is valid for one year only. In order to import timber from Burma all enterprises must submit the appropriate documentation, issued by the relevant Burmese authorities, to the Provincial Bureau of Commerce, prior to being given a timber importation certificate.⁴⁰ Having imported the timber, the companies must apply for a timber transportation certificate, which can only be obtained upon presentation of a valid customs declaration form. Companies wishing to process the imported timber need a timber-processing certificate. According to the Interim Measures, non-compliance could lead to the confiscation of goods and other penalties.⁴¹ Precisely what the other penalties may be is not specified.

The timber trade was actually suspended in Pian Ma in late November/early December 2005 and at most other border crossing points from late March 2006 following the YPSBDB announcement. Notable exceptions included Gudeng, Fugong, and Gongshan in northern Nujiang Prefecture, and the Yingjiang area, where it was enforced from mid to late 2006 following the publication of the Interim Measures. However, in anticipation that their operations will be approved, or more likely that they think it will be possible to smuggle timber across the border, Chinese timber traders have continued to finance logging in Burma’s forests. They have also continued to transport the timber to border towns, albeit at significantly lower levels than was the case prior to March 2006.

Because of the official clamp down, it has often been impossible to move the timber across the border at many crossing points, in particular those that are designated as official national-level border checkpoints. In other places, traders have managed to transfer timber into the nearest border town, on the Chinese side, but cannot acquire the paperwork required for it to clear customs and be transported further into China. As a result, large amounts of timber have piled up all along the China-Burma border.⁴²

^{b5} Global Witness estimated at the time of the report launch that the total illegal trade (in hardwood, teak and softwood) was much bigger than this, amounting to a minimum 1.3 million m3 RWE per year. Fresh statistical analysis by Global Witness in March 2006 showed that the trade increased by 12% in 2005 to 1.5 million m3. Almost all of these exports were illegal.

^{b6} The Border Defence Brigade is part of the Armed Police Force but under the control of the Public Security Bureau at the provincial level.

6.1 Burma-China timber trade – analysis of trade data – and the extent of illegality

Official exports from Rangoon of timber, Burma's fourth largest export commodity behind natural gas, agricultural products, and minerals, are in decline as a result of the global recession. According to official statistics, quoted by the Xinhua News Agency, Burma exported just under 400,000 m³ of teak and 1.12 million m³ of hardwood in the 2007-08 financial year, which ended in March. This earned the SPDC US\$538 million in foreign exchange. China is currently Burma's largest consumer of tropical timber and India is its second. Despite the recession, teak prices have remained steady at between 1.5 and 2.0 million kyat (US\$1,250-1,660) per ton.⁵

China has recorded significantly less timber being imported directly overland since the launch of Global Witness' report *'A Choice for China'* in October 2005 and the subsequent crackdown on the illegal trade by the Burmese and Chinese authorities; more than one million m³ in 2005, two-thirds less in 2008 (see *Chart 1 overleaf*). Burma, on the other hand, has recorded an increase in timber exports of over 30,000 m³ over the same time period (see *Chart 2*). Both trends reflect an

increase in control over the trade by the two countries. That said, it is likely that more than 90% of the timber trade across the Burma-China border, representing over half the total timber trade between the two countries, is still illegal. A more detailed analysis of the illegal cross-border timber trade is provided later in this report (see *'7.1 Decline in the illegal timber trade – an analysis of trade data'*, *Charts 3-8, pages 25-28*).^{b7}

The overall trend in Chinese imports and Burmese exports of timber, 'not directly overland',^{b8} is the same, rising steadily from 2004 to 2007 and falling thereafter. This trend largely reflects the rise and fall of Chinese imports of hardwood logs from Burma. Volumes of teak logs imported into China have remained relatively steady. In 2008, China's imports of selected timber products,^{b9} 'not directly overland', at 219,000 m³ RWE, were just under 30% greater than that recorded as exports by Burma (an average of 172,000 m³ for each of the financial years 2007-08 and 2008-09). Discrepancies between the two sets of data, which probably represents the illegal trade, are smaller for teak logs than for hardwood logs. This may reflect greater control over the teak trade exercised by the Burmese authorities.



Official timber exports from Rangoon

^{b7} This estimate is based on official import/export data. However, it is likely that the Chinese authorities do not record a significant proportion of the trade. In which case, the percentage of total trade that is illegal could be much higher.

^{b8} Burma's timber exports 'not directly overland' could enter China via other countries or by sea from Rangoon.

^{b9} These categories of timber represent most, but not all, of the trade between Burma and China. The Myanmar Ministry of Forestry did not supply data by volume for other categories such as softwood and processed hardwood.

Burmese and Chinese figures for the official timber trade are of the same order of magnitude. However, there is still a huge shortfall in the amount of timber recorded by the Burmese authorities, compared to the Chinese data, for the trade directly overland between the two countries. This can be seen by comparing Charts 1 and 2 below, the discrepancy reflecting the extent of illegal timber exports, which have bypassed official channels and have not been recorded by the authorities in Burma. For example, in the financial year 2007-08, according to the Myanmar Ministry of Forestry, no timber was exported to China across the land border. Chinese data, however, suggests that 60,000 m³ of processed

teak, 292,000 m³ of hardwood logs, and 20,000 m³ of teak logs (a total of 372,000 m³) were imported from Burma into China in 2007. The Chinese figures for 2008 were 72,000 m³, 204,000 m³, and 39,000 m³ respectively (a total of 315,000 m³). Between 2004 and 2006 there were even greater discrepancies in data between the two countries. At the height of the illegal trade, in 2005, China recorded 1,049,000 m³ of timber imports (teak logs, hardwood logs and processed teak) whereas Burma recorded exports of only 3,000 m³ (all processed teak) in 2004-05 and 9,000 m³ in total in 2005-06. At this time, less than 1% of the cross-border timber trade was considered legal by the Burmese authorities.

CHART 1: CHINA'S IMPORTS OF SELECTED TIMBER PRODUCTS FROM BURMA.

SOURCE: BASED ON CHINESE CUSTOMS DATA

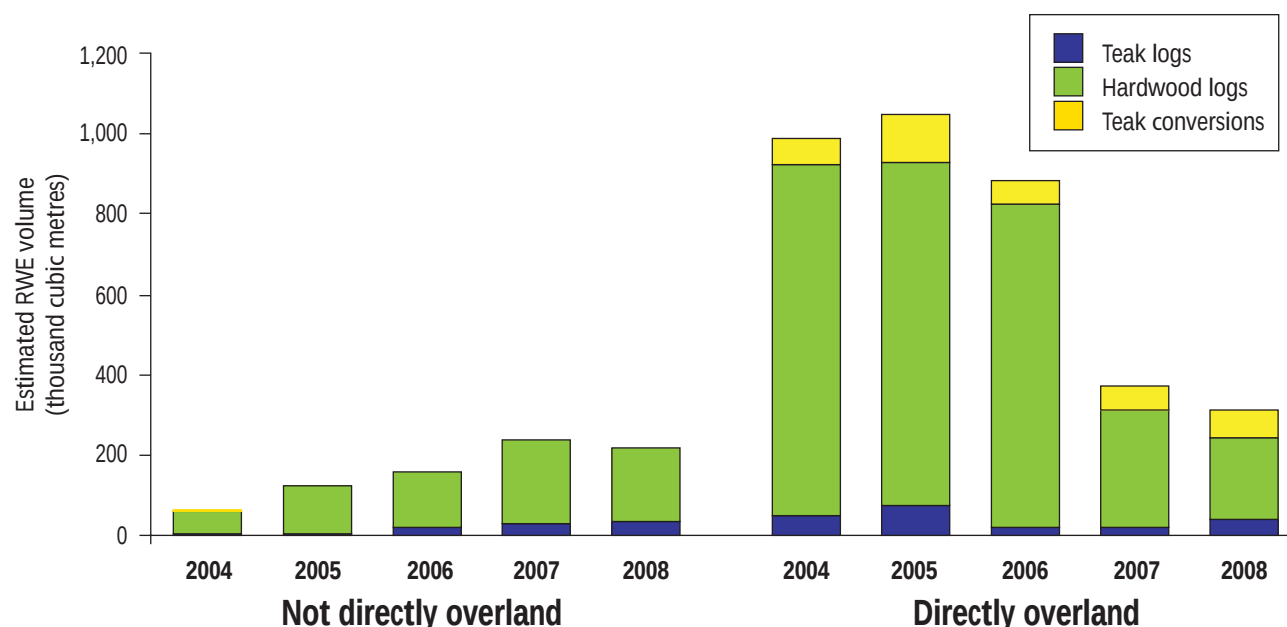
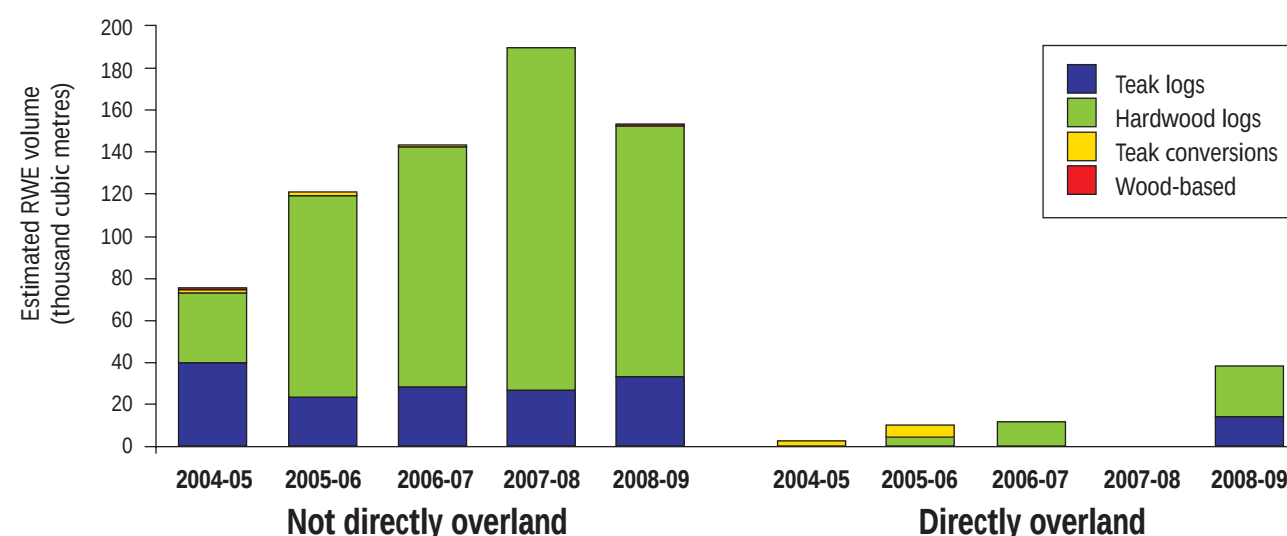


CHART 2: BURMA'S EXPORTS OF SELECTED TIMBER PRODUCTS TO CHINA.

SOURCE: MYANMAR MINISTRY OF FORESTRY DATA⁴³



Notes:

1. It has been assumed that the Myanmar Ministry of Forestry has converted volumes for processed timber into RWE volumes. This may not be the case, however processed timber represents only a small fraction of overall exports and this is unlikely to affect the analysis significantly.

6.2 Timber import procedures, theory and practice

6.2.1 The procedure in Burma

According to the Planning and Statistics Department of the Myanmar Ministry of Forestry, the following steps must be followed in order to obtain permission to import timber through the land border to China:

1. Companies need to receive permission to purchase timber, and make a sales contract, from the Ministry of Forestry.
2. To obtain a border pass, permission from the Defence Services (Army) and Trade Council must be received.
3. It is necessary to apply for an export permit from the Department of Border Trade.
4. An inspection team must be formed under the authority of the commander of the border area command comprising the Customs Department, the Department of Immigration and Manpower, the Department of Border Trade, the Department of Forestry, and the district SPDC.
5. Necessary work for exporting across the border must be carried out under supervision of the Inspection Team.⁸

6.2.2 The procedure in China

The following Chinese government agencies are all involved, in theory, with clearing Burmese timber for importation and its onward transportation in China: Chinese Customs, the Administration of Quality Supervision Inspection and Quarantine (AQSIQ), the Ministry of Commerce, the State Forest Administration (SFA) and the Border Defence Brigade.

All Chinese companies involved in international trade must acquire a permit to trade in foreign goods

from the Chinese Ministry of Commerce. According to Chinese law (see *'A Choice for China'*, pages 23-24), Chinese Customs and the AQSIQ require that all timber imports are accompanied by a valid certificate, issued by the competent authorities in the country of origin, stating the country of origin. A valid quarantine certificate from the country of origin is also required. However, none of the hundreds of people involved in the trade along the China-Burma border (including customs officials), interviewed by Global Witness, claim to have heard about such certificates.³²¹

According to people interviewed on the border, international trade can be classified as either 'damao' (country to country trade), frontier trade (trade on a small scale between residents on both sides of the border) or border area trade with, "*characteristics of the region, ethnicity, and tradition*". The cross-border timber (and minerals) trade with Burma is treated as frontier trade and, as such, is not subject to the same documentary requirements as 'damao'.

Upon arrival of the timber at the border, customs should check that the company has the valid paperwork from Ministry of Commerce. Customs should then issue import permits for the appropriate amount of timber, after payment of the required tax. The AQSIQ issues a Quality Supervision Inspection and Quarantine certificate following spot-checks on the goods. The SFA verifies the timber as non-domestic, taxes it, and issues



Official timber import procedure, Car Zan, China; 2009



Official timber import procedure, Nabang, China; 2007



Timber transportation certificate, Dehong Prefecture; December 2006

the required transportation certificate. This allows for an exact, recorded, amount of timber to be transported within the prefecture or province. Transportation beyond the provincial boundary is normally cleared in Kunming. These documents must all be shown upon request to the officials from the Border Defence Brigade, which has several toll gates along the major highway from the border to Kunming.⁴⁴

The 11 May 2006 Interim Measures added further hurdles for the would-be timber importer to pass. Prior to this, timber could, for example, be imported into the Ruili area and transported out of Dehong Prefecture accompanied solely by certificates easily obtainable from the SFA. Now, customs certificates are also required, if they can be obtained at all.⁴⁵ It is the issuing of customs, QSIQ, and SFA certificates that has been stopped in many border towns following the March 2006 suspension order and later Interim Measures. Without the appropriate documentation the timber cannot be legally imported into China or transported further inland.

It is essential to define clearly and communicate the procedures and documentary requirements for importing Burmese timber into China to the relevant authorities and timber traders. The Interim Measures, at least, are available on the Yunnan Province government website. However, it is not clear to timber traders and officials on the border how exactly the Interim Measures interact with other

legal requirements and many are completely unaware of the relevant procedures. As a result they are not implemented uniformly by the different Chinese government agencies overseeing the timber trade along the China-Burma border. Despite significant improvements, timber is still allowed to cross the border illegally in many places.

Much of the initial confusion seems to have derived from a distinction between ‘border-to-border’ trade and ‘country-to-country’ trade. Many local officials, enforcement agencies, and traders alike have viewed the cross-border timber trade between Burma and China as ‘border-to-border’ trade. This is normally a category used for small-scale trade conducted by locals and, therefore, apparently not subject to the normal (‘country-to-country’ trade) customs and import clearance procedures.⁴⁶

The Border Defence Brigade is tasked with ensuring security along the border, controlling border checkpoints,⁴⁷ and investigating crimes related to the timber trade, such as smuggling and corruption. It is not clear in all instances why it does not stop the smuggling. However, in some places it is not considered to be their responsibility. The work of the brigade is complicated by the fact that several (mainly unofficial) border crossings do not have permanent units stationed there. In other places, the brigade’s checkpoints are several kilometres from the border. This allows traders to move timber into China and to store it between the border and the checkpoint.

In some instances, timber has ended up as ‘dead stock’, stuck in the border towns, without any immediate prospect of it being cleared. Many companies, faced with this predicament, have used old certificates and certificates for domestic timber, smuggled the timber and otherwise tried to avoid detection (see ‘6.3 Snake business’, opposite).

Patchy implementation of the moratorium and Interim Measures reflects, in part, the difficulty experienced by provincial and central government authorities in realising policy at a local level, often in remote areas, as expressed in a well-known Chinese saying: “*The sky is high and the emperor is far away.*” The companies, often with the support of local officials reliant on the timber industry for much of their income, try continually to evade the provincial enforcement agencies.

It should be noted that while the violations are widespread, overall timber imports are still significantly lower than before. It should also be stressed that despite reports of corruption and negligent behaviour of some local officials and enforcement agencies, import procedures and enforcement have improved dramatically since May 2006.

^{c1} In a few places, such as Tse Tse, the People’s Liberation Army is stationed near the border and controls the checkpoints.

6.3 Snake business: getting around the ban and new timber importation rules

“The closure does not matter to us. There is always a way to solve a problem naturally.” Employee at leading timber processing company in Ruili, Dehong Prefecture, April 2006

Smuggling and other scams to transport timber across the China-Burma border, and further inland, are often elaborate, but most are easy to detect. Such schemes have developed rapidly since the imposition of the moratorium and the publication of the Interim Measures. Prior to this the smuggling of timber was not widespread as it could be imported from Burma unhindered by the authorities.

Transporting timber via roads without official checkpoints, and at night, are the most prevalent methods of smuggling timber across the China-Burma border. According to one Kachin timber trader, if you can show an export licence from the Burmese authorities you can get through on the China side, but the Chinese, *“don’t check strictly if it is correct”*. Many use fake export licences.⁴⁷ These practices, which traders revealed to Global Witness researchers without much hesitation, are an open secret in many places. The sections below outline the most common ploys.

6.3.1 Bribery and corruption

*“Don’t worry about proper procedures. We can arrange it all for you. If you bring money, then business is simple.”*⁴⁸ Timber businessman, Sudien, Dehong Prefecture, Yunnan Province, May 2006

Many timber traders have suggested to Global Witness that bribery has played a role in getting local officials and enforcement agencies to look the other way, or as one businessman put it, *“Money makes things go smoothly and the timber business makes money.”*⁴⁹ These allegations were widespread but rarely concrete in terms of naming individuals or specific government offices. Most commonly, traders alluded to the fact that despite the moratorium and new rules they could still get timber through checkpoints, and obtain the relevant permits, upon payment of a higher ‘fee’. Global Witness could not verify these allegations which were most persistent in Tengchong County, Baoshan Prefecture, and in the Yingjiang area of Dehong Prefecture.

Local people spoken to by Global Witness claimed that corruption and ‘guanxi’^{c2} were the main reasons why night-time timber smuggling was possible in Guyong, Baoshan Prefecture.^{9, 67, 68} One local person told Global Witness, *“I am confused if the border is open or not. The customs say it is closed*



Logs imported illegally via Datianba (Burma) stored in front of the border gate, Pian Ma, China; January 2007

^{c2} This means a network of mutually supportive relationships. For further information please see: “Chinese Business Culture – Guanxi and Important Chinese Business Element”, from: <http://chinese-school.netfirms.com/guanxi.html>

for importing timber from Burma but trucks loaded with timber show up in town from time to time, and enter the timber storage areas of the companies. The timber businessmen are still busy with no apparent end to the Burmese timber. How much timber you can get in depends on your relationships, on 'guanxi', and your financial power as well."⁴⁹

A log truck driver, en route from Tengchong to the freight railway station in Chuxiong, explained that it was possible to obtain import and transportation permits from the SFA, customs and other agencies near the border.⁵⁰ The permits cost 1,000 yuan (US\$129) per cubic meter, much higher than prices quoted by traders elsewhere.

Several timber businessmen in Dian Tan, also in Baoshan Prefecture, stressed that they were able to obtain permits to move the timber within the borders of Yunnan Province and beyond. This was despite the fact that customs and other government agencies were not issuing permits at the time, and the Border Defence Brigade had started a crackdown on timber smuggling a few days earlier.⁵²

Timber traders in Gudeng, Nujiang Prefecture, told Global Witness that the customs and SFA bureaus had stopped issuing permits and that logs and sawn wood could not be moved out of the area.⁵⁰ This was not however a problem for a sawmill manager interviewed by Global Witness who said, "I can solve the problem if you pay double or triple payment for the legal procedures. We have practised that several times. For tsuga wood [Chinese hemlock] for example, the normal price for taking it out is 180 yuan [US\$23] per m³. This includes national and local

tax, customs and AQSIQ fees, 15 % for afforestation fund etc. But we can now buy it for 480 yuan [US\$61] per m³."⁵¹ It should be noted that the increased price, in this instance, is not necessarily due to bribery but could be the result of people trading permits issued prior to the moratorium, which have not yet expired.

6.3.2 Bypassing official checkpoints

"Everybody knows another pass where there is no official checking point, no checking at all - and timber can be transported over with no problems." Timber trader, Dian Tan, Baoshan Prefecture, January 2007

The most common way to avoid the restrictions imposed at official border checkpoints, is to bypass them altogether by using alternative roads with no checkpoints. In several cases, new roads have been built and old ones improved by the timber traders, following the imposition of the moratorium. Some these roads and connecting bridges have subsequently been destroyed by Chinese border troops. In other places, local enforcement agencies have chosen to turn a blind eye. Rumours of corruption are rife.

Dian Tan, in Baoshan Prefecture, was very busy with timber trucks arriving from Burma, at the time of Global Witness' visit in January 2007. Dian Tan is adjacent to the town of Pangwah, the headquarters of an armed ethnic opposition group, the New Democratic Army (Kachin) (NDA(K)). Global Witness researchers counted ten trucks, arriving within a 20 minute period, and were told that more than 300 timber trucks were currently plying the



Log trucks on the Zuklang Road avoiding Pangwah, Burma; April 2006

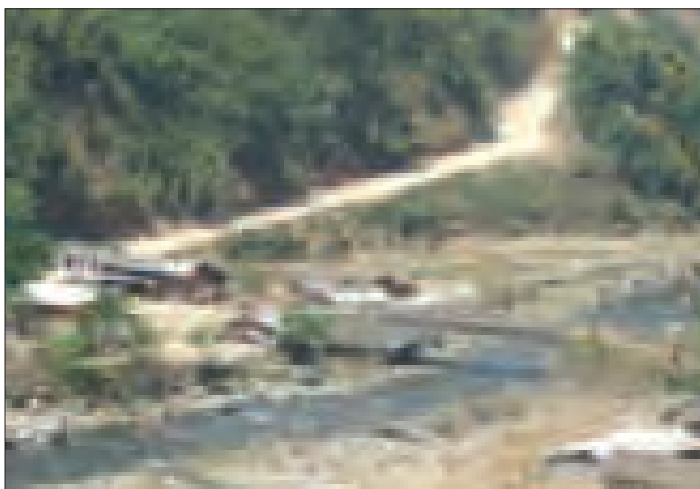
route from the forest to Dian Tan town through an unofficial border crossing point.⁵² In town, it was a common 'secret' that timber was entering in this way with, *"no checking at all"*.⁵²

Information obtained by Global Witness, in Kachin State in 2006-07, shows that several new roads have been built for the timber trade, bypassing the official border crossing point in Pangwah Town. The timber entering China near Dian Tan and Tse Tse nearby is mainly logged in the Triangle area of Kachin State (see '10.3.1 Logging in the Triangle', pages 77-78).⁵³ Following a crackdown by police and government officials on 7 January 2007, which stopped the transfer of timber from Dian Tan Town to Tengchong further inland, the timber traders were keen to transfer as much timber across the border before this route too was closed.⁵² Global Witness researchers tried to visit the town again in May 2007. Unfortunately, however, the road was blocked by a large truck carrying about 40 m³ of teak, which was stuck in the mud. This road had been badly damaged during the border reopening following the allocation of timber import quotas in July-August 2006.⁵⁴

In May 2006, limited amounts of smuggled timber were available at high prices in Pian Ma, Nujiang Prefecture. A few trucks and small vehicles had managed to get the timber across. Others had been caught and fined and were seen waiting in the rain by the border checkpoint towards Datianba.⁵⁵ By January 2007, contractors were busy constructing a new private road from Pian Ma into Burma, running

alongside the valley. Global Witness researchers saw a bulldozer and an excavator making a way for the road, which according to a long-term timber trader was being built to facilitate the transfer of timber into Pian Ma, *"without any check by the official Chinese border port"*.¹⁶¹ In April 2007, the road was clearly visible but no timber was seen entering China.⁵⁶

The town of Nabang, Dehong Prefecture, is situated just opposite the headquarters of the Kachin Independence Organisation (KIO) in Laiza. Enforcement of the moratorium and Interim Measures has been more patchy here than in most other places. In January and March 2007, the flow of timber had stalled, but by April timber was again entering town. Some of it was arriving through the new Munglai Dam road (on the Kachin side of the border) bypassing the



Munglai Dam Road, Burma; March 2007



Logs illegally cut in Burma a few kilometres outside the town of Nabang, China; April 2007

official border crossing in central Nabang.⁵⁷ This path is apparently partly controlled and financed by the Hongxin Company.¹⁵¹ A large timber storage site, moving timber trucks, and a Kachin Independence Army (KIA) checkpoint were clearly visible by the Munglai River, which marks the border between the two countries.⁵⁸ The other less frequented new road leads through the small town of Datugong on the Burma side of the border.¹⁵¹ Local logging workers confirmed, in April 2007, that timber could then not be imported through the official checkpoint, but had to be smuggled through the mountains via trails and passes away from the main road.⁵⁹

In early January 2007, timber was being imported into the small timber town of Hong Bom He, near Yingjiang in Dehong Prefecture. However, the border army, the police, the SFA, and customs had joined forces, and, in mid January 2007, a simple bridge, constructed privately by timber businessmen to smuggle in Burmese timber, was detected and destroyed by Chinese soldiers.⁶⁰

In the Ruili area further south, locals showed Global Witness researchers various smuggling routes in the nearby towns of Nong Dao, Guo, and Dengga. Stones had been arranged across the bed of the Nanwan River, so that people, with their horses and mules carrying teak, could cross safely. A waiting truck or minibus would then carry the teak away under cover of darkness according to a local man who, for fear of arrest, had declined to smuggle timber, despite the prospect of payments of 400 yuan (US\$52) per m³. During the day, many mules and horses were seen grazing peacefully nearby.⁶¹



Unofficial crossing point from Burma to China, Nong Dao; January 2007

6.3.3 Timber transportation at night

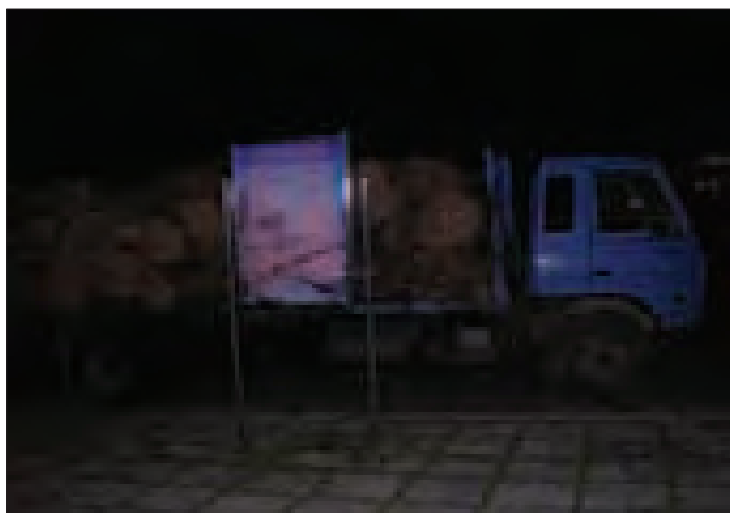
Transportation of timber in violation of existing policies is often undertaken at night. According to locals in Nabang, despite the fact that customs had stopped issuing, “any documents to any companies”, they had still seen ten trucks laden with teak arriving in the evening, in early January 2007.⁶² In April 2007, logging workers confirmed that smuggling took place at night in the area.⁵⁹ Night-time transportation of timber in the wider Ruili area was also reported.⁶³

In mid-December 2006, the road near Pian Ma was busy at night with timber trucks. According to one eyewitness, hundreds of noisy trucks were running throughout the night. Apparently, the timber carried by these trucks originated from near the Chipwe Bridge, in Kachin State, which links the timber-rich Triangle area with transportation routes to the border.⁶⁴

In Cangyun Wa Nationality Autonomous County, in Lincang City Prefecture opposite Burma’s Wa State, enforcement has been stricter than in most other places. Here, the Border Defence Brigade has been actively involved in stopping the illegal timber imports. In 2006, following the moratorium, smugglers managed to transport an estimated total of 10,000 m³ across the border. However, after the border checkpoint was moved closer to the border itself, removing a 1 km buffer zone between the border and the checkpoint, local people found smuggling more difficult; they had previously managed to take about 300 m³ of teak and Burmese tulip wood across each night.⁶⁵ Local

timber traders complained to Global Witness that, “enforcement here is much more severe than anywhere else in Yunnan”.⁶⁵ Further south in Meng’a, opposite the United Wa State Army’s (UWSA) headquarters in Pangsan, teak was being smuggled in at night but was gone in the morning.⁶⁶

In Guyong, a timber businessman told Global Witness that, “depending on your actual power you can move timber in as you like by smuggling in the evening. But I cannot promise you for sure that the timber can be taken out of town, as no legal procedures are issued by customs at the moment.”⁶⁷ A local driver confirmed that trucks carrying timber were passing the Chinese border checkpoint guarded by the army at night.⁶⁸



Timber transportation at night, Yingjiang Town, China; May 2006

6.3.4 Smuggling timber onwards from the border

Scams to smuggle timber from the border further inland tend to be slightly more complex than those designed to get the timber across the border. They include laundering the Burmese timber into the domestic timber market, over-declaring the amount of timber, and using fake transportation certificates.

The practice of declaring timber from Burma as domestic timber is most widely used in the areas of Sudien and Car Zan near Yingjiang in Dehong Prefecture. This is probably due to the fact that this is one of the few areas along the border where a quota for domestic logging has been allocated. As one timber businessman explained, *“Timber from here can be moved to Yingjiang with ‘clean procedures’. The timber storage sites simply mix domestic and foreign timber. The timber checking station does not really care about this and cannot distinguish between what is foreign and what is domestic anyway.”*³³⁰

Several trucks were seen heading from Sudien to Yingjiang in the afternoon of Global Witness’ visit in January 2007. Another local trader claimed that it was between two and three times cheaper to obtain transportation permits, from the SFA office, for domestic timber than it was for foreign timber.¹⁵⁸ A third timber trade told Global Witness that, *“You do not have to care about any procedures. If you bring money, business is simple. When you get the timber to Yingjiang you simply change the SFA certificate for timber transportation, and it can be transported anywhere in China. That’s all.”*⁶⁹

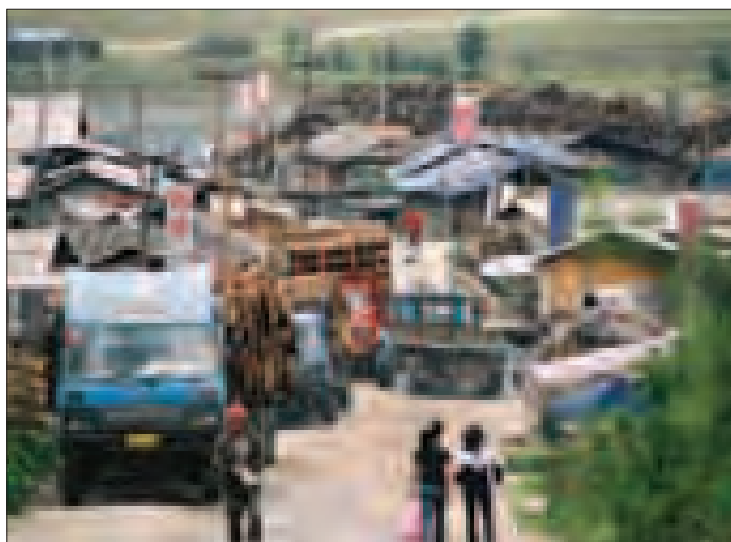
During Global Witness’ visit to Sudien in April 2007, all interviewees claimed that the

timber in town, much of it round logs larger than 50-70 cm in diameter, was all from domestic sources.⁷⁰ Global Witness was not able to verify this claim.

In nearby Car Zan, several timber traders confirmed that foreign timber was mixed with domestic timber and that it was easy to obtain transportation certificates. Certificates for sawn timber were also obtainable.⁷¹ Interestingly, at least one company in Laying, near Ruili, was allowed to use both domestic and Burmese timber that had been confiscated by the SFA. At the same time, the big flooring and furniture factory F.N.D Woods Company Ltd., in nearby Wanding, survived by using smuggled timber for which, apparently, they had no problems obtaining ‘legal’ transport certificates.⁷²

In Hong Bom He, one of the two main timber traders, Mr Cun, was reported to have a good relationship with the local authorities including those based in the Tongbiguang Nature Reserve office. This has enabled him to get a domestic cutting quota, which has been used to cover illicit timber from Burma.¹⁶⁸ His sawmill still had supplies of timber nine months after the moratorium was announced.⁷³

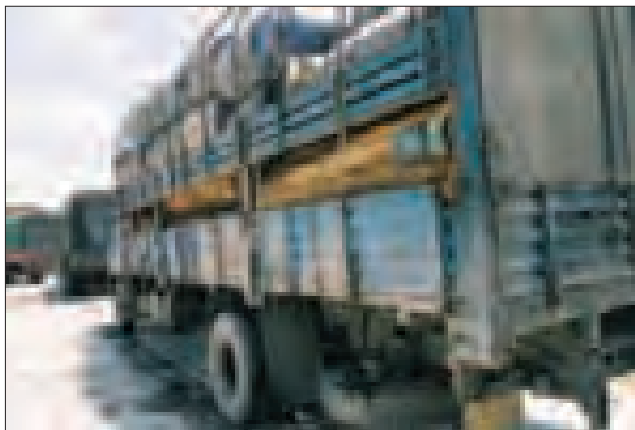
The misuse of paperwork is also widespread. For example, timber traders have explained to Global Witness how they use transportation certificates issued for a single shipment twice, thereby enabling them to transport twice the permitted amount of timber to Kunming.⁷⁴ Any reopening of the border will provide additional opportunities for fraud. As a timber trader from Pian Ma explained, *“Hopefully we can take timber out of town when we get the document. When the border is open, the document that comes with the new timber has an inflated value. We can then use that to transport the old timber.”*⁷⁵



Sudien, China; April 2007



Truck carrying squared-off logs from Burma, Nabang, China; April 2007



Destined for the railway station at Chuxiong, China; April 2007



Truck carrying Burmese logs, Yingjiang Town, China; April 2007



Sawn timber en route to Guangdong China; April 2007

A few companies claimed that they were allowed to transport Burmese timber. They told Global Witness that this was legal because they had unused transportation certificates issued, by the SFA, either prior to the ban or during the allocation of quotas in mid-2006. This was the case in Gudeng in May 2006.⁷⁶

The Yunnan Forestry Police has uncovered at least one major incidence where timber transport certificates had been forged. In November 2006, it confiscated 5,000 books of forged timber transportation certificates and more than 1,000 fake public seals: 12 people were arrested.⁷⁷ In January 2007, the SFA in Yunnan Province stopped using existing timber transport certificates and began issuing a new version in order to combat the misuse of documents. Traders with unused certificates had to re-apply.⁷⁸

6.3.5 Transshipment

Over the last decade large amounts of timber have also entered China overland from Shan and Wa States (see *'A Conflict of Interests'*, pages 110-114, and *'A Choice for China'*, pages 70-71). The moratorium on timber imports and Interim Measures also covers the Chinese border in this area. The moratorium was strictly enforced in Cangyun Wa. However, timber has continued to arrive in Meng'a.^{79, 80} In January 2007, the customs authorities based in Meng'a insisted that timber could only be imported from Burma if it was going to be transshipped to destinations outside China. This is the only place along the China-Burma border that Global Witness has heard of such an arrangement. Three import-export companies in Pangsan obtained permission to conduct such a trade.

The procedures for the transshipment are as follows: The size, amount, number, source, type of vehicle, and destination of the timber, which awaits shipment in Pangsan, must be reported to customs in Kunming. If approved, Kunming customs inform the customs officials based in Meng'a. The timber is then allowed to be transported into Meng'a, onwards to Menglian, Kunming and finally to its overseas destination such as, for example, Taiwan.⁸¹ Several businessmen in the area said that they thought this arrangement was unfair to Chinese traders.⁶⁶

In order to circumvent the rules, some traders have transshipped timber into Laos, subsequently re-importing it into China.⁸² It is not clear how widespread this practice is. In the nearby border town of Mangxin, transshipment was not permitted but timber products in the form of flooring and panels could, in January 2007, be brought into China as part of the normal trade.⁸³

BOX 2: SPECULATION SURROUNDING THE IMPOSITION OF THE MORATORIUM AND INTERIM MEASURES

In the remote border areas of China and Burma speculations is rife among traders, logging workers, and officials as to why the moratorium and Interim Measures were imposed in the first place. Each quote provides an interesting insight into the timber trade and local perceptions of the balance in power between the various entities that can influence its operation. Local people consistently brought up international pressure, intervention by the United Nations, and that the Burmese government had requested the central Chinese government to close the border. Some of this speculation is well informed, some fanciful:

- *“However, the real problem was that some western media reported Chinese people cutting trees in northern parts of Burma and published pictures in magazines. This made the Burmese government put pressure on the Chinese government to deal with the timber trade as normal trade such as the country to country trade, not warlord or local military controlled trade. The Chinese government had lost face [because of the situation prior to the moratorium]. The cross-border timber trade is no longer allowed.”¹⁵⁶*
- *“The Chinese government seriously cracked down on Chinese people logging in Burma. It blocked the border passes to stop any Burmese timber business; no single piece of wood from Burma is legal right now. This is because the Chinese government is trying to build a petroleum pipeline from India, through Burma, to Yunnan Province in China. It needs to use Burmese land for this purpose. Therefore, the Chinese government does not want to trouble the Burmese military government with the border timber trade situation, and risk losing the big petroleum thing with India.”⁸⁴*
- *“The Burmese Premier visited China and complained about the timber situation, in north Myanmar, to the Chinese government. Then the Yunnan People’s Government released an announcement to stop the illegal timber trade, around Burmese borders, immediately. Soon after the announcement, all customs, AQSIQ, and SFA closed their offices, and the timber trade stopped.”⁸⁵*
- *One possible reason is that a while ago, while the head of Kachin State, General Ting Ying, visited Mandalay, his vice general mutinied. He used two battalions loyal to him to fight another three battalions loyal to Ting Ying. In the end, the vice general lost the game, and Ting Ying got back his position. The Burmese government’s military caught the chance to get into and occupy some territories that used to belong to the KIO, where most Chinese companies had contracts and timber workers working. The Burmese military government did not accept the situation where the KIO let Chinese companies log in most of the KIO’s territory. Therefore, we heard news about timber workers killed, trucks blocked, logging stopped[...].”*
- *“Last year illegal timber trading in Nabang was exposed by the United Nations. The UK government, as the former colonial power in Burma, was displeased to see the Chinese taking Burma’s teak, which is a Burmese national treasure, and as important for the Burmese as pandas are for the Chinese. The British therefore raised the issue at the United Nations. In response the Chinese had to close the border and take action against illegal logging.”⁸⁶*
- *“Business is not good here as there is no timber trade. The timber is not coming in because the Chinese government has banned illegal logging. I don’t think business will get much better in the near future... because of the Olympics. The illegal logging damages the country’s image.”⁸⁷*
- *“The central government closed the border because the Burmese government complained to the United Nations about the Chinese coming over the border and logging their forests illegally.”⁸⁸*
- *“The illegal logging was reported to the United Nations, therefore the ban on illegal logging. Maybe the Burmese reported it. They felt that too much logging had damaged the environment.”⁸⁹*



Log trucks and cranes in storage, Nabang, China; January 2007

7 DECLINE IN THE ILLEGAL TIMBER TRADE ON THE CHINA-BURMA BORDER

Global Witness carried out an extensive study of the timber trade along the China-Burma border in 2006-07 to ascertain the impact of Burmese and Chinese measures to combat the illicit timber trade. A follow-up investigation along the border took place in early 2009. These investigations centred on Nujiang, Baoshan, and Dehong prefectures in Yunnan Province, all of which border Kachin State. Global Witness also analysed Chinese customs data.

7.1 Decline in the illegal timber trade – an analysis of trade data

Since the launch of Global Witness' report '*A Choice for China*', in October 2005, and the subsequent action taken by both the Burmese and Chinese authorities, against the illegal cross-border timber trade, exports from Burma to China directly overland have fallen dramatically. As can be seen in Chart 3 opposite illegal exports of timber from Burma to China, across the Burma-China land border, peaked at 1.52 million m³ RWE in the 2004-05 financial year. By 2008-09 illegal exports of timber from Burma to China had dropped by more than one million cubic meters to 440,000 m³ RWE. The trend in illegal timber exports has been generally downwards, despite an increase in 2007-08, and reflects the success of measures implemented by the Burmese and Chinese authorities to combat the illicit trade. The global economic crisis may also have played a part.

It can be seen from Chart 4 opposite that the importation of both logs and sawn timber, from Burma into China, reached a peak of 1.72 million m³ RWE in 2005. The Chinese imported 1.57 million m³ of this timber, representing 91 per cent of the total, across the land border into the Kunming customs district. In 2008, the border trade accounted for only 66% by volume of the total timber trade between the two countries, 440,000 m³ out of a total 670,000 m³. Most of the drop in percentage terms is accounted for by an increase in log imports via Rangoon by sea into Nanjing, the capital of China's Jiangsu Province, on the Yangtze River Delta.

According to the Chinese data, log imports across the Burma-China land border have fallen by more than 70% from 1 million m³ in 2005 to 270,000 m³ in 2008. Sawn wood imports into Kunming have also fallen, from a high in 2005 of 570,000 m³ to only 170,000 m³ in 2008. The global financial crisis may be a factor but

the most significant cause of the decrease in the illegal Burma-China timber trade is the crackdown by the Chinese authorities. Figures from the Myanmar Ministry of Forestry show that no timber crossed the Burma-China border during the financial year 2007-08 and only 38,000 m³ in 2008-09.⁴³ More than 90% of the border trade in logs and sawn wood is therefore illegal according to information supplied to Global Witness by the Burmese authorities.

During the first six months of 2009 log volumes imported into Kunming customs district were similar to the quantities imported 12 months earlier. At the time of writing, imports of logs through other customs districts have been almost zero each month so far this year. Sawn wood volumes imported into Kunming customs district tend slightly to exceed the quantities imported in 2008. Sawn wood imports through other customs districts remain minimal.⁹¹

Global Witness' field research supports the statistical information: the importation of timber across the China-Burma border has declined significantly since late 2005. Since then, only limited amounts of timber have been imported from Burma into China. However, the degree of the decline varies from border town to border town. Notable exceptions to this overall trend are discussed later in the report.⁹³

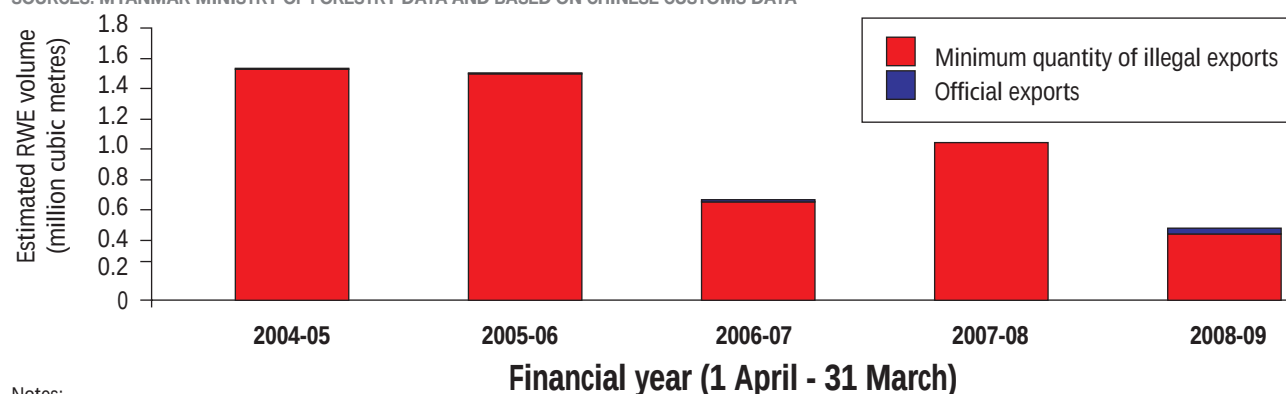
Based on the map showing territorial control in Kachin State (*see map on page 66*), from north to south, the lower quarter of Nujiang Lisu Autonomous Prefecture is opposite NDA(K)-held parts of the border as is Baoshan Prefecture, and the KIO controls the land along most of the border with Dehong Dai Jingpo Autonomous Prefecture. The SPDC controls border regions in the far north, opposite Nujiang Prefecture, and short sections of the border opposite Dehong Prefecture. The SPDC also runs the border at Muse in Shan State, the likely origin of most of the timber crossing here. However, there are also crossing points into Ruili under the control of the KIO. Muse is the only legitimate border checkpoint for timber exports on the China-Burma border according to the Myanmar Ministry of Forestry.⁹²

It can be seen from Chart 5 opposite that most of the logs, imported into China from Burma over the land border, have been imported into Dehong Prefecture, apparently across areas under the control of the KIO. Since 2005, there has been a dramatic decrease in the volume of logs being exported, approximately 720,000 m³. A drop in imports into Dehong Prefecture accounts for 65% (470,000 m³) of the total. 2007 saw a significant increase in the trade further north in Nujiang Prefecture, perhaps a deliberate ploy to avoid detection.

⁴³ See the Kachin News Group videos, "China imports illegal timber from Northern Burma", and, "Illegal Timber from Kachin State in China", on YouTube: http://www.youtube.com/watch?v=cS5c73jrpDg&feature=channel_page and http://www.youtube.com/watch?v=gJ-u8aiwRl0&feature=channel_page

CHART 3: A COMPARISON BETWEEN BURMA'S DIRECT TIMBER EXPORTS OVERLAND TO CHINA AS DECLARED BY BURMA,^{c4, 90} AND THE CORRESPONDING IMPORTS AS DECLARED BY CHINA.

SOURCES: MYANMAR MINISTRY OF FORESTRY DATA AND BASED ON CHINESE CUSTOMS DATA



Notes:

1. The height of each column shows the total RWE volume of Chinese imports of Burmese timber (based on Chinese customs data).
2. The minimum quantity of illegal exports of timber from Burma to China, across the Burma-China land border, is equivalent to the total RWE volume of Chinese imports of Burmese timber (based on Chinese customs data) minus the total RWE volume of Burmese timber exports to China (according to the Myanmar Ministry of Forestry).
3. It is assumed that for the direct overland trade Burma has no records of trade in timber other than of the type specified by the Myanmar Ministry of Forestry. Chinese customs data indicate that other categories of timber are imported across the Burma-China land border.

CHART 4: CHINA'S IMPORTS OF LOGS AND SAWN WOOD FROM BURMA (BY CUSTOMS DISTRICT).

SOURCE: BASED ON CHINESE CUSTOMS DATA

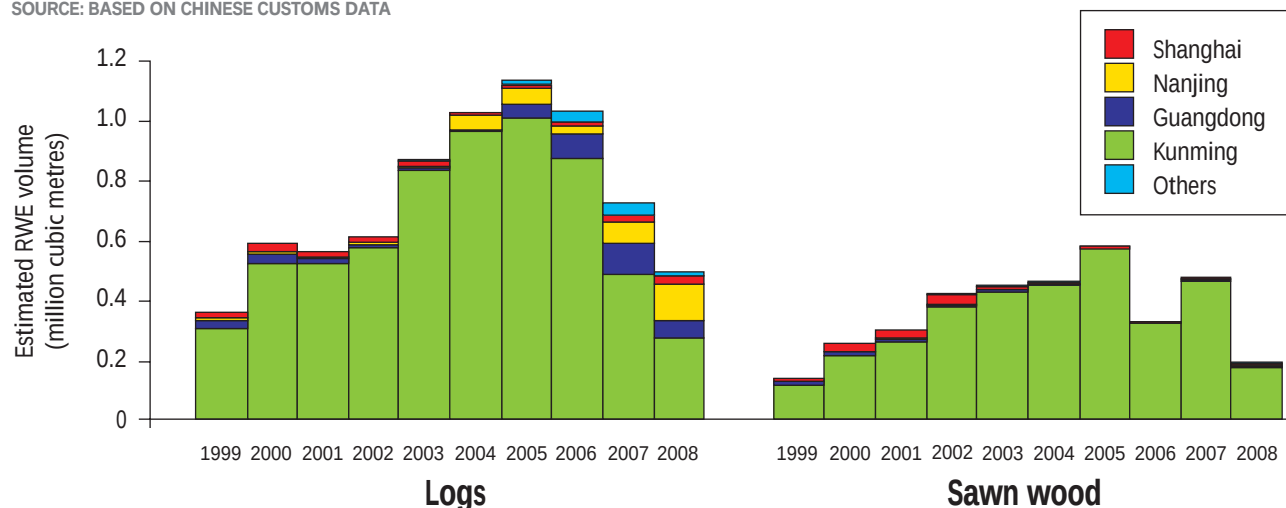
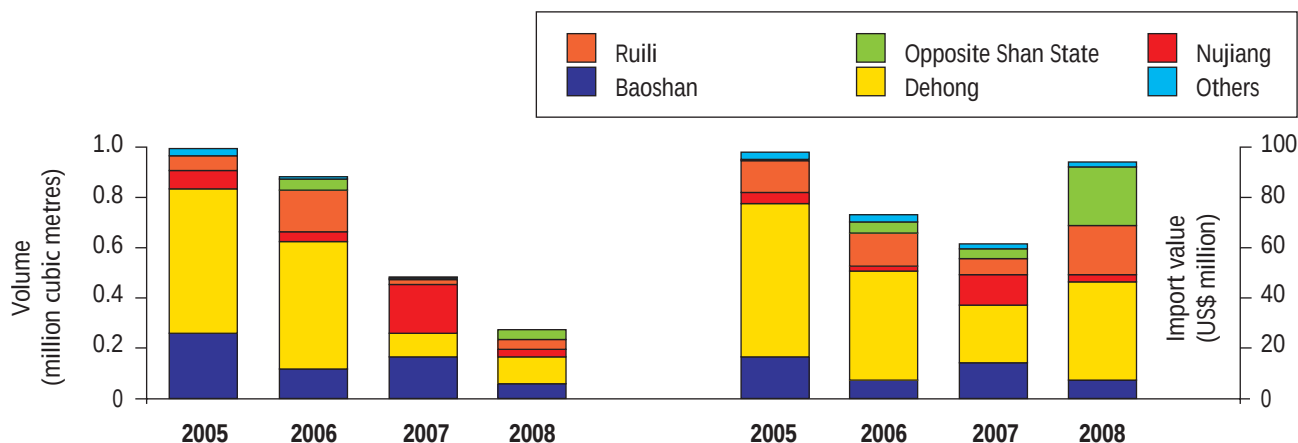


CHART 5: CHINA'S IMPORTS OF LOGS FROM BURMA BY LOCATION OF IMPORTER IN YUNNAN PROVINCE CHINA.^{c5} SOURCE: BASED ON CHINESE CUSTOMS DATA



^{c4} It has been assumed that the Myanmar Ministry of Forestry has converted volumes for processed timber into RWE volumes. This may not be the case, however processed timber represents only a small fraction of overall exports and this is unlikely to affect the analysis significantly.

^{c5} Location of importer indicates the declared address of the business to which the consignment is being delivered and is usually situated geographically within the customs district through which a consignment is imported

Despite a significant decrease in the volume of logs crossing the border (more than two thirds), the value of the logs being imported into China was almost the same in 2008 as it was in 2005, just under US\$100 million, according to Chinese customs data. This may reflect greater transportation costs, and a need for bigger bribes as a result of the crackdown, resulting in higher prices or a switch to higher value species.^{c6} Interestingly, the value of logs being imported into prefectures opposite Shan State has increased significantly since 2005. This could be

because trade under the control of the Burmese authorities has increased.

As can be seen from Chart 6 the vast majority of logs crossing the Burma-China border in 2005 were 'other hardwood' and most of the subsequent drop is accounted for by a massive fall in hardwood exports. The only category of logs to increase since the crackdown is rosewood, a luxury species. However, this is unlikely to account of the increased value of the cross-border trade because of the small volumes involved.



Chinese truck carrying various timber tree species cut in Burma



Fir sawn wood, Gudeng, China; January 2007

Prior to the crackdown most of the sawn wood entering Yunnan province from Burma was being imported by businesses whose declared address was Kunming ('others' on Chart 7). This practice ended in 2006, but it is not known if these companies ceased importing sawn timber into Kunming or simply relocated closer to the border. In 2005, only 20,000 m³ of sawn timber was imported into Dehong prefecture rising dramatically in 2007 to 290,000 m³. This could reflect the KIO's desire to add value, in the face of greater restrictions, or to avoid detection. Imports of sawn wood into prefectures opposite Kachin State plummeted in 2008. By way of contrast, sawn wood imports from Shan State doubled in volume and more than trebled in value. This may be because of an increase in trade in timber from MTE sources.

As can be seen in Chart 8, all categories of sawn wood have decreased since the crackdown, most notably 'other hardwood'. The amount of teak exported across the border has almost halved and imports of softwood are now close to zero.

^{c6} This would appear unlikely as the volume of all species exported to China has fallen since 2005, apart from rosewood (see Chart 6).

CHART 6: CHINA'S IMPORTS OF LOGS FROM BURMA VIA KUNMING CUSTOMS DISTRICT BY SPECIES. SOURCE: CHINESE CUSTOMS DATA

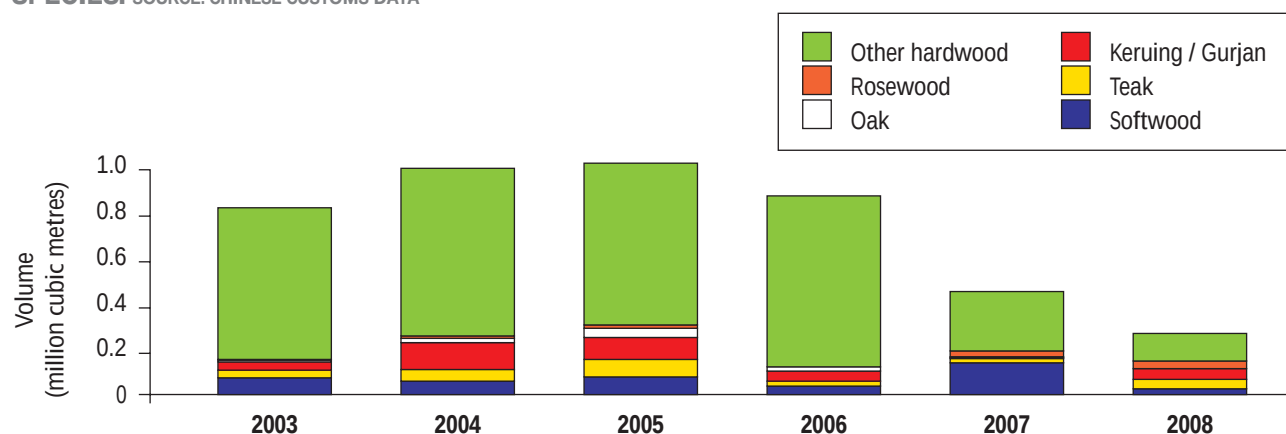


CHART 7: CHINA'S IMPORTS OF SAWN WOOD FROM BURMA BY LOCATION OF IMPORTER IN YUNNAN PROVINCE CHINA. SOURCE: BASED ON CHINESE CUSTOMS DATA

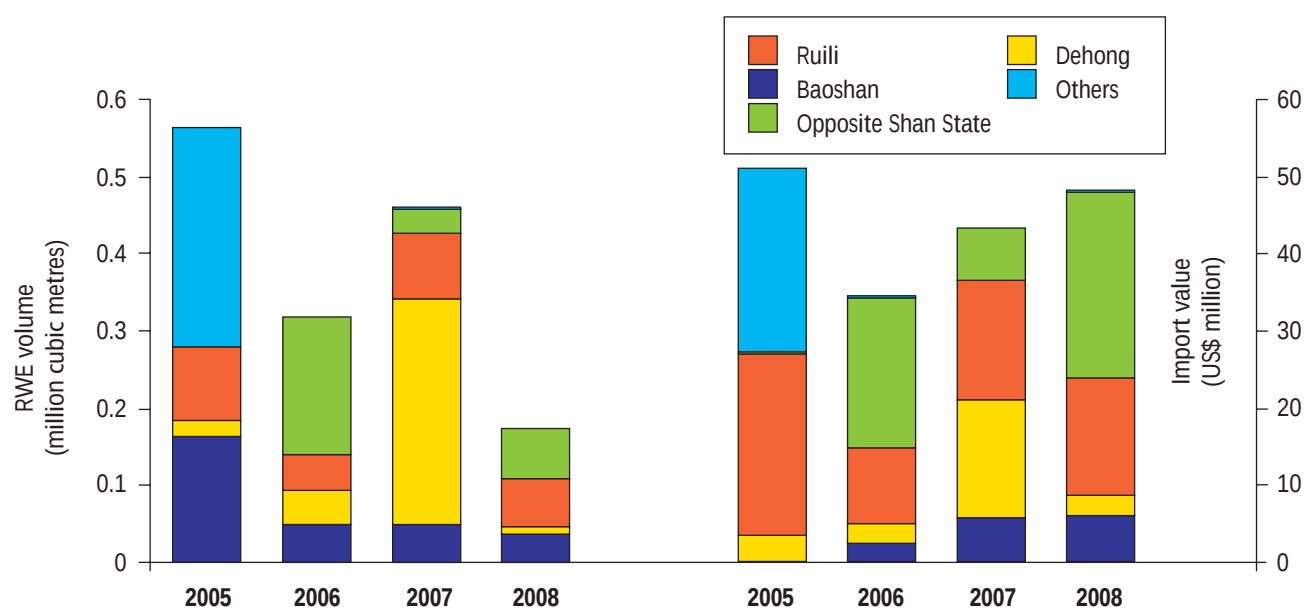
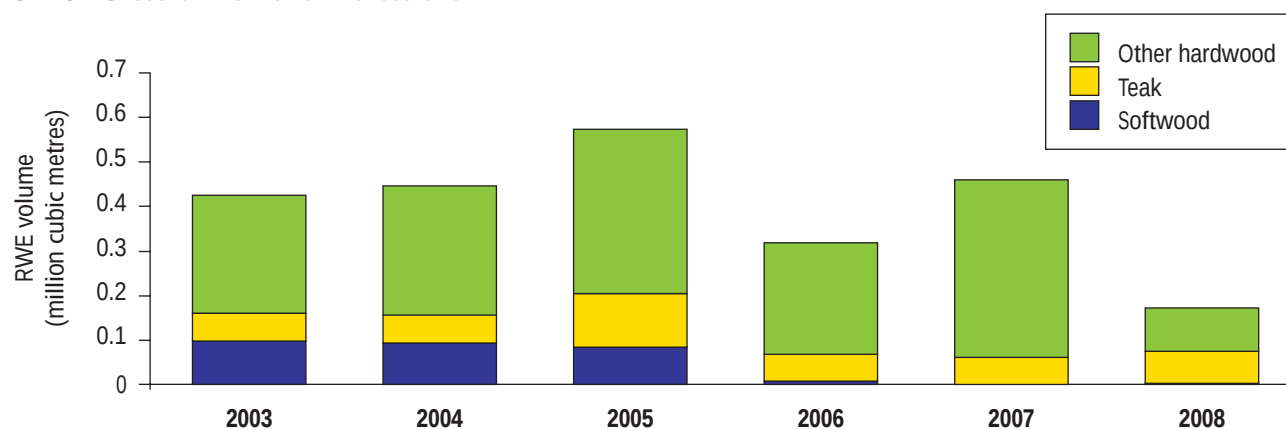


CHART 8: CHINA'S IMPORTS OF SAWN WOOD FROM BURMA VIA KUNMING CUSTOMS DISTRICT BY SPECIES. SOURCE: BASED ON CHINESE CUSTOMS DATA



7.2 Decline in the illegal timber trade – field research in Yunnan Province, China

The fall in timber imports has had an immediate impact on sawmills and wood-processing plants all along the border. In April 2007 for example, only three of the ten biggest factories in Ruili were still running, and they were operating at reduced capacity. The main wood-processing towns of Yingjiang, Pian Ma and Tengchong have also been hit hard.⁹³

Slogans such as, ‘Long live the border trade’, and ‘Timber trade is the glorious way to prosperity’, still adorn the white walls of the development parks in Chinese towns all along the border with Burma. However, the notice boards in public squares tell a different story: ‘Workshop for rent. Suitable as timber processing factory’, and ‘High speed electric saws for sale.’ In 2003, Pian Ma had a floating population of 37,000; mostly migrants involved in the timber trade. However, in 2007 most of the factories in Pian Ma had closed down, almost all the timber traders had left, and even the red light district was deserted.⁹⁴ By March 2009, the timber trade had picked up a little and some of the bars and karaoke clubs had reopened.⁹⁵

Significant amounts of timber have been stored on the Chinese side of the border. In addition, large amounts of timber were also piling up on the Burmese side and more remotely in the forests of northern Burma (see ‘10 The decline in illegal logging in Kachin State’, pages 69-96). In almost all timber towns visited in 2006-07, traders reported that they were waiting for

the border to reopen and that they would resume their activities if that were to happen.³²⁵

As a result of the difficulty in obtaining both import and transport permits only limited amounts of Burmese timber have been transported from the border to Kunming or further inland. In sharp contrast to 2004, in 2007 Global Witness researchers only saw two trucks openly carrying logs on the main highway between Kunming and the border, one of which was going towards the border. The other was heading to the Chuxiong freight train station, 160 km from Kunming on the road to Dali, from where timber is transported to other parts of China.⁹⁶ However, it is not known how many of the numerous, large, closed trucks, also plying the highway, were carrying sawn timber, out of view of the public and the enforcement agencies. Global Witness inspected two such trucks which were both found to be carrying around 40 m³ of sawn timber. One of them was going from Yingjiang Prefecture to Guangdong, on the eastern seaboard.⁹⁷

In May 2007, large piles of timber were seen at railway freight stations in Chuxiong, and in Fengyi on the outskirts of Dali, both of which are key transport hubs for Burmese timber. In Chuxiong, which is preferred by timber traders from the Tengchong area,⁹⁸ logs with a diameter of more than 70 centimetres were being loaded onto railway wagons. More logs were seen at the Fengyi railway compound, some of which were in the process of being loaded onto trains. This contrasted greatly with the situation in May 2006, when the storage area was

almost empty, containing only small amounts of timber mainly from Gudeng in Nujiang Prefecture. A local timber trader explained at the time, “Today’s situation cannot be compared to the past timber booming years. In the past, every storage area was full of timber like mountains high, trucks were busy around the clock and the timber business was hot. Now, there is only about 1,000 m³ in storage here and only little timber business going on.”⁹⁹



Fengyi railway freight station; April 2007

7.2.1 Nujiang Lisu Autonomous^{c7} Prefecture

*"[...] the situation of timber trade in Pian Ma is very complex and hard to deal with. In some situations we, representatives of the government, can only open one eye and close another."*¹⁰⁰ Customs official, Yunnan Province, January 2007

The picture was mixed in the northern prefecture of Nujiang. The small timber town of Gudeng, which only began importing timber from Burma through the Ega Pass in early 2006, was the only town in this area with fresh imports of timber in May 2006. In late December 2006, local authorities stopped issuing permits for the timber to be transferred from the border further inland.¹⁰¹ In the remote towns of Fugong and Gongshan customs had stopped timber imports by May 2006. However, during subsequent Global Witness visits it was clear that relatively large amounts of timber had been imported between May and October 2006 and stored in town.¹⁰² Global Witness found increased amounts of timber stored in all three towns in early 2007. Despite this, timber traders told Global Witness that they did not expect the border to reopen for another three years.¹⁰³



Gongshan; October 2006

Global Witness did not revisit these towns on the 2009 trip to the Burma-China border but, according to a timber trader from Sichuan Province, timber had yet to be imported into Gudeng during the 2008-09 logging season.¹⁰⁴



Gudeng; October 2006

^{c7} Autonomous prefectures either have a population comprising over 50% ethnic minorities or, historically, have a significant ethnic minority contingent.

Pian Ma, further south, is about 360 kilometres north, and ten hours by bus, from Tengchong. In order to reach the town, which is 1,950 metres above sea level, one has first to drive through an “*elfin rhododendron forest*” on the Pian Ma Pass at more than 3,000 metres. Much of the southern Gaoligongshan Mountain range is protected on the Chinese side of the border.¹⁰⁵ Indeed, signs can be seen throughout the region entreating people to protect the environment: ‘By protecting the Gaoligong Mountains we are protecting ourselves’, ‘People and nature developing in harmony’, ‘Protect eco-environment, beauty homeland’ and so on.¹⁰⁶ The contrast across the border in Burma and in the sawmills of Pian Ma could not be starker. Once the largest timber hub in Yunnan Province, (see ‘*A Choice*

for China’, page 40 for further information) Pian Ma has experienced a drastic decline in timber imports from Burma in recent years. As a result, between 70 and 90% of the town’s two hundred or so sawmills had gone out of business by May 2006 and there was almost no timber in town. These mills have not reopened, apart from one instance in July 2006 (see ‘7.2.6 Re-opening the China-Burma border for the timber trade’, pages 43-44).^{107, 108} By March 2009, the Jinxin Company, previously the largest timber company in town, had closed its huge timber storage area and relocated its offices to Tengchong. The Hongda sawmill, the biggest of its kind in Nujiang Prefecture, appears to have closed entirely.¹⁰⁹

For long periods, only limited amounts of timber have entered Pian Ma. The transfer of timber from the town to Kunming, and other places further inland, has been restricted even more. However, local traders did report an upsurge of timber imports during July-August 2006.^{110, 111} Global Witness researchers were faced with a mountain of timber, with an estimated volume of 150,000 m³, upon arrival in January 2007. Most of this was stored at the old U.S. airstrip just north of the main town. By April 2007, significant amounts of timber were still at the airstrip apparently stranded here because its owners could not obtain the necessary paperwork to clear customs and to transport it further inland. In March 2009, there were about 20,000 m³ of timber in Pian Ma, again most of it near the airstrip. The timber traders, loggers, miners, prostitutes, and heroin traffickers from Xinjiang Province had, to a limited extent, begun to return. But Pian Ma Town has very little to show for its boom years. Many of the old mills were now torn and tattered and much of the accommodation had been demolished, but the town was busier than at the height of the crackdown in 2006-07. There are about ten prominent timber traders left in Pian Ma, most, if not all, of the large companies have left. Two of these small outfits, Hongrui and Yuantong, like the others are involved in logging and associated road building in forests controlled by the ‘mountain army’ in Burma. Some of the work is sub-contracted to smaller companies. Many



“Protecting Forest Resources”, Pian Ma, China

c8 Species available in March 2009 included: Bainanmu (*Phoebe spp.*), Huangxinan (*Phoebe puwenensis*), Lengshan (fir) (*Abies nukiangensis*), Shanan (*Zelkova schneideriana*), Tieshan (*Tsuga dumosa*), Tusha (*Taiwania cryptomerioides*), Xiangbo (*Sabina pingii* var. *wilsonii*), and Yulinchun.

are losing money on the timber that they sell in Pian Ma. The loss is, at least in part, made up for by sales of higher quality timber.^{c8, 112, 104} According to one source, the timber can be harvested to order by loggers working on the western slopes of the Gaoligongshan Mountains in Burma. Here, they are rarely, if ever, troubled by the *Tatmadaw*^{c9} (the military in Burma).¹⁰⁴ The cost of documentation, from the SFA, customs, the department of commerce, and other relevant agencies, varies depending on the type of timber, the quality of the timber and the degree of processing. For example, documentation for *Tsuga spp.* costs 200 yuan (US\$29) per cubic metre for logs and 240 yuan (US\$35) for sawn timber. *Tsuga spp.* sells for 1,200 yuan (US\$175) per cubic metre for unprocessed timber and 1,600 yuan (US\$234) per cubic metre for sawn timber. Documentation for *Sabina sp.* costs about double that of *Tsuga spp.* but top quality timber can be sold for as much as 6,000 yuan (US\$88) per cubic metre.

By May 2006, in nearby Kangfang in Burma, the prominent De Long Forest Resources Co., Ltd. had also shut down its timber-processing facilities.¹¹³ In April 2009 Global Witness researchers saw 20 blue log trucks, within three hours, en route to Pian Ma. Log trucks seemed to be able to cross the border unrestricted, however most travel at night.^{104, 112}



Pian Ma; January 2007



Pian Ma; March 2009



Pian Ma Town has very little to show for its boom years; March 2009

^{c9} The army is called the *Tatmadaw Kyee*, the air force *Tatmadaw Lei*, and the navy *Tatmadaw Yay*.

7.2.2 Baoshan Prefecture

The large town of Tengchong has at least four ‘feeder towns’ near the China-Burma border that supply it with timber.¹¹⁴ By May 2006, timber import into these towns had been much reduced although some timber was still crossing the border and being transported to Tengchong.¹¹⁵ The feeder towns of Guyong and nearby Houqiao had experienced a decrease in imports from an estimated 30-40,000 m³, between January and May 2005, to maximum of 10,000 m³ during the same period in 2006.¹¹⁶ In January and May 2007, the trade was limited in Guyong, Houqiao and the feeder town of Tse Tse. By way of contrast, timber traders in Dian

Tan, a small town in the same area, were busily importing timber through an unofficial border crossing in early 2007 (see ‘6.3 Snake business’, pages 18-23).¹¹⁷ Dian Tan is situated opposite Pangwah Town, the headquarters of the NDA(K) in Burma.

In May 2006, Global Witness researchers saw at least 70-80,000 m³ of stored timber in four of the border towns feeding Tengchong with timber.¹¹⁸ By early 2007, volumes of timber had slightly increased in Guyong and Houqiao, and decreased marginally in Tse Tse, compared to May 2006. In Tse Tse at least 15-20,000 m³ of timber was stored along the road between the town and the Burma border.¹¹⁹ The amount of timber seen in Dian Tan had doubled by 2007 to approximately 40,000 m³. Some timber had been transferred further inland from all of these towns, in particular Dian Tan and Tse Tse.¹²⁰

According to the Yunnan Department of Commerce, in a report dated 26 June 2006, 500 out of 1,000 timber processing factories in Tengchong County have had to close as a consequence of the suspension of timber imports. Some 5,000 out of the 10,000 people employed at these factories have lost their jobs, and service related industries have faced difficulties. Again according to the report, 5,000 trucks previously used for mineral and timber transport have been left unused.¹²¹ Global Witness has not been able to independently verify these figures.



Tse Tse; January 2007



Log storage area, Guyong; January 2007

Global Witness returned to Baoshan Prefecture in March 2009. In Dian Tan timber traders told Global Witness researchers the prices of the most readily accessible timber tree species (*see opposite*). Others such as Aishan (*Morus australis*), Baimu (*Brassaiopsis spp.*),^{d1} Kelongmu (in *Dipterocarpus turbinatus*), Matihe (*Exbucklandia populnea*), Mumian (*Bombax ceiba*), Tiejianshao (*Shorea spp.*), Wujiaofeng (*Acer pictum*), and Zhasang (*Morus spp.*), were available only in small quantities and generally much harder to source.¹²²

The same timber traders told Global Witness that prices had generally decreased only slightly over the past year, despite the global economic downturn, on average by 10%. The main reasons given for this were that they had to travel deep into Burma, 170 kilometres from the border, to cut the timber and they had to establish a good relationship with each new *Tatmadaw* commander every three months. According to the traders the going rate for good relations with the Burmese military is about one million yuan (US\$146,000). Completing all the relevant procedures in China costs about 400 yuan (US\$58) per cubic metre of timber.¹²² At the time of Global Witness' visit, the timber storage ground in Dian Tan contained about 10,000 m³ of timber, about

TIMBER PRICES IN DIAN TAN MARCH 2009

Chinese name	Scientific name	Price yuan/m ³	Price US\$/m ³
Guazao	<i>Hovenia dulcis</i>	2,600	380
Heixinnan	<i>Magnolia baillonii</i>	3,000	439
Heitaomu		2,300	336
Hongchun	<i>Toona ciliata</i>	1,900	278
Huangyunxiang	<i>Cantleya corniculata</i>	2,400	351
Huangxinnan	<i>Phoebe puwenensis</i>	2,000	292
Hupinan	<i>Daphniphyllum paxianum</i>	2,000	292
Jiayoumu	<i>Dipterocarpus spp.</i>	2,300	336
Jinsinan	<i>Phoebe shearerii</i>	1,000	146
Kasinan	<i>Viburnum cylindricum</i>	1,800	263
Lengshan	<i>Abies nukiangensis</i>	2,000	292
Limu	<i>Quercus spp.</i>	800	117
Nianzao	<i>Chukrasia tabularia</i>	1,400	205
Shanan	<i>Zelkova schneideriana</i>	2,100	307
Tieshan	<i>Tsuga dumosa</i>	2,000	292
Xiangzhang	<i>Cinnamomum glanduliferum</i>	1,800	263
Xiananhua	<i>Betula spp.</i>	2,500	365
Yulinchun	<i>Toona sp.</i>	2,300	336

one quarter of its maximum capacity. However, wood was arriving and departing on a regular basis each day. Guangzhou, the capital of Guangdong Province, Hainan, Beijing, Shanghai, Sichuan Province, Japan and Korea were all mentioned as destinations for their stock.¹²² On one road there were about 50 sawmills but most, perhaps 90%, had closed down. There were many log trucks in town, which appeared busier than at the height of the crackdown possibly because of an increase in the mineral trade with Burma, road building, and other development projects.



Sawmills along the river. A few still are alive, Dian Tan; March 2009

d1 *Spp.* is the plural of *sp.* meaning species. Many trade names such as Keruing encompass more than one species of the same genus. *Ssp.* means subspecies.

From Dian Tan Global Witness researchers travelled north to the small town of Tse Tse. Despite repeated requests to pass the border checkpoint the police refused. In the past, large quantities of logs have been stored along the main road about 2 kilometres from the checkpoint. However, Global Witness was told that all the timber had been moved to avoid a recent forest fire in the area.¹²³ Tse Tse is almost



Heixinmulian logs from Burma, Guyong; March 2009



Houqiao (Guyong) log storage area; March 2009



Tse Tse, Burmese logs and Chinese (Beijing) Jeep; March 2009

entirely reliant on the timber trade, which perhaps explains the rather lax enforcement of the new regulations here. A taxi driver, for example, can double his 2,000 yuan (US\$292) monthly income during the logging season.¹²⁴ According to local people, the border defence police take money from the log truck drivers and timber businessmen. The procedures in China are easy to comply with, whereas in Burma, in reality, there is no process at all other than to have a good working relationship with the 'mountain army' and the *Tatmadaw*. Since the start of the logging season about 20,000 m³ of timber had been imported into Tse Tse. This was then stored in one of six stock grounds or 10-12 sawmills. The logs generally comprised high quality species but the loggers had to travel up to 200 kilometres into Burma to find them, particularly those of large diameter.^{d2}

The largest amount of timber found in the Tengchong area, approximately 30,000 m³, was found in Guyong Town situated north-west of Tengchong near the border port of Houqiao. Eleven log rest areas were seen along the main road leading from town to the border. Guyong also had 45 sawmills, three of which were closed down. Despite the ready supply of timber from Burma, timber traders complained that there weren't many buyers. Transportation costs had increased, because of the need to build roads through the mountains up to 200 kilometres into Burma, as had the fees on the China side. However, the cost of securing a mountain to log and transport 'taxes' in Burma had fallen. As a result, the price of timber had dropped only slightly.

Most of the companies operating in Burma were small, with an operating capital of around ten million yuan (US\$1.5 million). In contrast to previous years, the companies were run predominantly by local people with very good contacts in Burma. Clearly, sharing the same language, culture, customs, and, often, family helps the businesses run smoothly.¹²⁵

d2 Amongst other species Global Witness researchers saw: Baimu (*Brassaiopsis* spp.), Handonggua (*Alnus nepalensis*), Heitaomu, Heixinnan (*Magnolia baillonii*), Hongmu (*Bixa orellana*), Hupinan (*Daphniphyllum paxianum*), Limu (*Quercus* spp.), Matihe (*Exbucklandia populnea*), Qingsong (*Pinus griffithii*), Qiumu (*Catalpa fargesii*), Shuidonggua (*Alnus ferdinandi-coburgii*), Shanxianguo (*Lindera metcalfiana* var. *dictyophylla*), Tieshan (*Tsuga dumosa*), and Xianbo (Wilson juniper) (*Juniperus pingii* var. *wilsonii*).

7.2.3 Dehong Dai Jingpo Autonomous Prefecture

"Before, big bosses and small bosses, all came over here for timber business. I didn't know exactly how many trucks coming and going, countless. Now, so few trucks."

Elderly woman at a grocery store in Sudien, near Yingjiang, Dehong Prefecture, April 2007

By May 2006, and during subsequent visits by Global Witness in January and April 2007, it was apparent that large-scale imports of timber had been brought to a halt in this area. In April 2007, all the companies had either closed or drastically reduced their processing operations. Little timber was left in storage, and Global Witness researchers did not observe a single truck transporting timber during a four-day period.¹²⁶ Smuggling had increased though.

In the large Ruili area, about 700 kilometres and eleven hours by bus from Kunming, the four leading timber-importing and wood-manufacturing companies all reported that they had been forced to stop moving timber across the border since the end of March 2006. This is presumably because they had been dealing in timber cut without the appropriate authorisation in Burma and, as a result of the ban/Interim Measures, could no longer import the timber without the appropriate documentation. That said, they had managed to import large amounts of timber prior to the border closure, and immediately afterwards. One company explained that before the closure they, *"[...]had spent three days and nights moving timber from Myanmar to China, with 180 trucks, and reported it all to customs in order to obtain legal certificates."*¹²⁷ Large storage sites visible in May 2006, containing more than 20-30,000 m³ of logs, were almost empty in both January and April 2007.¹²⁸

In February 2009, despite being on the lookout in Ruili, Global Witness researchers saw only one fully



Rongmao, Ruili City; April 2006

laden log truck and no timber stockpiles. There were a couple of small sawmills on the edge of town, but only one was processing timber.¹²⁹ What was left of the timber trade appeared to be dominated by the Ruili City, Rongmao, Business, Trading Co. Ltd. According to sources close to the company, it had survived essentially because of its large size, ready access to significant sums of money, and good contacts both in Burma, with the SPDC and the KIO, and in China.⁴⁰ The China-Burma border was no longer closed to the timber trade, a fact later confirmed by the SFA in Beijing,¹³⁰ and timber was still available. Global Witness was told that the company had no problem importing timber from Burma and appropriate documentation was easy to acquire. Whether or not the documentation was actually valid is a different matter entirely and difficult to ascertain. However, given the problems experienced by loggers working for Rongmao in early 2009, it is probable that the company was not operating entirely in accordance with the law, if at all (see '10.3.2 Logging and timber transportation in KIO-controlled areas near the border', pages 81-83).¹³¹



Log storage area, Ruili City; April 2006

North of Ruili, in the Yingjiang area of Dehong Prefecture, the suspension of timber imports was not implemented until June 2006 and enforcement has been patchy.¹³² At its peak, Yingjiang Town had an estimated maximum of 300 sawmills and timber-processing factories, many of them located in the area near Budui Lu (Military Road).^{133, 134} However, almost all of them had closed down by June 2006. They were still closed during subsequent Global Witness investigations in 2007.¹³⁵ Global Witness found more timber stored in Yingjiang, and the border towns near Yingjiang, in 2007 than in 2006.¹³⁶ By early 2009 only a few small companies were open for business, relying on timber logged illegally in more remote and inaccessible forests in Burma. Forty of the 55 sawmills seen along a two-kilometre stretch of the Budui Lu were closed. Those that were open were processing timber from Car Zan

and Sudien. Two timber stockpiles were also located. One, measuring at least 160 metres by 160 metres, contained teak logs belonging to the Hongxin Company. Rumours that the company still had about 20,000 m³ of teak in storage, but no buyers, would appear to have some veracity. Log trucks were also seen in Yingjiang Town, after dark.¹³⁷

In April 2007, in Nabang, Global Witness saw 10 trucks carrying squared-off logs arriving at the large storage compound of the powerful Hongxin company, within a 20 minute period. Hongxin once controlled most of the timber trade in Nabang. The compound was already partially filled with fresh logs. Another 3,000 m³ of logs were stored near the river, by one of the two unofficial border crossings, which use the so-called Munglai Dam Road and bypass the official border checkpoint in Laiza Town. On the road from

Nabang near Yingjiang, by a large electricity relay station, a further 15,000 m³ of timber was stored at the Hongan Timber Company storage area. Another seven trucks were waiting to unload square logs during Global Witness' short visit.

In May 2006, in nearby Car Zan, numerous log trucks entered China from Burma; customs was closed throughout the holiday period. Many of these trucks had been checked and let through by a member of the Border Defence Brigade.¹³⁸ This was in stark contrast to the situation in February 2009. Not one log truck was seen on the newly upgraded road from Car Zan to Yingjiang. Global Witness researchers were told that most of the



Yingjiang Town; May 2006

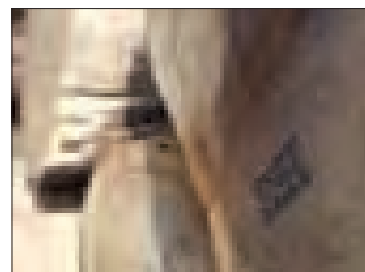


Hongxin's log storage area, Yingjiang Town; March 2009

timber transportation in this area took place at night. Only one timber truck was seen at the border checkpoint, being inspected by the border police, about 10 kilometres from the real border. The border police were charging each truck, which can carry between 20–40 m³ of timber, 50 yuan (US\$7) to enter China and 120 yuan (US\$18) ‘service fees’. Global Witness researchers found only three timber stockpiles containing less than 20,000 m³ in total. They were all located near the customs office about half a kilometre from the border checkpoint. Apparently, the customs director had been moonlighting as a timber broker. The number of sawmills also dropped dramatically from between twenty and thirty in 2004 to less than five in 2009 each employing no more than ten people. However, it would appear that those traders that remain were experiencing little or no trouble importing timber from Burma and had many species for sale.^{d3, 131}

Further north in Sudien, Global Witness found two timber stockpiles and 5 working sawmills during the 2009 trip to the border. Ten fully laden log trucks were seen at one of the stockpiles. None of the traders spoken to by Global Witness were at all concerned by the new procedures for importing Burmese timber into China, mainly because they were not being enforced. That said, Global Witness was told that each log was marked with capital letters, such as SDK-1, and that this was proof the timber had been authorised by the Burmese authorities. It is not known what these letters stand for, nor indeed which authority, the SPDC or an armed ethnic opposition group, had put them there. On previous occasions Global Witness researchers saw only abbreviations of Chinese company names hand-written on the logs. The traders were more interested in the quality of the timber, volumes, and tree species than in any new regulations. More than 20 timber tree species could be found in Sudien.^{d4} Prices varied from between about 300 yuan (US\$44) per cubic meter for

Alnus sp. to 3,000 yuan (US\$439) per cubic metre for *Manglietia spp.*^{d5, d6} Global Witness researchers were also offered extracts from the CITES-listed Himalayan Yew (*Taxus wallichiana*) on a couple of occasions (see ‘A Choice for China’, page 25). All the timber was from Burma. For each species, on average, the various authorities were paid 300 yuan (US\$44) in total for processing a cubic metre of timber through the system. This compares to 270 yuan (US\$39) in Car Zan.¹³⁷



SDK-1. Proof of legal origin? Sudien; March 2009



Burmese timber in Car Zan; May 2006



Burmese timber in Car Zan; March 2009

d3 These included: Bianselong (*Pterocarpus tinctorius* var. *chrysothri*), Guaizao (*Hovenia dulcis*), Heixinnan (*Magnolia baillonii*), and Jiayoumu pseudo teak (*Dipterocarpus spp.*), as in Sudien (below) together with Kelongmu (in) (*Dipterocarpus turbinatus*), Kulianzhi (*Azadirachta indica*), Maisuo (*Hopea spp.*), Tiechun (*Chukrasia tabularia*), Mianbai (*Michelia champaca*), Wujiaoxin (*Juglans regia*), and Zhashang (*Morus sp.*)

d4 These included: Baicuipei, Baimulian (*Manglietia spp.*), Daoguzhishu, Hongcuipei, Hongmu (*Bixa orellana*), Hupinan (*Daphniphyllum paxianum*), Jiakelong, Jinsinan (*Phoebe shearerii*), Kasinan (*Viburnum cylindricum*), Laoshudajianshu, Limu (*Quercus spp.*), Matihe (*Exbucklandia populnea*), Mulianhuashu, Nanmu (*Phoebe nanmu*), Shuidonggua (*Alnus ferdinandi-coburgii*), Wolumu, Xinanhua (*Betula alnoides*), and Yaoqianshu.

d5 *Manglietia* is a genus in the family Magnoliaceae. Four out of the 37 or so known species are found in Burma (http://www.magnoliasociety.org/classifications_ndx.html).

d6 Five are on the IUCN Red List of Threatened Species. All five threatened species are found in Yunnan Province in China, and two of these are used in construction. For more information see: <http://www.iucnredlist.org/>

BOX 3: HONGXIN

"The boss of Hongxin started his business as a driver and now he has a big company." Wooden hammer handle maker from Tengchong, May 2006

The Hongxin company, owned by Mr Ying Xinquan, once had a near monopoly on timber imports into Nabang, in Dehong Prefecture. The company continued importing timber from Burma for long periods of time despite the order to suspend the trade in March 2006. This probably had something to do with the close relations between local authorities on both sides of the border, controlled by the KIO on the Burma side and ethnic Kachin on the Chinese side of the border. As much as 80% of Yingjiang County's income is thought to have derived from the timber trade.¹⁵¹ Indeed, Yingjiang's revenue may have fallen by up to two thirds following the imposition of the moratorium and new rules governing the timber trade.¹³⁹

The gate of Hongxin's storage site in Nabang, which held an estimated 30,000 m³ of timber in May 2006,¹⁴⁰ had a sign fixed to it which stated, 'This storage area is appointed by customs.'¹⁴¹ Hongxin was once the largest company in Nabang, followed by the Manying Company, which also had a large timber storage site on the outskirts of town.¹⁵¹ At its height, Hongxin had about 4,000 employees, 200 extraction vehicles in Burma's forests, 60 cranes operating at storage sites on the China side, 1,000 timber trucks and, "countless mountain forests in Burma". On 3 May 2006, the company is rumoured to have paid out 20 million yuan (US\$2.6 million) to its loggers.¹⁵¹ A few days later Global Witness researchers saw more than 15 timber trucks, mostly belonging to Hongxin, during the 100 kilometre drive from Nabang to Yingjiang

Town. In addition, 20 trucks were seen waiting at customs to clear their loads of timber. They were all processed within two hours. The scene during March-April 2006 had been even busier. Trucks were seen one after another all along the road, "often causing delays up to two-three hours".¹⁴²

In May 2006, a Chinese timber market researcher, mistaken for a reporter, had to be saved by local police after up to ten employees attacked him. People associated with Hongxin Company had previously attacked four reporters from Beijing, smashed their equipment, seriously wounding one of them. During the court case that followed, the company was reportedly sentenced to pay 4.5 million yuan (US\$585,000) in damages for the broken equipment and 500,000 yuan (US\$65,000) in medical fees. However, no individual was identified or held personally liable.¹⁴³ Global Witness has not been able to verify this information.

In early 2007, Hongxin stopped importing timber to Nabang. However, by April the storage area was filling up once more. Truck drivers working for the company, carrying loads of 15-20 m³ to Yingjiang, claimed that the timber all had legal certificates.¹⁴⁴ It is possible that Hongxin was logging in Burma under the pretext of setting up a rubber plantation. According to a local man, Hongxin had 2,500 workers in Burma's forests in January 2007. He claimed that, "the real purpose of the company is not for rubber tree plantation, but for tree cutting. They cut trees to harvest logs and store them on roads waiting for the border to open. The rubber tree plantation will take a long time to finish. True for logs and false for rubber plantation."³²⁹

Global Witness visited the Hongxin Company again in March 2009 following rumours that the company had stopped trading timber completely. Only a few well-

weathered logs could be seen at its storage site in Nabang. In fact the entire town seemed to be in terminal decline. One bus driver told Global Witness researchers that he was driving less than one fifth of the time that he had been only last year. Hotels were all but empty and the floating population had dispersed. A sign at the national border post read, "It is illegal to cross the border for logging and gold washing." However, the global economic downturn, and perhaps a lack of trees, may also have played a part.¹³⁷



Hongxin; April 2007

7.2.4 Kunming

"It does not matter if the timber is imported legally or illegally, as long as the market accepts it." Sales department manager of timber processing factory, Ruili, Dehong Prefecture, April 2006

The decline in the supply of Burmese timber since March 2006 has had a noticeable impact further along the market chain in Kunming. This resulted in a price increase of about 30% by mid-2006. The annual price increase was 30-40% for selected and high value timber, 20% for timber of mid range quality and 15% for lower value and more common timber. In early 2007, the average price of timber in the market had increased by an estimated 20% over the previous year, according to timber traders. The price of some species such as chempaka^{d7} and teak had seen more dramatic increases. Chempaka for example had gone up from 2,000 yuan (US\$260) to 4,800 yuan (US\$624) per m³ in a year, while teak priced at 11,000 -13,000 yuan per m³ (US\$1,430 - 1,690) in mid-2006 had risen to 18,000 yuan per m³ (US\$2,340) half a year later.¹⁴⁷ By 2009, teak prices at the border had fallen to around 11,000 yuan (US\$1,618) per ton.¹⁴⁵

Most of the larger Chinese companies have direct transportation routes from the border to buyers and wholesale markets on the eastern Chinese seaboard. Smaller and medium-sized companies generally operate from the Kunming Xinan Timber and Forestry Trading Market. The Xinan market is the largest timber market in Yunnan Province and deals mainly in timber products from Burma. It has around 190 stallholders and spans an area of approximately 18,000 m². Most of the timber sold here is destined for Guangdong and Shanghai.



Kunming Xinan Timber and Forestry Trading Market; December 2006 ^{d8}



Xinan Market; February 2007

^{d7} This is the ASEAN standard name for the timber of the family Magnoliaceae.

^{d8} According to the sign, timber tree species from Burma available in December 2006 included hongmu, kelongmu, xiangzhang and youmu.

Global Witness visited the Xinan Timber Market three times during 2006-07 and inspected more than 30 companies with outlets at the market.¹⁴⁶ Among the most sought after species were birch (*Betula spp.*), chempaka (*Manglietia spp.*), keruing (*Dipterocarpus spp.*), ramin,^{d9} *Shorea spp.*, teak (*Tectona grandis*), and Chinese hemlock (*Tsuga spp.*). Timber from Burma was still available at the market at the time of Global Witness' visits. The vast majority of the timber was sold as sawn wood, rather



Xinan Market; June 2006

than logs. However, the amount and the number of species had declined, leading some outlets to shut up shop and others to announce that popular species, such as Chinese hemlock, were either in short supply or sold out. Traders complained that business was not as good as before when, “timber was easy coming, easy going and with big profits”. They referred to the moratorium placed on the timber imports from Burma in 2006 as the reason for the decline in supply.¹⁴⁷

By 2007, some traders had, without great success, begun to look towards Laos and Vietnam as alternative suppliers for high-value species.¹⁴⁸ A timber trader from Pian Ma explained, “My stall here at the [Xinan] market is without timber. Pian Ma has been closed since the end of last year [2006] with a small amount of timber smuggled in. I have chased every border pass down to Laos and Xishuangbanna, with money wasted on trips and no gain. Gudeng near Liuku still has some timber, but the price is higher and the amount is small, so it cannot meet the market demand.”¹⁴⁹

In February 2009, a local researcher reported seeing only two heavily loaded log trucks in eleven hours on the road from Ruili to Kunming.



Xinan Market; June 2006

d9 The Royal Botanic Gardens, Kew, describes ramin as “[...] the common trade name given to a number of light coloured tropical hardwood tree species” of the *Gonystylus* genus. These species are, “native to the peat swamp forests of Brunei Darussalam, Fiji, Indonesia (Kalimantan and Sumatra), Malaysia (Peninsular Malaysia, Sabah, Sarawak), Singapore, Solomon Islands and The Philippines”. Ramin has been listed by Indonesia under CITES Appendix III. Malaysia is the only country to have made a ‘reservation’ and is therefore not bound by the provisions of CITES with respect to the controlled trade in ramin as other parties to the convention, such as China, are. For further information on how CITES works please see: <http://www.cites.org/eng/disc/how.shtml>

7.2.5 *The economic importance of the timber trade and lobbying to reopen the border*

The importance of the timber trade to the income revenue of local prefectures along the China-Burma border should not be overlooked. In addition to providing employment, the timber import industry provides tax revenue to the local prefectures. According to a report from the local bureau of the Ministry of Commerce, Tengchong County received 78.5 million yuan (US\$10.2 million) in taxes from border trade in the first half of 2005, the majority from taxing timber imports.¹²¹ In 2005, more than 50% of the financial revenue for Lushui County, in Dehong Prefecture, was from Pian Ma.¹⁵⁰ As much as 80% of Yingjiang County's income might be from timber imported into Nabang.¹⁵¹

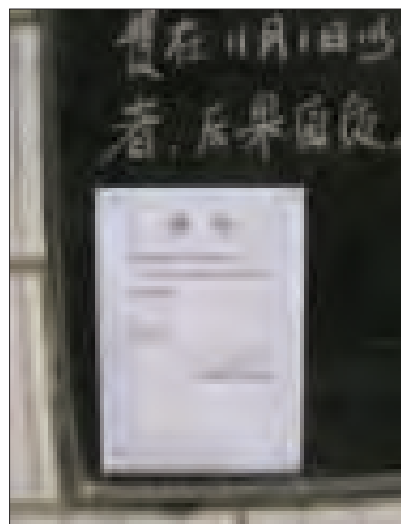
However, a failure on the part of the local authorities to diversify has resulted in an over-reliance on natural resource extraction for revenue generation. This over-reliance on imports has left the local economy very sensitive to any changes in timber import volumes and unprepared for long-term sustainable growth, particularly when the forests of northern Burma are exhausted.

To make matters worse, little of this money has been invested in improving the livelihoods of local people (see *'A Choice for China' and reports by Forest Trends*).^{152, 153} Most of the people investing and employed in the trade are migrants from other parts of China. In addition, much of the profit is

realised by the investors in processing plants on the eastern seaboard.

Some timber traders have made significant investments in tracts of forests, roads, and bridges to the logging sites, which they need to recoup. For their part, local officials have tried to ensure that the trade continues, in the face of the official moratorium and new rules imposed by the Yunnan provincial government under the direction of the central government.

Since the suspension of the timber trade, in March 2006, and the publication of the Interim Measures, many businessmen and local officials have pleaded with the provincial authorities, the central Chinese government, and the Burmese government to resume the trade. They cited financial difficulties and the need to, *"recover old timber stuck by the border"*.^{154, 155, 156}



Department of Commerce (Lushui County) notice announcing the temporary suspension of it issuing documentation necessary for timber exportation (dated 30 December 2006)



Road building, Guyong; January 2007

Requests to collect and/or import ‘old logs’ have been used throughout the region, and no doubt beyond, as a pretext for renewed cutting; i.e. the logs in question do not in fact exist at the time the request is made. (*For more information on ‘old logs’ see, ‘A Conflict of Interests,’ pages 69-70.*) Undoubtedly, there were some genuine ‘old logs’ in this instance, there usually are, however fresh logs were also cut. In addition, many companies imported timber in excess of the allowed quotas fuelling another cycle of logging in northern Burma and leading to subsequent crackdowns by Chinese enforcement agencies.^{108, 157}

According to one trader spoken to by Global Witness, “*Governments at prefecture and county level, such as Dehong and its counties, went to Beijing many times to tell the central government that it must take the border situation into consideration. With the economy in decline and the potential for social instability they argued that the border should be opened for timber trade. In doing this, they gathered information from companies and applied for a quota, of 100,000 m³ of timber from Burma, to the Yunnan provincial government.*”¹⁵⁸ Other traders working in the area have verified this account.¹⁵⁹

In late 2006, several hundred traders held meetings in Ruili to discuss the border closure and the impact on the timber trade. Similarly, Zhangfeng traders formed a 15-person delegation that visited Rangoon to lobby the Burmese government and encourage them to legitimise the trade with the Kachin armed ethnic opposition groups.¹⁵⁶ Traders

and officials from Lushui County (which covers Pian Ma), Nujiang Prefecture, also visited Rangoon in 2006. They complained that their contracts with the armed ethnic opposition groups had been invalidated. According to one source, “*They tried to explain that a lot of money had been lost and that they wanted the Burmese government to consider their contracts as legal and as a normal business trade. So far nobody has heard any news from them.*”¹⁶⁰

7.2.6 Re-opening the China-Burma border for the timber trade

In July-August 2006, the border was reopened. The Yunnan provincial authorities allocated large import quotas of timber to companies based in Nujiang Prefecture (predominantly to Pian Ma), Baoshan Prefecture and in Dehong Prefecture (to areas near Yingjiang but notably not to Ruili). In late July 2006, Global Witness wrote to the central and provincial offices of the four government agencies overseeing the trade to express concern that this practice would undermine the positive steps made towards halting the illicit trade. We did not receive a response.

Quotas were allocated to the prefectures following surveys undertaken by the local departments of the Ministry of Commerce, which again were responsible for the distribution of quotas to individual companies in the towns concerned. Quotas were reportedly based on the company’s financial situation and business reputation.^{161, 162, 163}

BOX 4: INCREASES IN THE PRICE OF TIMBER

“The further the forests, the better the species and the higher the quality. The high quality timber is mainly found in Dehong Prefecture, then Baoshan and finally Nujiang Prefecture.” Wooden hammer handle maker from Tengchong, May 2006

Prices for timber have increased throughout the border area because of the decrease in supply. In most places prices increased by between 30 and 50% in 2006 compared to 2005. For certain species the price doubled. This led some companies to abandon extraction of all but high value species.³²⁵

LIST OF LOG PRICES IN DEHONG PREFECTURE

Chinese name	Scientific name	Common name	May 2005 price yuan/m ³	May 2006 price yuan/m ³
Doufuzha	<i>Brassaiaopsis</i> spp.		1,300-1,500	1,700-1,800
Heixinmulian	<i>Magnolia baillonii</i>	Chempaka	2,000-2,300	4,000-4,500
Huangxinnan	<i>Phoebe puwenensis</i>	Tembesu /Ironwood	1,300-1,500	2,000-2,200
Huangyunxiang	<i>Cantleya corniculata</i>		1,800-2,000	2,500-2,800
Jidanhuan	<i>Pentace burmaica</i>		1,400	1,700-1,800
Kelongmu	<i>Dipterocarpus turbinatus</i>	Keruing	1,400-1,600	2,000
Suanzhimu	<i>Dalbergia oliveri</i>	Palisander/Tamalan	6,000	8,000-12,000
Xinanhua	<i>Betula alnoides</i>	Birch	1,300-1,500	2,000-3,000
Youmu	<i>Tectona grandis</i>	Teak	6,000	8,000-1,0000
Zitan	<i>Pterocarpus macrocarpus</i>	Burma Padauk	60,000-70,000	75,000-120,000

"[...] in consideration of the heavy losses experienced by most timber companies in the border areas, the Yunnan government released a certain amount of quotas in July 2006 to each prefecture ... to make timber that had already been cut down and moved to the border areas before March 2006 legal in China. However, this announcement made some companies think that they would have a second chance to get more timber from Burma by cutting and transferring them into China. Therefore cutting did not really stop in the Burmese forest, though the scale is not bigger than before. Upon realising that the situation was made even worse, the Yunnan government recently announced that no piece of timber could be moved out of border towns. Some companies with strong financial power and good relationships with Burmese business partners, and the Chinese border checkpoints, have found other ways to avoid the checkpoints and have continued to cut and transport Burmese timber into the Chinese side of the border. They hope that new quotas will be allocated again. Therefore the current situation is repeating itself, and the Yunnan government has ordered the movement of any timber without exception to seriously stop." Interview with government official, Baoshan Prefecture, Yunnan Province, 2007

The total quota allocated to companies in Pian Ma, which could be imported from 16 July 2006, was 30,000 m³. However, it was exceeded by, "a large amount", according to one government official in the area,¹⁶² and by 20,000 m³ according to an informed local timber trader. This prompted an investigation by customs officials from neighbouring Baoshan Prefecture. According to officials spoken to by Global Witness, "The provincial government got so angry about it that they gave repeated orders to stop the timber trade."¹⁶² As a result, no timber was allowed into Pian Ma after 28 December 2006.^{161, 164, 165, 166}

In July 2006, several Chinese towns received quotas for the importation of timber from Burma. Guyong was given a quota for 10,000 m³ of timber, Tse Tse, 30,000 m³, and Dian Tan several thousand cubic meters. It is not known if these quotas were also exceeded but according to a local official the 'reopening' led to continued logging in Burma. This led the provincial government to stop the movement of any timber in the border areas by late December 2006.¹⁶³

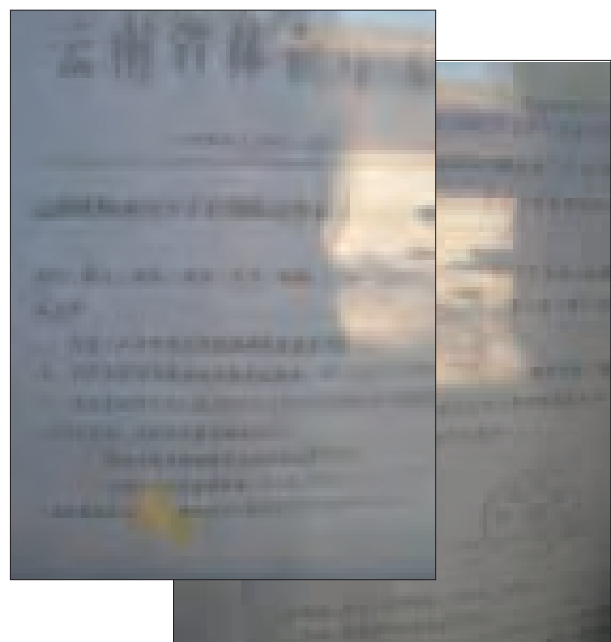
In the Yingjiang area of Dehong Prefecture, local authorities applied for a quota of 100,000 m³ from the provincial government. Nabang was reportedly going to be allocated 50,000 m³, Car Zan 50,000 m³ and the small town of Hong Bom He 10,000 m³. Global Witness has not been able to verify these figures or to ascertain how much timber was subsequently imported. However, it is clear that the roads from these towns, including the nearby Sudien to Yingjiang road, were very busy with heavily loaded log trucks between July and August 2006. According to a local newspaper, "[...] the customs opened the port for timber transportation and timber

*bosses, who sought to gain sudden huge profits, ignored the weight capacity of the road forcefully overloading their timber trucks [...]"*¹⁶⁷ This coincided with the rainy season and as a result the main road was badly damaged at an estimated cost of 2.52 million yuan (US\$327,600).¹⁶⁷ Parts of the road were still in disrepair in April 2007.^{168, 169, 170, 171, 172}

Timber traders have reported several other incidents where customs officials and other local agencies have reopened the border for a short period of time, despite official policy, and have processed documents for limited amounts of timber. These businessmen have described the same situation in a variety of ways:

- "The border is often 'closed' and 'open' because of the mixed situation."¹⁷³
- "The border opened and closed and reopened again."¹⁶¹
- "It [the border] was opened temporarily for half a month."¹⁷⁴
- "The customs in Dian Tan and all the border ports in Tengchong are officially closed; but there's a big policy and a small one. Occasionally, the customs reopen for a short period dealing with timber procedures for 30 companies at a time."¹⁷⁵

During Global Witness visits to Yingjiang and nearby towns in April 2007, timber imported into Nabang and Car Zan, and transported from there further inland, had reportedly just received transportation certificates. Large-scale smuggling was also apparent.^{176, 177, 178, 179} This situation has fuelled hopes among traders and logging operators that business will soon return to normal.



Forest Department of Yunnan Province notification of a new border trade timber transportation licensing system based annual quotas (issued on 25 December 2006 and coming into effect on 10 January 2007)

8 THE TRADE IN BURMESE TIMBER ON CHINA'S EASTERN SEABOARD

"In the smuggling business you need trust to do business."

Jiashan Longsen Lumbering Co., Ltd. representative, October 2006

The majority of the high value timber imported from Burma to China ends up in the timber markets and wood processing factories on China's eastern seaboard. Companies in and around the greater Shanghai area and in Guangdong Province use this timber to manufacture floorboards and furniture for the domestic Chinese market and for export markets in the U.S. and Europe.

Following the imposition of the moratorium on cross-border timber imports from Burma, and, subsequently, the Interim Measures, by the Yunnan authorities, Global Witness surveyed market information available online in order to assess the impact of the new restrictions. This research, a telephone survey, and information gathered on a trip to the eastern seaboard, in September and October 2006, showed that a large amount of timber from northern Burma was available on the Chinese market. However, the supply was small and unreliable and prices had increased accordingly. As a result, manufacturers were increasingly looking to other countries for their timber. That said, some still had large stocks of Burmese timber, predominantly teak, and several companies (and/or their direct suppliers) were engaged in smuggling timber across the Burma-China border. Indeed, a few of the companies interviewed by Global Witness were ready to falsify documents in order to sell their stocks of Burmese teak. In general, none of these companies, including China's two leading manufactures of wooden flooring, appeared to have adequate mechanisms in place to ensure that the wood they were buying from Burma was obtained from legal, let alone sustainable, sources. Western buyers were apparently not concerned about the legality and sustainability of timber used in their products.^{180, 181, 182}

8.1 Chinese market response to the crackdown on illegal cross-border trade in Burmese timber – online and telephone surveys

A Global Witness survey of two leading wholesale timber markets in Shanghai, and Guangzhou in Guangdong Province, available online, shows that the crackdown by the Yunnan authorities, on the illegal cross-border timber trade in 2006, had an immediate impact on both the availability and price of Burmese timber. The overall supply of timber to these markets dropped by between 20 and 50% within weeks of the crackdown and prices increased by 300-1,000 yuan (US\$37-125) per m³. Traders and market analysts all cited the recent border measures as the main reason for the market changes.¹⁸⁰

The online survey was followed in July 2006 by telephone calls to four of China's largest wholesale timber markets located in Shanghai and in



Shanghai Anxin Flooring Co., Ltd., promotional poster at company office, Shanghai, China; September 2006

Guangdong Province. Global Witness researchers contacted four markets, which provide outlets for hundreds of wholesale timber trading companies: the Furen Forest Products Wholesale Market in Shanghai, the Houjie Xingye Timber and Plywood Market and Dongguan Jilong Timber Market in Guangzhou, and the Yuzhu International Timber Market in Guangdong. Global Witness interviewed both market managers and sales managers representing 25 companies.

Timber from northern Burma was still available at all the markets but the supply had dwindled and most of the stock was imported in 2005. The main timber species originating from Burma available at the time were *Acacia spp.*, birch (*Betula spp.*), teak (*Tectona grandis*), and shuidonggua (*Alnus ferdinandi-coburgii*). Traders had a mix of lumber, semi-lumber, sawn timber, logs and veneer from Burma. Twenty-five of the 29 people interviewed said that the volume of Burmese timber had declined during the first months of 2006. This decrease was estimated to be 30-60% in comparison to the previous year. According to those interviewed, the trade had been complicated by the cross-border restrictions on timber imports. Twenty-two of the interviewees directly related the decline to the 'customs ban' at the China-Burma border.¹⁸³ As a result, some traders explained that they would have to give up dealing in Burmese timber if the situation continued.¹⁸¹



"Wéi?" Furen Forest Products Wholesale Market, Shanghai; September 2006

8.1.1 Shanghai wholesale timber markets

Shanghai is located on the east coast of China at the mouth of the Yangtze River. The city, the largest in China in terms of population (over 20 million), has provincial level status. It is also the largest business and financial centre on the Chinese mainland and the location of numerous timber-processing facilities.

In April 2006, the amount of timber arriving on the Shanghai wholesale markets had fallen 20% compared to the previous year. According to trade information, the main reason, "[...] *was that Burma had enhanced the control of exports of its own resources and most Burmese border ports had been closed [...]*".¹⁸⁴ The shortage of new timber supplies meant that the market was largely reliant on existing stocks of Burmese timber, which led to significant price increases. The price of teak increased by between 500 and 800 yuan (US\$62-100) per m³, Baimu (*Brassaiopsis spp.*) by between 500 and 600 (US\$62-75) per m³, and Heixinmulian (*Magnolia baillonii*) by 1,000 yuan (US\$125) per m³ in comparison to the same period in 2005.

By May 2006, supplies of Burmese timber had fallen still further; a 50% decrease compared to May 2005. According to trade analysts, the shortfall was due to the border closure. "At present, the Burmese government is not only enhancing the resource management of timber exports,

but our government also supports the conservation effort of timber resources by the Burmese government."¹⁸⁵

Prices for Baimu (*Brassaiopsis spp.*), Jinshiyu (*Manglietia spp.*), and Xinanhua (*Betula alnoides*) fell slightly in May, from a high in April. Teak prices, however, remained high with additional price increases by up to 300-500 yuan (US\$37-62) per m³ as traders increasingly turned to North Africa and other regions to maintain their timber supply.¹⁸⁵

8.1.2 Guandong Yuzhu International Timber Market

*"China represents global wood industry. Guandong represents Chinese wood industry. Yuzhu represents Guandong wood industry."*¹⁸⁷ Guandong Yuzhu International Timber Market, 2009

Guangzhou is located on the coast south of Shanghai, on the Pearl River, 120 kilometres north-west of Hong Kong. This city is the capital of Guandong Province and the location of the Guandong Yuzhu International Timber Market, one of China's largest timber wholesale markets. According to its English language website, Yuzhu has won several awards including: 'Star Market among National Wood Markets' and 'Civilise and Honest Market in Guandong Province'.¹⁸⁷

Yuzhu, like Shanghai, reported a significant decline in supply of Burmese timber immediately after the imposition of new restrictions, resulting in higher prices. Log arrivals at the market were about 30% lower, in the first four months of 2006, compared to 2005. *"Log markets dealing mainly with timbers from Southeast Asia and Yunnan-Burmese timbers has been impacted by timber export restrictions of Southeast Asian states, [...] and that the Burma border has been blocked since the end of March with timber border trade prohibited resulting in shortage of timber supply and increase in prices [...]. It is expected that when Burma re-opens the border, timber kept as stock in the border areas will greatly pour into China but 'old hands' has pointed out that a decline in the total amount of Burmese timber imports this year will be a foregone conclusion."*¹⁸⁸

In May 2006, the Yuzhu Timber Market reported continued shortfalls in supply and high prices of *"Yunnan and Burmese timbers"*. This was particularly the case for Baimu (*Brassaiopsis spp.*) and

teak. The market report also noted the lowest ever amount of timber supplied by rail from south-west China (i.e. Yunnan Province) in the preceding weeks: less than 300 m³ of Xinanhua (*Betula alnoides*), Jinsiyou (*Manglietia spp.*) and Kasila.^{189, 190}

Timber supplies from Yunnan Province were still at a low level in June. According to one trade report, *"Burmese teak has arrived in low amounts, no matter if logs or panels, only a truck load of teak logs to the market and no piece of teak panel in it. The stock of teak timber has decreased greatly in comparison with the same period last year. Based on this we can deeply feel the great power of the Burmese border closure policy which has not only impacted the goods structure of the log market but also changed people's loving preference for Burmese teak in a silent way."*¹⁹¹ Due to the lack of supply from Burma, via Yunnan Province, a leading trade analyst recommended that manufacturers and traders prioritise timber from Russia instead.¹⁹²

Apparently, market representatives had negotiated with the Burmese government via the Chinese authorities. *"In future, the market will make a policy to ask the sellers to import Burmese timber according the agreement signed between China and Burma Governments. This means to import from the proper way."* According to the same senior manager, *"the policy is good but not easy to apply"*.¹³ The manager of the Songij Timber Co., Ltd., the largest importer of Burmese timber in the Yuzhu Market, said that normally the company had a stable supply via Yunnan Province, *"but the situation is becoming unclear due to the political process between China and Burma"*. The company was expecting renew its steady supply of timber once the border reopened.¹⁹³ A number of other traders were looking to alternative supply countries in Africa or Asia.



Zhejiang Chanx Wood Co., Ltd., drop-sided lorry; September 2006

8.2 Chinese market response to the crackdown on illegal cross-border trade in Burmese timber – Global Witness field research

*“Burma is a poor country. When you are that poor, you have to find a way to get rich. Selling your own resources is one of the few ways and you can always bribe some officials so that you can smuggle the wood out of the country. In the market, some of the hard wood that claim to be made in China, like Yunnan or north-east, actually comes from Burma.”*¹⁹⁴ Zhejiang Chanx Wood Co., Ltd. representative, September 2006

During September and October 2006, Global Witness looked at the availability of timber originating from Burma at Chinese flooring companies located on its east coast. Researchers visited three wholesale outlets and thirteen high street retail stores in Shanghai. Fourteen flooring manufacturers located predominantly in or near Shanghai, in the Province of Zhejiang south of Shanghai and Jiangsu Province to the north, and in Guangdong Province were also visited. The three wholesale outlets, situated in the Furen Forest Products Wholesale Market in Shanghai, all reported similar information i.e. that supply was limited and unstable, prices were increasing and that the traders increasingly sourced timber from Africa where they do not face similar problems.¹⁹⁵

Almost all of the companies visited by Global Witness were established in the early to mid 1990s and most were undergoing rapid expansion during the research period. Some had doubled their output over a one to three year period. Most of the companies were owned privately by Chinese individuals. Taiwanese nationals owned two of the businesses, and another a joint venture with an American company. Companies visited included some of China's leading flooring manufacturers, for example Shanghai New Sihe Wood Co., Ltd., the largest manufacturer of engineered flooring, and Shanghai Anxin Flooring Co., Ltd., the largest manufacturer of solid wood flooring in China. The companies generally had between 100 and 700 staff and a monthly output capacity ranging from 30,000 m² to 500,000 m² of wood flooring. Between 40 and 100% of production was for export.

Global Witness' research uncovered widespread use of teak from Burma in the manufacture of flooring along with other high value species such as black walnut,^{e1} pyinkado (*Xylia dolabriformis*) and *Mangletia spp.* All but one of the fourteen companies visited by Global Witness said that it was still possible for them to obtain timber from Burma across the land border despite the import restrictions. According to these companies the supply was less



Zhejiang Fangyuan Wood Co., Ltd., *Xylia sp.* flooring; September 2006

regular and prices had increased by about 30% since the border closure in March 2006. However, the companies could still supply wood products made of wood species from Burma by using stock-piled timber, by obtaining continued supplies across the border through good contacts or smuggling it in illegally (which often amounted to the same thing) and/or by buying timber through official channels via Rangoon. Several companies admitted to an involvement in smuggling timber across the Burma-China border. While a few companies bought the raw material at the wholesale markets in Shanghai and Guangdong Province, and four reported that they sourced all or at least some of their Burmese timber through official channels in Rangoon, most had connections along the Burma-China border. All companies were aware that the reason for the unsteady supply was the border restrictions imposed by the Chinese and Burmese authorities.

The companies dealt predominantly in solid and engineered wood flooring (thin layers of wood glued and pressed together). Only the top layer of engineered flooring, marketed as teak, will actually be made of teak. Both solid and engineered flooring was available in various sizes. The flooring was being sold both domestically and on the international market, predominantly to the U.S. but also to

^{e1} This should not be confused with the black walnut native to north America (*Juglans nigra*), which is also by used be Chinese flooring companies. These companies variously list it as *Acacia spp.* or *Dracontomelon spp.* (also the PNG walnut). It is not clear which, if either, Latin name is correct.

Europe.¹⁸² According to the Carlyle Group,^{e2} investors in Shanghai Anxin Flooring Co., Ltd. (Anxin), “China’s largest manufacturer and distributor of solid wood flooring”, engineered wood floors, “are more environmentally friendly than the high-end solid wood floors usually made of rare hardwood from trees of more than 60 years old”.¹⁹⁶

All but one of the 14 companies visited by Global Witness were able to offer wooden flooring made out of wood, mostly teak, from Burma. Two of the companies visited mainly produced decking for ships and for gardens.^{e3}

In addition to the companies profiled below, the following companies both reported that they could still get timber from Burma via Yunnan Province: Jiashan On-line Lumber Co., Ltd. and Changzhou Nanyang Wood Products Co., Ltd.¹⁹⁷

The Shanghai Yiming Wooden Industry Co., Ltd., part of the Huaming Group, told Global Witness that it bought its Burmese teak supply at wholesale markets in Shanghai insisting that it was sourced through legal channels. However, the sales manager admitted that he was not sure through which route the timber had been imported and the company had no system of verifying the legal origin of its timber nor did it check or require any certificates from the suppliers to this effect. When questioned further the company sales representative said that he was, “not sure about these things”.¹⁹⁸

Companies complained about the decline in the quality of teak for sale at the official timber auctions in Rangoon, apparently due to over-harvesting, but stressed that this supply was now more reliable than cross-border trade following the imposition of the restrictions.¹⁹⁹ The following manufacturers reported that they partly or fully sourced their timber from Burma through official and legal channels i.e. via Rangoon: Changzhou Nanyang Wood Products Co., Ltd., Farstar Trading Co., Ltd., Shanghai Anxin Flooring Co., Ltd., Jiashan Longsen Lumbering Co., Ltd., and Fertility Forest Woodwork Factory Co., Ltd.²⁰⁰

Few of the companies were willing or able to provide documentation certifying that the timber was from legal or sustainably managed sources. Apparently, it was very rare for international buyers to inquire about or let alone require such documentation. However, two companies were willing to supply fake documents.^{198, 204} It is possible that the business practices of these Chinese companies have improved in the intervening years.

8.2.1 Chinese flooring manufacturers dealing in Burmese timber

8.2.1.1 Shanghai Detangu Wood Co., Ltd.

“But as everything else in China, there’s always a way.”²⁰¹
Charles Pan, manager of Flooring Yao Enterprise Co., Ltd.,
September 2006

The flooring manufacturer Shanghai Detangu Wood, which is located on the outskirts of Shanghai, has over 100 employees and a monthly output of five containers of which 40% is for the domestic market and 60% for the international market. Teak along with black walnut is sourced from Burma and mainly exported to England, Japan and America.

Its main investor Charles Pan, manager of the Taiwanese company Flooring Yao Enterprise Co., Ltd., explained the following to Global Witness during a visit to Shanghai Detangu Wood when six of its senior staff were present: “Yes, there has been problems with the supply [of wood from Burma] because the Burma government imposed a ban on illegal logging and the Chinese government sealed off the border. But as everything else in China, there’s always a way. Other factories may have problems, but we are fine. [...] We purchase teak and black walnut in Kunming – it comes from Burma of course. It can reach Shanghai in five days once the purchase has been made. [...] The border with Burma is sealed off for the moment, and we have to play ‘guerrilla war’ with the authorities and smuggle the timber out of Burma. [...] I have been to the border, of course. Burma and China are only divided by a thin river so you can see each other



Shanghai Detangu Wood Co., Ltd., Burma cherry flooring; September 2006

e2 “The Carlyle Group is one of the world’s largest private equity firms, with more than \$85.5 billion under management.” For further information see: <http://www.carlyle.com/Company/item1676.html>

e3 Companies told Global Witness that the following species, available on the Chinese market, originated in Burma: birch (*Betula spp.*), black walnut, Burma rosewood, caslin (also referred to as kokko (*Albizia lebbek*)), golden teak, kesambi (*Schleichera Oleosa*), mahogany, Mangletia spp., padauk (*Pterocarpus macrocarpus*), pyinkado (*Xylia dolabriformis*), red birch (or cherry), samak, and teak (*Tectona grandis*).

clearly across the river. On the bank at the China side, you often see some little timber processing factories popping up from time to time, sawing logs that have been transported secretly across the river. Then they disappear when the government cracks down. [...] My company will not have a problem with supply – we have good connections. But we will also try and get teak from official channels. But it takes so much longer to get officially obtained logs and often the good quality ones are bought by companies from Thailand and Malaysia who have good connections with the Burma authorities [...] We do need teak. The rich people from America and Israel and other places need teak to decorate their decks. It won't be a problem for me. I've been in the trade for 18 years. I have my little ways." Shanghai Detangu Wood hoped to be among one of four companies that were soon to be approved by the Burmese authorities to export logs across the Burma-China border.²⁰¹

8.2.1.2 Jiangsu Zhangjiagang Yongan Building Materials Co., Ltd.

*"If you strictly follow the rule, then you'll never get anything."*²⁰² Jiangsu Zhangjiagang Yongan Building Materials Co., Ltd. representative, October 2006

The Jiangsu Zhangjiagang Yongan Building Materials Co., Ltd. is located in Jiangsu Province near Shanghai. The company is family-owned and was established ten years ago. Its monthly output was 70,000 m² but this was due to increase to 120,000 m² when its new factory opened in November 2006.

The company's sales representative reported that they had had some difficulties in obtaining teak across the Burma-China border and that the price has increased substantially, *"because the Burmese want to protect their own species"*.²⁰² However, golden teak, which was described as a kind of walnut, was readily available. The company had apparently imported 600 containers of golden teak in

2005. Teak (*Tectona grandis*) was also available on demand.²⁰² *"We have no problem with getting the golden teak from Burma as it is not embargoed at all. The price on the 'golden teak' is stable where as the real teak has gone up. [...] We can though get real teak if you order it. [...] It should not be a problem getting smaller quantities such as 1-2 containers [...] We get the golden teak directly from Burma where we cooperate with some factories inside Burma. We mainly get it via land as sawn timber from our suppliers in Burma."*²⁰²

Despite first claiming that all its supplies were imported legally the company representative later admitted to Global Witness that this might not always be the case. *"Burma is a dodgy country with so little transparency. It is so hard to tell which method is legal and which is not. For us, it is important to get some supply. If you strictly follow the rule, then you'll never get anything. Yes, the border is sealed, but golden teak is not that tightly controlled. And some people are specifically engaged in this sort of business. And we get our supply through them. Stable supply."*²⁰²



Jiangsu Zhangjiagang Yongan Building Materials Co., Ltd., factory; October 2006

8.2.1.3 Jiashan Longsen Lumbering Co., Ltd.

*"We Chinese are very resourceful. We are the best at finding holes."*²⁰⁷ Jiashan Longsen Lumbering Co., Ltd. representative, October 2006

During Global Witness' visit to the Jiashan Longsen factory, in Zhejiang Province near Shanghai, a truck with teak from Burma arrived at the company compound and parked under a huge billboard featuring Deng Xiaoping, 5th General Secretary of the Communist Party of China. One of the two sales representatives Global Witness researchers were speaking to at the time commented, *"See, we got this overland. Smuggled in of course. Tell your colleague that we can guarantee the supply. We Chinese are very resourceful. We are the best at finding holes. Otherwise, how can we continue to do the business?"*²⁰⁷ Such an approach to business would appear to be odds with the 'company culture', as set out in its 2006 brochure, which includes 'honesty' under 'corporation spirit'.

The company, which had 320 workers and an annual output of about 60,000 m² of engineered and solid flooring, had been affected by the border restrictions. Supply was now less certain and prices had gone up by 30% during the previous 6 months. However, the company representatives were keen to stress that it could still meet customer demand. If interested, the company could deliver 4,000-5,000 m² of teak flooring within 40-45 days.

Earlier in the conversation, the sales representatives claimed that all the Burmese timber the company had sourced after the ban now arrived by sea. However, they later admitted that they had a mix of timber some from across the land border and some official imports via Rangoon. Some timber had to be smuggled overland in order to keep costs down. Timber imported officially via sea from Rangoon was more expensive.

During the factory visit Global Witness investigators observed large amounts of teak flooring and veneer. The company representatives claimed that a relative of the company's owner, who was responsible for ensuring supply, was based in Burma. He has good connections with the local teak dealers: *"In the smuggling business you need trust to do business."*²⁰⁷

8.2.1.4 Guangzhou Li Heng Timber Manufacturing Co., Ltd. (Bijia Flooring)

"Our target is environmental protection." Li Heng company brochure, 2006

The Li Heng Group, located in Guangzhou in Guangdong Province, was rapidly expanding at the time of Global Witness' visit. Its new factory had just increased the company's monthly output from 70-80,000 m² to 120,000 m² of flooring, of which 30-40% was for export. As was the case with several other companies, it was increasingly changing production to engineered boards due to the increased price of raw materials (for engineered boards a smaller percentage of the wood, only the

top layer, must be of high value wood in comparison to solid boards.)²⁰³ Li Heng managers claimed that despite supply problems the company could still source Burmese timber from its suppliers in Yunnan Province because, *"The border isn't sealed off completely. It is open up from time to time and certain amount of timber always comes out."*²⁰³



Jiashan Longsen Lumbering Co., Ltd.; October 2006

8.2.1.5 Shanghai Anxin Flooring Co., Ltd.

"Anxin calls on all the people to love our forest and protect our environment, so as to make our planet more beautiful."^{e5} Anxin Flooring, 28 March 2006



Lu Wei Guang Anxin's founder and CEO meets former U.S. President (and former Carlyle adviser) George H. W. Bush

Shanghai Anxin Flooring Co., Ltd. is a global player in the wood flooring industry and the first Chinese member of the National Wood Flooring Association based in north America.²⁰⁶ In 2004, Shanghai Anxin Flooring Co., Ltd. acquired a large natural forest in Brazil, *"becoming the first Chinese company to own forestry resources abroad"*. In August 2005, Anxin obtained 40,000 m² of land on the China-Russia border to build a wood processing plant. Later that year, on 31 October, Anxin became one of the first official members of the China Forest and Trade Network (CFTN).²⁰⁷ By 2006, Anxin accounted for more than 50% of Brazil's timber exports to China for use in the manufacture of flooring.¹⁹⁶ Anxin received a certificate from the Forest Stewardship Council (FSC) in March 2006, awarded, according to the Carlyle Group, one of its major investors, *"in recognition of its forestry protection efforts for sustainable development"*. Anxin had actually been awarded Chain of Custody (CoC)^{e4} Certification (Certificate Code: SGS-COC-2532 - A & W (Shanghai) Woods). The World Wide Fund For Nature (WWF) and the CFTN said at the time: *"The company is serving as a guiding light for other Chinese wood product companies which seek to 'do the right thing' for the environment while at the same time*

*expanding their access to the global market."*²⁰⁸ Anxin was also pleased, *"FSC certificate helps Anxin into more markets where people loves forest and pays special attention to environment protection."*²⁰⁵ Anxin is currently, *"the largest solid wood floor manufacturer in China"*, and one of Carlyle Asia 'Growth Partners'.²⁰⁹ Carlyle invested 230 million yuan (US\$27.5 million) in Anxin in May 2006.^{e5}

At the time of Global Witness' investigation in September 2006 Anxin had 1,800 employees,^{e6} an annual output of around 3.5 million m² of flooring comprising 50 species (in 2005), and 1 million m² of storage space (which was full). The company representatives stressed repeatedly to Global Witness researchers that Anxin's Burmese teak was sourced from legal sources. However, on a private note one added, *"I don't exactly know how we get the teak – I am not in charge of buying. We don't log or smuggle any teak out of Burma. As for how the suppliers get teak, I don't really care. If we have an order, we need to get it."*¹²

At the time of writing there is no sign of Burmese teak on the Anxin website. It is not clear where the teak, if any, in TT01A flooring from the Korea Collection comes from and the Mandalay Teak, also in the Korea Collection (LP-07-A), is not made of wood.²¹⁰ Despite this, however, according to one company representative, who emailed Global Witness in May 2009, Anxin can still, *"do the Myanmar teak flooring"*. Apparently, *"at present"*, Anxin is exporting, *"this species wood flooring to USA and Korea"*.²¹¹



Anxin board member Ms Jie Chen meets Wen Jiabao, Premier of the People's Republic of China

^{e4} "FSC chain of custody CoC certification provides information about where the wood or other forest-based material used in a product comes from or does not come from. It requires [holders] to identify the origin of raw materials used in FSC-certified products, to keep FSC-certified products separate from other products throughout the production process, and to allow their tracking from one operation to the next - from the forest to the consumer, including all successive stages of processing, transformation, manufacturing and distribution." For further information on the FSC please see: <http://www.fsc.org/about-fsc.html>

^{e5} The Private Equity Council, which includes the Carlyle Group among its members, announced the adoption of 'Guidelines for Responsible Investment' on 10 February 2009. For further information please see: <http://www.carlyle.com/Company/item10631.pdf>

^{e6} 1,400 employees were based in Shanghai, 100 at a factory on the China-Russian border and 300 workers at two factories in Brazil.

8.2.1.6 Zhejiang Fangyuan Wood Co., Ltd.

"Discipline and Flexibility, the unity of the dichotomy in Chinese traditional wisdom, reminds us of the enclosed square doors in ancient courtyards that stand erect firmly and persistently, which only when guided with a pair of round knockers can open to a more capacious space."

Fangyuan company brochure, 2006

Fangyuan is one of the leading companies in Nanxun Town, outside Shanghai, where about 200 companies manufacturing wood products are located. In 2006, Fangyuan specialised in flooring made from timber sourced in Burma; 50% of its supply originated in Burma. It was also one of the few companies that told Global Witness that it had found it very difficult to import timber across the Burma-China border following the new restrictions. However, it had stored large amounts of timber prior to the moratorium and still had flooring for sale made out of Burmese teak (*Tectona grandis*), caslin (or kokko (*Albizia lebbek*)), samak, mahogany, pyinkado (*Xylia dolabriformis*), and rosewood. All had apparently been imported across the land border via Yunnan Province.²⁰⁴ In the company's fancy showroom all these species were on display along with fossilised wood decorations.

Like a few other companies, Fangyuan was increasingly looking to obtain timber from Burma through official channels, either via Yunnan or Rangoon. However, it found the higher prices, taxes, bureaucracy and the corruption involved in doing business through the proper channels, to be a significant hindrance. *"Now it has to be through proper channels and my boss has gone to Burma to negotiate*

*with the government but the price is very high and there is much paperwork and many taxes. [...] Before we had a competitive edge because we could source it cheaper over the border but we cannot do that anymore."*²⁰⁴



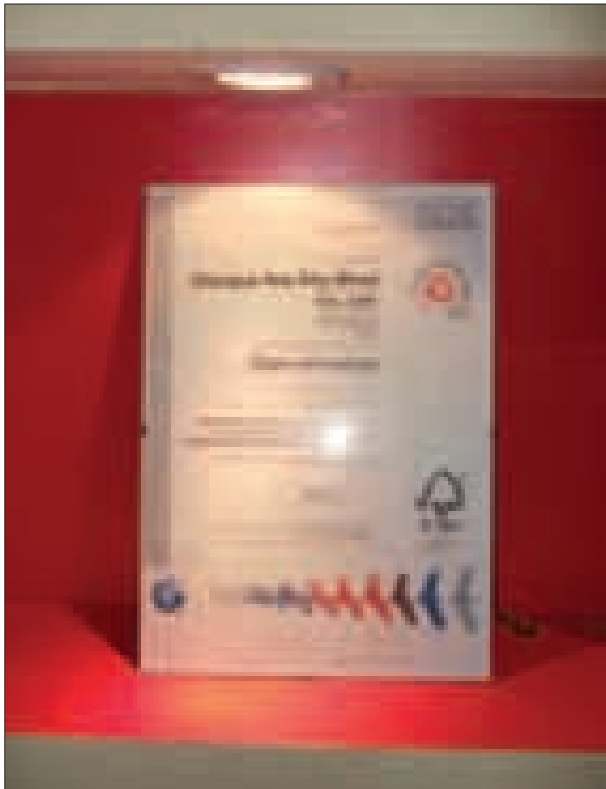
Zhejiang Fangyuan Wood Co., Ltd., drying teak flooring; September 2006

8.2.1.7 Shanghai New Sihe Wood Co., Ltd.

Shanghai New Sihe Wood Co., Ltd. is one of China's largest producers of engineered flooring with an annual output of 200,000 m², at the time of Global Witness' visit, and planned to increase this to 500,000 m² from October 2006. All of the company's production was destined for the export market. Production was focused on oak, padauk (*Pterocarpus macrocarpus*)^{e7} and teak from Burma, sourced by the Burma-China border and available at the time of Global Witness' visit. One of the company's sales representatives explained that while New Sihe Wood had faced some problems with supply, due to the restrictions imposed by the Burmese government, it was, *"almost okay now"*.²¹²

As for certificates for legality or sustainability, the representative explained that the company can provide a country of origin document from the Chinese government authorities stating 'Made in China' but not from where the timber was logged. Apparently, the company could also provide FSC certificates for the teak and the padauk flooring. According to the sales manager, the company had obtained FSC certificates for 40,000 m² flooring each year. Certificates could be provided for all products in the product range produced by the company but they are, *"only for our long-term and old customers as we have a limited amount"*.²¹² New Sihe Wood has FSC CoC certification (Certificate Code: SGS-COC-2406). FSC CoC traces FSC certified timber through the production chain. However, no timber from Burma has ever been certified by the FSC and is not therefore covered by the certificate, contrary to what we were told by the manager who still works at the company.

e7 Known as mai pradoo in Thailand and sometimes traded as rosewood.



Shanghai New Sihe Wood Co., Ltd., FSC CoC certificate; September 2006

8.2.1.8 Fertility Forest Woodwork Factory Co., Ltd.

*"And you'll still have to take them out for dinner or bribe them."*²¹³ Fertility Forest Woodwork Factory Co., Ltd. representative, October 2006

The Fertility Forest Woodwork Factory Co., Ltd. is located in Shenzhen, in Guangdong Province. It is both a wholesaler and importer of logs and an exporter of various wooden products including flooring and decking. According to company representatives spoken to by Global Witness in October 2006, it mainly imported its Burmese teak from Rangoon via Hong Kong and Singapore. The output of teak products represented 10% of its overall output in terms of volume and 20% in terms of value. During a trip round the factory and storage facilities Global Witness researchers were initially told that the teak on display was from China. However, when quizzed further the company representatives said that it was actually from Burma.²¹⁴

According to one of the representatives, the company could, if a buyer were to insist, provide a certificate stating that the wood originated in Burma. However, it was not straightforward getting Burmese wood products past the Chinese port customs officials in Shenzhen, who seemed to have introduced more stringent export controls of Burmese wood

products. Nor was it easy to get past the customs authorities in America where the importation of Burmese timber is banned.^{e8} *"Providing a certificate stating 'Made in Burma' is not difficult. The question is where it goes. If America, then the custom does not allow anything with the label 'Made in Burma' into the country. [...] If a client really wants it, then we can send the certificate separately but not together with the teak flooring. Nowadays, the custom has tightened its control over the Burma teak. With a 'Made in China' certificate, it usually take three days for the customs [in China] to clear the goods but with 'Made in Burma', it takes two weeks. And you'll still have to take them out for dinner or bribe them. The authorities may think that the border is now closed and there's no teak out of Burma and how can it be exported out from China?"*²¹³

8.3 The markets for Chinese wood flooring

"Wide Thinking of Spring: An old tree, a bunch of sunshine, An enthusiasm-contained mountain, As the terrestrial heat floor of Huaming, Carry you heat of spring, Build you homeland of warm." Huaming Group sales literature, 2006

The Chinese flooring manufacturers sold their products both on the domestic and the international market. Overall, between 40 and 100% of the production was for the export market. A proportionally larger percentage of the engineered flooring was being exported. The Chinese home market was dominated by solid wood flooring.

The companies cited the U.S. as the biggest importer of teak and other flooring of Burmese origin. Canada and to a much larger degree Europe were also a big markets. Italy, in particular, was a big teak importer. Belgium, Denmark, Germany, Greece, Holland (the sales manager at Jiashan On-line Lumber Co., Ltd. said that every month he sold 5,000 m² of teak veneer to a customer in Holland),²¹⁵ Hungary, Ireland, Russia, Spain, Turkey, and the UK were also mentioned. Japan, Sri Lanka and Thailand were the key markets in Asia.^{e9}

During company and factory visits much of the flooring was packaged in boxes stating the name of the purchasing company. The flooring manufacturers listed other companies as buyers. It was not clear, however, in all cases where the timber in each product originated. Buyers of the Chinese flooring included: Wood Floor Corona,^{f1} nätura (Finland), Virginia Mill Works and Floors To Go^{f2} (both big buyers of golden teak from Burma), Santos (U.S.-based), and CanTrust Hardwood Flooring.^{f3, 216}

^{e8} The U.S. 'Burmese Freedom and Democracy Act', prohibits the importation of any article, *"that is a product of Burma"*. Products of China, made out of Burmese timber, are not covered.

^{e9} Note: some of the companies did not distinguish between the importers of Burmese species and other products made from wood from other countries. Therefore it is possible that not all of these countries imported flooring made out of Burmese timber.

8.4 The Shiningmen Shopping Mall of Flooring and Timber

At the The Shiningmen Shopping Mall of Flooring and Timber, located in central Shanghai, more than 30 retail shops had wood flooring for sale to local Chinese customers. All the flooring was solid wood. Of the 12 retail shops Global Witness visited in September 2006 ten had Burmese teak flooring in various sizes. Several retail shop staff explained that the price had increased by 150-300 yuan (US\$19-38) per m² over the previous six months and that supply from Burma was down but all could still supply flooring made out of Burmese teak.²¹⁷

San Hao Teak and the King of Teak had plenty of supplies in storage and both claimed that they were able to import teak legally across the China-Burma border.^{218,219} San Hao Teak had 100,000 m² of teak in storage and was also exporting to the Italian market. "Before the border was sealed off, we obtained most of our teak through smuggling – I would say about 70%. We bought directly from the hands of local dealers. Now, we are obliged to go through the official

channels so the cost is much higher. It doesn't make sense any more just to produce solid flooring – we make use of all the material, we also use the small bits to make frames and other furniture and we also produce engineered flooring. We have to go for more diverse products [...]. The impact on the domestic market isn't huge. The rich people don't seem to mind the extra price. What we have lost are the middle-class clients who don't want to pay for the extra costs."²²⁰

King of Teak has its own factory inside Burma, near Ruili. One member of staff produced a stamped customs document, from Ruili customs, dated 6 April 2002 allowing the importation of 225,000 kg of timber. "The fact that the border is closed does not affect us too much because we have our own factory inside Burma. We have not put up the price as much as the others have done. Maybe 20% higher than before. We go through the official channel with certificates – over land. [...] Our factory is the only factory in Burma that has been authorised by the authorities."²¹⁹ A factory located in Yunnan Province manufactures the finished products out of the imported raw materials.²¹⁹



The Shiningmen Shopping Mall of Flooring and Timber; September 2006

f1 Burma Mahogany Mai Pradoo Solid 3-1/2" wood flooring (YHSFA0030) is, at the time of writing, being advertised for sale by Corona Hardwood Inc., possibly the same company, based in California, in the U.S. For further information please see: <http://www.coronahardwood.com/>

f2 At the time of writing Floors To Go, based in the U.S. is advertising Ulysses Burmese teak engineered flooring (<http://www.floorstogo.com/>)

f3 At the time of writing CanTrust Hardwood Flooring, with operations in Canada, China and the U.S., is advertising solid Burmese teak flooring for sale (Product ID: s012) (<http://www.cantrustinc.com>)

PART B: GLOBAL WITNESS RESEARCH AND INVESTIGATIONS IN KACHIN STATE 2006-09

9 KACHIN STATE

“They mainly take the Yuzana tree because it flowers three times a year and the Chinese believe that if you have lunch or dinner underneath this tree you will become healthy and gain happiness. In this area there are none of these trees left as they had all been sold to China.” Local man, Loiye, Kachin State, March 2007

Kachin State lies between two of the world’s largest countries, east of India and south-west of China, near the Himalayas, and in one of the world’s most bio-diverse areas. The forests of Kachin State are under threat at a time when the unprecedented growth of neighbouring countries bypasses the people of this remote region. Northern Burma suffers, like most of the country, from decades of economic mismanagement and civil war.

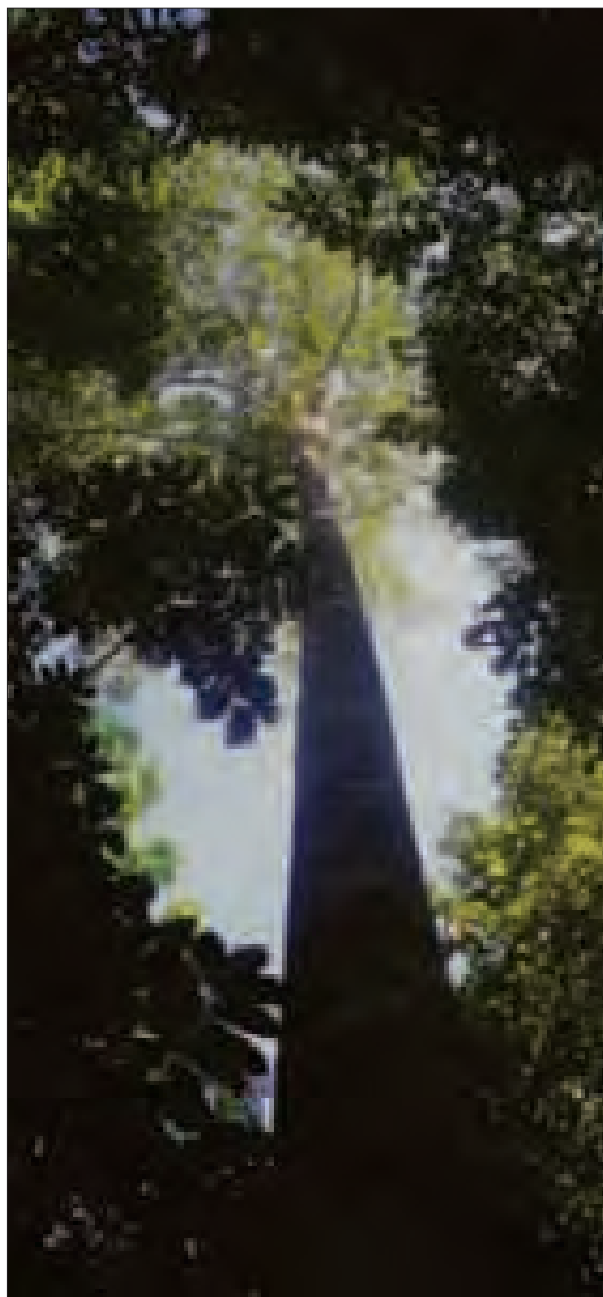
The ceasefires between the armed ethnic opposition groups and the Burmese government, brokered in the late 1980s and mid-1990s, brought an end to open fighting. As a result, local people could rebuild their livelihoods, displaced groups returned and local civil society networks have re-emerged. However, the ceasefires also opened up large forested areas, which were previously relatively inaccessible. A decade and a half later, much of this forest has been destroyed. The *Tatmadaw*, armed ethnic opposition groups, and powerful businessmen have all been complicit in this destruction. Chinese workers have carried out most of the logging, and almost all of the timber has ended up in natural resource-hungry China. Most of the timber has been used for local consumption; some of it exported, mainly to western countries.

At the same time, the political impasse in Burma, and the uncertain future status of the ethnic minority states, have continued to cause political turmoil, both between the SPDC and the Kachin opposition groups, and between and within the opposition groups. The new constitution, which was passed after the SPDC-controlled national referendum in May 2008, will come into effect in 2010. However, it is yet not clear if or under what circumstances the Kachin armed ethnic opposition groups will disarm and give up control of their areas.

Logging, and the associated timber trade with China, has declined following the launch of Global Witness’ report, *‘A Choice for China’*, in October 2005. This has been due to the SPDC crackdown on logging and measures taken by the Chinese

authorities to combat the illegal cross-border timber trade. The destruction of northern Burma’s forests continues however, albeit at a noticeably slower rate than previously.

Only scant attention has been given to solving the underlying political problems, to promoting socio-economic development, and to advancing long-term sustainable and equitable forest management. This is of paramount importance to protect forest resources and to ensure a sound future for the people of Kachin State. Indeed, the SPDC crackdown has had perverse outcomes. For example, residents of Putao have found it difficult to purchase wood for house building because of the restrictions. They face fines of up to 30,000 kyat (US\$24) per ton of wood if caught and the *Tatmadaw* uses most of the timber that is available for construction.²²¹



Public awareness of the problem of illegal logging, and associated deforestation, has increased in recent years. On 5 June 2008 (World Environment Day)^{f4} for example, ethnic Christians throughout northern Burma planted saplings in church compounds and surrounding areas. On the same day, university students in Myitkyina started a two-day tree-planting programme and Mr Awng Wa, Chairman of the Kachin Development Networking Group (KDNG), urged China and the SPDC to stop the, “[...] *mindless logging*”.²²² In January 2009, according to unverified reports, local residents went as far as stopping more than 200 fully laden log trucks in Chipwe Town. The trucks carrying timber from the Jubilee area, which is controlled by the KIO’s 1st Brigade, were returning to China. Several of the villagers, who were protesting against the deforestation, were arrested but later released by the authorities.²²³ A couple of months later, on 22 April 2009, the KDNG and its supporters marked the 39th anniversary of Earth Day^{f5} at two locations on the Burma-China border.²²⁴ The celebrations were held on the border in order to draw attention to the cross-border trade in natural resources.²²⁵

9.1 Recent political developments in Kachin State

*“The Kachin must have a political party. If not, they will lose their identity.”*²²⁶ Anon Kachin State Progressive Party (KSPP) source, reported in *The Irrawaddy*, 4 March 2009

The political future of Kachin State is closely tied to how, following the election of a new government in 2010, the issue of disarming the armed ethnic opposition groups is dealt with. The KIO and the NDA(K), together with armed ethnic opposition groups in other states, are at crossroads but their options are limited. They can disarm and contest the elections as political parties, they can enlist their troops as special border police units (under the control of the future government), they can try to negotiate an alternative solution or they can fight the SPDC, which is unlikely.

Until recently, it appeared that an interim solution had been agreed between the SPDC and the KIO, and the NDA(K). The KIO had apparently received assurances that it would not be disarmed prior to the elections, and that the terms for any disarmament and future political settlement would be discussed with the new government. For its part the KIO was concerned that, according to the new constitution, there will only be one army in the country, the *Tatmadaw*. The

NDA(K) was likely to become a special border security force under the nominal command of the *Tatmadaw*.²²⁷ However, on 28 April 2009, in a move that surprised the KIO, *Tatmadaw* commanders held simultaneous meetings with representatives of every major armed ethnic opposition group in the north and north-east. Brigadier General Soe Win, the Northern Commander, met with leaders of both the KIO/A and the NDA(K). They were given one month to respond to the SPDC’s plan to incorporate their armed wings into the *Tatmadaw* as border guard forces.²²⁸ At the time of writing, the KIO is still locked in negotiations with the SPDC.

This continues years of stalemate between the SPDC and the armed ethnic opposition groups over the status of, and provisions for, these ethnic groups in the future constitution. Only limited powers have been devolved from the central state level to the local state level under the new constitution. Furthermore, few if any of the points raised by the armed ethnic opposition groups during the drafting process of the constitution were reflected in the final text. This has further increased political and economic pressure on the Kachin armed ethnic opposition groups. As a result, the relationship between the government and the Kachin groups remains tense.

A peace agreement between the KIO and the NDA(K) was settled in December 2006 and has remained in place. Fragmentation within the KIO and the NDA(K), and confrontation between the two groups has continued, but at a significantly lower level. Political disputes over the future status of the armed ethnic opposition groups, in particular the KIO, have also flared up. Personal power struggles and competition for natural resources are believed to be at the heart of much of this infighting. At a time when these issues take centre stage, the wider population is becoming more disenfranchised and disillusioned.

The Kachin armed ethnic opposition groups actively participated in the government-sponsored National Convention, which was tasked with drawing up guidelines for Burma’s new constitution. The KIO in particular has played a leading role. The National Convention process was strictly managed by the SPDC and was criticised by domestic and international observers for lacking credibility and legitimacy.

On 19 July 2007, in its ‘19-point proposal’, the KIO reiterated its call for the constitution to be based on a genuine, ‘system of federation of states’; rather

f4 This is one of the main ways that the United Nations increases awareness of environmental issues in order to, “enhance political attention and action”. For more information please see: <http://www.unep.org/wed/2009/english/>

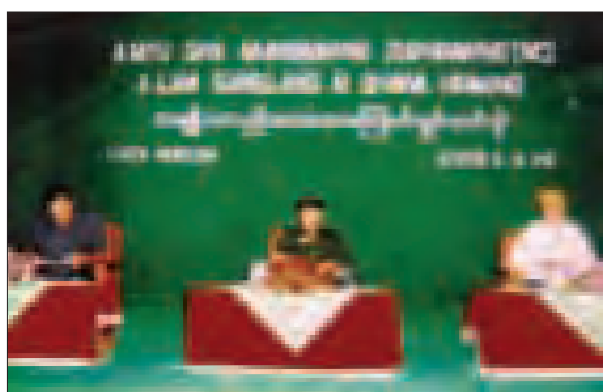
f5 “Earth Day, April 22, each year marks the anniversary of the birth of the modern environmental movement in 1970.” For more information please see: <http://www.earthday.net/>

than on a system where all the power is centralised. The proposal called for much more legislative power to be granted to major divisions and constituent states, for the promotion of ethnic languages to be permitted, for cultural and customary rights, and for ethnic national affairs to be protected. The KIO also wanted the authority to make laws regarding, amongst other issues, the commercial development of natural resources, to be assigned to constituent states.²²⁹ The KIO's proposal was supported by several other armed ethnic opposition groups and built upon proposals submitted to the National Convention Committee, by a coalition of 13 armed ethnic opposition groups, in 2004 and 2005 (see *'A Choice for China'*, page 77). The SPDC did not respond to the proposal, and ignored efforts to set up meetings between the KIO and the SPDC to discuss it. The demands in the proposal were not reflected in the final text of the constitution.

After 14 years of deliberations and adjournments the National Convention ended on 3 September 2007.²³⁰ In mid-October 2007, the SPDC appointed the State Constitution Drafting Commission, which started working on the final draft of the constitution in early December. On 9 February 2008, state-controlled media announced that a referendum on the new constitution would take place in May 2008, followed at a later date by multi-party elections. The KIO encouraged the public to, *"think carefully and cast their votes"*, but said its own members and their families would not be taking part in the referendum.²³⁰ It was subsequently reported that the

KIO had urged its members to vote 'yes' in the referendum,²³¹ during a public meeting on 7 May in Laiza.²³² The NDA(K) also told its members to vote 'yes' according to press reports.²³³

The referendum took place, as planned, on 10 May 2008 in most parts of the country and on 24 May 2008 in the cyclone Nargis²³⁴- affected areas, including Rangoon. According to the Kachin News Group, 62% voted in favour of the constitution in Myitkyina, Waingmaw, Bhamo and Laiza, all KIO-controlled areas.²³⁴ Prior to the referendum the SPDC had conducted a tightly managed campaign for a 'yes' vote and very little public debate took place because it was illegal to criticise the constitution. Numerous voting irregularities were also reported²³⁵ including the deletion of almost 100,000 names from the original draft list of voters in Myitkyina,²³⁶ apparently without explanation, and fining the residents of certain villages in Shan State 100,000 kyat (US\$90) for voting *"no"* in a mock referendum held earlier in April.²³⁷ Global



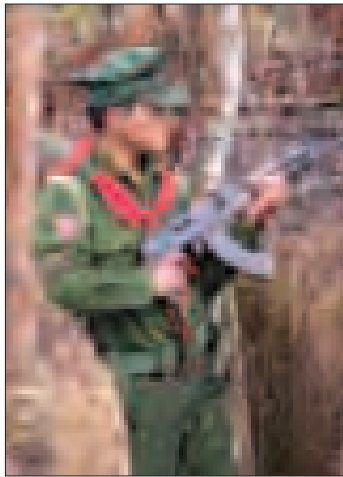
"The National Convention Explained", Laiza; April 2006



"Towards a Democratic Nation", NDA(K) poster in Pangwah

^{f6} The armed ethnic opposition groups, including the KIO and NDA(K), did not take part in the 2007 'Saffron Revolution', a series of anti-government protest that started on 15 August. The protests, led by thousands of monks, were put down by the military and 31 people were confirmed dead by the UN's Special Envoy to Burma. Many protestors were beaten and about 2,000 arrested. Some of the protestors were later handed prison sentences of up to 65 years.

^{f7} Cyclone Nargis struck Burma on 2 May 2008. An estimated 150,000 people, probably more, died in the Irrawaddy Delta area due to a large tidal wave caused by the cyclone. Despite the influx of international humanitarian aid, assistance will be needed for years to come.



KIA soldier; June 2005

Witness has been unable to verify these reports. The SPDC subsequently reported that voter turnout was 98% and that 92% voted yes.

The election of a new parliament will take place in 2010. However, the party and voting law has not yet been announced and

concerns persist that the election will not be free and fair.

The SPDC has urged the armed ethnic opposition groups to disarm, to form political parties and to fight the election in 2010. According to reports, both the NDA(K) and the KIO intend to participate in the election.²³⁸ To this end they set up the Kachin State Interim Committee (KSIC), Jinghpaw Mungdaw Pranwan Komiti in Kachin, on 20 June 2008 to establish a political party. The KSIC is headed by Dr Manam Tu Ja, Vice-President No. 2 and former Chairman of the KIO's Kachin Consultative Committee. It will comprise 49 members: 13 from the KIO, five from the NDA(K), two from the Lasang Awng Wa Peace Group, around

six from the Kachin Nationals Consultative Assembly^{f8} (KNCA), the remainder being made up of non-Kachins.²³¹ The KIO previously told Global Witness that it would not transform itself into a political party but that it might support the creation of one, which would remain separate.²³⁹

The Kachin State Progressive Party (KSPP), Jinghpaw Mungdaw Rawtjat Pati in Kachin, finally came into being in early 2009. According to the press, reporting comments made by Dr Manam Tu Ja, the name of the party was coined for, *"the holistic development of people in Kachin State in social, cultural, political, educational and economic sectors."*²⁴⁰ The law governing the registration of political parties has yet to be promulgated, so the party has yet to be

officially recognised, and the date for the 2010 election has yet to be announced.

However, James Lum Dau, deputy foreign minister of the KIO, has said that he, *"strongly believed that the new constitution had the basic foundation of democracy"*. He said further that the election would allow the Kachin people to fight for democracy, which would have to be achieved step-by-step.²²⁶ The formation of the KSPP demonstrates a willingness to compromise and new-found agreement between the various Kachin groups and, as such, is a significant development.



NDA(K) soldiers, Kampaiti; April 2005



Lasang Awng Wa Peace Group; January 2006

f8 An umbrella group of Kachin nationals established to guide the politics of the Kachin people.

9.1.1 SPDC pressure on the armed ethnic opposition groups

Since late 2005, the SPDC has taken a harder line vis-à-vis the Kachin armed ethnic opposition groups, notably the KIO. The SPDC has curtailed some of the NDA(K) and KIO's economic activities; in particular mining and logging, and allocated large land areas to Bamar^{f9} business interests. It also increased political pressure for the KIO to publicly support the National Convention, to recommend a 'yes' vote in the referendum, and to denounce the international community's calls for political reforms in the country.

These developments coincided with the arrival, in August 2005, of a new Northern Commander, Major General Ohn Myint, and the SPDC's continued push for their 'seven-step roadmap' to disciplined democracy.^{g1} The previous Northern Commander, Maung Maung Swe, was transferred from his post following allegations of widespread corruption in the logging and mining sector.^{241, 242} This was despite the fact that General Maung Aye, the regime number two, was his father-in-law. Maung Maung Swe took up Ohn Myint's previous posting as commander of the resource-rich Coastal Command before he was appointed Minister for Social Welfare. In June 2008, he was made Minister for handling Post-Cyclone Relief and Resettlement.²⁴³

The new northern commander was said to be a close ally of Senior General Than Shwe. While displaying a relaxed and even jovial persona in public,^{g2} Ohn Myint took a more hands-on approach towards overseeing the work of government departments, to Kachin affairs more generally, and to



Former Northern Commander General Ohn Myint with Kachin dance leaders; January 2007

relations with the KIO in particular. He told Global Witness that it was important to promote a 'win-win' relationship in international and political affairs.²⁴⁴ That said, the KIO and other armed ethnic opposition groups did not prosper during his tenure.

In addition to the economic difficulties, brought about as a result of the logging and mining bans, which the KIO and others fear have more to do with undermining the armed ethnic opposition groups than saving trees, other political pressures and problems have arisen from both domestic and international issues. In January 2006, for example, the *Tatmadaw* shot six KIA soldiers dead. The shootings took place in Namkham Township, near the border of Shan State and Kachin State, in an area controlled by the KIO/A. According to sources close to the KIO, the *Tatmadaw* killed the KIA soldiers in cold blood at their liaison office. The SPDC claims that it was an accident.²⁴⁵ The situation was already tense following the *Tatmadaw*'s arrest of, and its further search for, prominent Shan political leaders. The KIO/A chose not to retaliate.

Between September and December 2006, the

^{f9} The Bamar (Burmans) make up more than 65% of the population of Burma and have dominated the government and private sector since Burma gained independence from the British in January 1948. The minority ethnic groups include the Chin, Kachin, Karen, Mon, Rakhine, Shan and Wa. Successive Bamar-dominated governments have systematically, and forcefully, downplayed these ethnic differences. They have tried to foster a national Burmese identity in order to help unify the country. However, such policies of cultural assimilation have only served to create resentment, amongst the minority ethnic groups, of the Bamar population in general.

^{g1} Announced by General Khin Nyunt on 30 August 2003 the roadmap includes: 1. Reconvening of the National Convention that has been adjourned since 1996. 2. After the successful holding of the National Convention, step by step implementation of the process necessary for the emergence of a genuine and disciplined democratic system. 3. Drafting of a new constitution in accordance with basic principles and detailed basic principles laid down by the National Convention. 4. Adoption of the constitution through national referendum. 5. Holding of free and fair elections for Pyithu Hluttaws (Legislative bodies) according to the new constitution. 6. Convening of Hluttaws attended by Hluttaw members in accordance with the new constitution. 7. Building a modern, developed and democratic nation by the state leaders elected by the Hluttaw; and the government and other central organs formed by the Hluttaw.

^{g2} For example, he played guitar and sang Kachin folk songs at the annual Kachin Manao festival in January 2006.

KIO, in contrast to many other armed ethnic opposition groups, and despite pressure from the SPDC, declined to condemn a proposal, spearheaded by the United States and the United Kingdom, to place Burma on the agenda of the United Nations Security Council (UNSC). The KIO stated that it wanted to remain neutral in this respect.²⁴⁶ In response, the SPDC, in a show of strength, held a large-scale troop exercise near the KIA's headquarters in Laiza.²⁴⁷ In addition, the SPDC confiscated supplies destined for gold-mining camps in KIO-controlled areas in the Tanai region of Kachin State. The SPDC also sent troops to the KIO's 1st Brigade area in N' Gumla, in the Triangle area (which were later called back upon request of the KIO),²⁴⁸ and stopped the transfer of goods and supplies through Laiza.²⁴⁹ According to a top KIO leader *"It was all a misunderstanding. We stay neutral and they [the SPDC] understood that after a while. Ohn Myint also understood."*²⁵⁰ Nevertheless, a few weeks later the KIO appeared to give into the pressure. According to the SPDC's official newspaper, 'The New Light

of Burma,' the KIO issued a statement, along with most other armed ethnic opposition groups, denouncing the interference of the UNSC in Burma's internal affairs.²⁵¹

In 2007, political and military tension was yet again building following the KIO's 19-point proposal and SPDC demands that the KIO, along with all other armed ethnic opposition groups, denounce a statement made by the detained opposition leader Aung San Suu Kyi in November 2007. The statement, read by the UN's special envoy to Burma, Ibrahim Gambari, expressed that it is her, *"duty to give constant and serious considerations to the interests and opinions of as broad a range of political organisations and forces as possible, in particular those of our ethnic nationality races"*.²⁵² Subsequently, the SPDC pressured many armed ethnic opposition groups to condemn Aung San Suu Kyi publicly, and to stress that she has no future role as a representative of the interests of the ethnic peoples. However, on this occasion, the KIO and the United Wa State Army among other groups refused to heed the SPDC's calls.



Tatmadaw soldier, Kachin State; January 2007

In response to the KIO's political position, the SPDC increased security, harassed the KIO, and put on displays of force in Myitkyina, the capital of Kachin State. In August 2007, the SPDC recruited and trained several hundred fire fighters. They have subsequently been deployed to exercise law and order at public gatherings.^{253, 254} In late November, *Tatmadaw* tanks paraded in the streets of Myitkyina, and in December the homes of many high-level KIO officers were raided by the SPDC. Government authorities also partly dismantled two bridges, the Jubilee and Chipwe bridges, which are key to the KIO's access to the timber-rich Triangle area (see '10.3.1 Logging in the Triangle', pages 77-78). More recently, in January 2008, at least one battalion under the command of Ohn Myint was stationed at the annual Kachin Manao festival. This was in stark contrast to earlier years when the military presence was significantly lower.²⁵⁴

Following the referendum in May 2008, and the preliminary arrangements for the 2010 elections, open tension between the KIO and the SPDC seem to have decreased. In addition, as discussed earlier, Major General Ohn Myint has been replaced as Northern Commander by Brigadier General Soe Win, a former principal of one of the *Tatmadaw*'s training academies.^{255, 256} Following his arrival in Myitkyina on 26 June 2008, Soe Win met first with religious leaders followed by meetings with the KIO, the NDA(K) and the Lasang Awng Wa Peace Group.²⁵⁵ To date, Soe Win appears to have taken a less high profile approach than his predecessor vis-à-vis the

armed ethnic opposition groups, and local sources report that no major confrontations have taken place since his arrival.^{257, 258}

For his part, Ohn Myint was promoted to the post of Commander at the Bureau of Special Operations 1 (BSO), under the Ministry of Defence, overseeing both the Northern Command (headquartered in Myitkyina) and the Northwest Command (headquartered in Monywa, Sagaing Division).²⁵⁹ According to press reports, he has since moved to BSO 6.²⁶⁰

In late 2008, Chinese officials met with a number of the armed ethnic opposition groups, including the NDA(K) urging them not to provoke the SPDC.²⁶¹

9.1.2 Dispute within and between the armed ethnic opposition groups

Since its inception in the early 1960s, the Kachin nationalist movement has been plagued by internal rivalry, coups, and competition for power and position (see 'A Choice for China', pages 50-54). The KIO leadership for example faced coup attempts in both 2001 and 2005. The years since the launch of 'A Choice for China' have been no exception. There have been two coup attempts within the NDA(K) and political differences over the future of the movement have continued to plague the KIO leadership. However, the relationship between the NDA(K) and the KIO has improved since the December 2006 peace agreement; the formation of the KSPP being a good case in point.

Two splinter groups, the Rebellion Resistance Force (RRF) and the Lasang Awng Wa Peace Group, independent of both the NDA(K) and KIO, and holding smaller territories, have emerged in recent years. Both groups have been supported by the SPDC, which made progress in exploiting divisions between the different groups and securing more territory in Kachin State (see '9.2 Territorial control in Kachin State', pages 66-67).



General Ohn Myint and Lasang Awng Wa; January 2007

9.1.2.1 Political debate within the KIO

“There is a problem of the KIO leadership working for themselves rather than for the people.” Kachin youth, Myitkyina, 2007

The KIO’s participation in and continued support of the National Convention, the constitution, the referendum and most likely the elections in 2010 has, in the absence of tangible results, caused resentment and frustration among some sectors of the Kachin public; in particular among educated sections of the youth. Many remain unconvinced that the SPDC will heed the KIO’s demands. However, they do acknowledge that a return to armed struggle is not a viable long-term solution. Senior KIO leaders defend their position by insisting that the new constitution is better than no constitution at all, and that it will provide a legal framework, and a political process, for the future recognition of the status and rights of the ethnic groups.²⁶² In early 2009, differences in opinion remain polarised and are likely to continue so for the foreseeable future.

The heated debate about the future of the Kachin nationalist movement, and the role of the KIO in particular, also exposed divisions within the KIO, predominantly between the older senior leaders and prominent younger officers. In October 2007, the KIO’s standing committee put forward a proposal to change the KIO’s name. This was presented to the public in a meeting lasting several days at the KIO’s headquarters. The KIO’s wider political objectives were also debated. The KIO argued that the ‘I’ for ‘Independence’ in its name was now out of date. Even before ceasefire the KIO had accepted being a part of a federal union of states, and not to strive for independence from the Union of Burma.²⁵⁴ The move was also seen as the KIO positioning itself in preparation for parliamentary elections, which the SPDC has announced will follow the adoption of the constitution, if it is accepted by the public in a referendum. As one church leader explained, the reasoning and timing behind the suggested name change: *“Time is important. If we miss the train, we’ll be late. We have to appear at the right time, in the right dress.”*²⁵⁴

However, the proposal to change the KIO’s name was opposed by leading younger members of the KIO’s Central Committee and many others, including church leaders, who argued that it was too early for the KIO to change its name. They maintained that it could be interpreted as a sign of weakness by the SPDC, i.e. demonstrating a willingness to lay down weapons and commit to elections at a time when the constitution had not yet been drafted, and the KIO’s demands not yet met by the SPDC.

The dispute erupted at the height of the government crackdown on peaceful protestors around the country, during the last week of September 2007. It was made worse by a decision taken by the KIO to attend a large government rally, in Myitkyina, on 29 September 2007, in support of the National Convention. At the rally, senior KIO leader Dr Tu Ja, along with the NDA(K) Chairman, Zakhung Ting Ying, expressed support for the SPDC and its ‘seven-step roadmap’ to democracy. This angered many, particularly as it happened only a few days after troops, under SPDC Northern Commander Ohn Myint, had raided several monasteries and arrested about 200 monks, killing at least one monk, in Myitkyina.

Conflict within the KIO was calmed when the senior leadership agreed to postpone the decision to change the KIO’s name, indefinitely.

9.1.2.2 The KIO and Lasang Awng Wa

The KIO Splinter Group led by Colonel Lasang Awng Wa split from the KIO in 2004. This followed a coup attempt, according to the KIO, and, *“disagreement over policy and transparency”*, according to Lasang Awng Wa.²⁶³ Lasang Awng Wa sought refuge with the NDA(K) and sided with them in public against the KIO. This deepened the ongoing tensions between the KIO and the NDA(K).

Later in 2004, he gained temporary control over the contested and potentially lucrative logging and mining area of Konglangphu on the China border. This is where the N’Mai Hku Project is located (see *‘A Choice for China’*, pages 66-67). Lasang Awng Wa’s group was recognised by the SPDC as a ceasefire group and given the name ‘Lasang Awng Wa Peace Group’ by the Northern Commander.²⁶³

²⁶⁴ The new group was granted its own territory by



Lasang Awng Wa; January 2007

the SPDC in December 2005, in the Gwi Htu Valley, just north of Myitkyina. This was done without the agreement of the KIO, which previously controlled the area, and in violation of the 1994 SPDC-KIO ceasefire agreement.

The Gwi Htu area comprises several villages and suffers from poor infrastructure; malaria and other diseases are common. According to a leading member of the peace group, Lasang Awng Wa plans to promote a development programme in the area, focusing on agriculture, citrus plantations, schools, roads, health and public education. The Loi Ngu Bum Company, a company officially registered by the group, will support these activities. Generating an income through jade mining in Hpakant and growing rubber wood has also been under discussion.

By February 2007, the group was in turmoil following an alleged coup attempt. It was quickly put down and several people were detained.²⁶⁵ According to a source close to the alleged coup leader, N'Hkai Gam H pang, his intention had been to reunite the Lasang Awng Wa Peace Group with the KIO.²⁶⁶

Press reports suggest that Lasang Awng Wa started logging again in early 2008. Chinese loggers were seen operating in the forests of the Ugang Mountain, near the village of Nawng hkying, seven miles from Lasang Awng Wa's base at Lawa Yang in the Gwi Htu Valley. The logging took place for at least two months and was opposed by local people reliant on streams flowing from the mountain to irrigate their paddy fields.²⁶⁷ The 3,000 villagers were apparently promised a school but instead received less than US\$2,000 between them.²⁶⁸



Loi Ngu Bum Company Ltd. office, Myitkyina; 2006



Reloading logs from Gwi Htu on the Zuklang Road, Burma; April 2009

9.1.2.3 NDA(K) infighting

NDA(K) chairman Zakhung Ting Ying has been the group's leader since its breakaway from the KIO in 1968.^{g3} Ting Ying's refusal to share power and lucrative business activities, mainly mining and logging, with other senior NDA(K) members (favouring instead Chinese business partners) prompted coup attempts in 2005 and 2006.^{263, 269, 270}

The first coup attempt took place in September 2005 while Ting Ying was away in Myitkyina. Soldiers in the NDA(K)'s 1st Battalion, stationed near Hpimaw/Pian Ma on the China-Burma border, under the command of several senior NDA(K) officers, occupied the NDA(K) headquarters in Pangwah for ten days. However, most NDA(K) soldiers stayed loyal to Ting Ying, who directed his troops by phone from Myitkyina.²⁶³ He also reportedly had high-level meetings with the SPDC, in particular Lieutenant-General Ye Myint^{g4} with whom he had travelled from Mandalay to Myitkyina.^{271, 272} Several sources claim that the NDA(K) chairman received no armed assistance from the SPDC to recapture his territory. According to these sources the SPDC's response to the conflict was: *"It is your family problems – you sort it out."*^{269, 273} In the end, Ting Ying's troops regained full control and arrested the four coup leaders. They were released after a week upon the request of the Northern Commander. Ting Ying is said to have commented, *"If I kill them, I'll have a hundred enemies."*^{263, 269}

Following the failed coup, the leaders sought refuge in the KIO-controlled area. This led to considerable friction between the KIO/A and the NDA(K). The same individuals attempted another coup in May 2006 but this was also short-lived. They all escaped to SPDC or KIO-controlled areas, and have kept a low profile ever since.^{263, 269, 274, 275}

Despite the decline in income the NDA(K) has been busy constructing a whole new town near Pangwah, apparently in response to the security issues following the coup attempt in 2005. All the residents of the old Pangwah will be moved to the new Pangwah Town, which is located 6-10 km away on the road towards Chipwe. The old Pangwah Town will be used as a strategic place for security and business activities. The new town has been rented out to Chinese businessmen for 30 years. A new casino, rumoured to be the largest in Southeast Asia, was also under construction in 2006.²⁷⁶

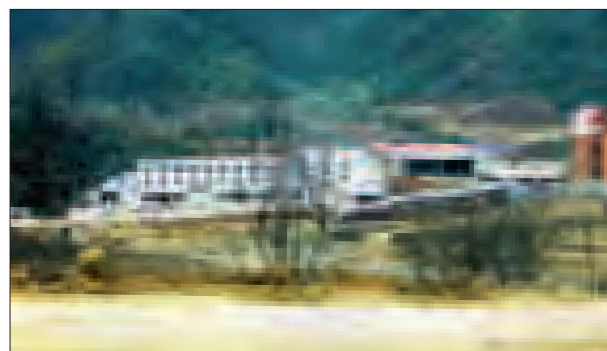
9.1.2.4 KIO and NDA(K) relations

"To solve the problems [between the KIO and the NDA(K)] we must cooperate, all of us. It is not good to be extremist or seek confrontations." Senior KIO leader, Myitkyina, January 2007

Relations between the two Kachin armed ethnic opposition groups, the KIO and the NDA(K), were strained throughout 2006 but have been less tense since. Much of this was linked to grievances fuelled by the aftermath of the Lasang Awng Wa issue, and the NDA(K) coup attempts, during which both groups accused the other of sheltering, aiding, and abetting the 'troublemakers'. On 7 December 2006, however, the two groups signed a peace agreement brokered by the Kachin Consultative Assembly (a group of mainly leading Kachin church leaders), which has so far prevented further open conflict. The three main points in the peace agreement are that both parties must respect each other's territories, avoid armed confrontations, and cooperate on opium-growing eradication issues.^{249, 269, 273} They have since formed a political party together (*see above*).

The issue of territorial control over the Konglangphu area on the China-Burma border, which had been a major point of contention between the KIO and the NDA(K) in 2003-05, has dropped off the agenda for the present. After both the KIA and NDA(K) troops withdrew from this remote area, the *Tatmadaw* moved in and the Northern Commander allocated it to his old friend, the businessman, Dangku Ah Dang (*see '9.2.1 Konglangphu', opposite*).

Despite their historic differences, the KIO and the NDA(K) always seem to have worked out mutually beneficial logging and timber transportation sharing arrangements. This enables timber cut in the KIO-controlled area of the Triangle to reach the China border through NDA(K) held areas.



New Pangwah Town; January 2007

g3 Ting Ying and his followers joined the Communist Party of Burma (CPB) to become the CPB 101 War Zone. Following the collapse of the CPB in 1989 the group was renamed the NDA(K).

g4 Lieutenant-General Ye Myint is the 'supra-commander' above the regional commanders of Kachin State, Mandalay Division and the North-East Division. He is also head of Military Affairs Security.

9.2 Territorial control in Kachin State

The SPDC has skilfully, quietly, and for its own advantage exploited continued conflict within the KIO, the disagreements between the KIO and the NDA(K), and the internal conflict within the Kachin nationalist community. The SPDC has effectively removed several significant areas from KIO control. The area of Gwi Htu, allocated to Lasang Awng Wa (see '9.1.2.2 The KIO and Lasang Awng Wa', page 63-64), is one notable case, the area of Konglangphu another. By increasing areas of territory under its control in recent years, the SPDC is more firmly in command of large parts of Kachin State than ever before.

9.2.1 Konglangphu

The remote township of Konglangphu is located in the N'Mai Hku area, in the north-eastern part of Kachin State, near the China-Burma border. This is an area recognised internationally for its unique biodiversity and is located opposite protected national parks on the China side of the border: the Nuijiang and Gaoligongshan reserves in Nuijiang Prefecture, Yunnan Province. The region is potentially very lucrative due to the existence of large tracts of forest and significant mineral deposits, including gold. Logging roads extend into Konglangphu from the towns of Fugong and

Gongshan in China. However, a general lack of infrastructure and difficult mountainous terrain has so far hampered large-scale natural resource extraction.

Konglangphu was not initially granted to any of the Kachin armed ethnic opposition groups. However, in 1997 the SPDC cabinet and General Khin Nyunt allowed the KIO to undertake a combined mining and logging project here: 'The N'Mai Hku Project,' (see 'A Choice for China', pages 66-67).^{277, 278}

The region is inhabited mainly by the Rawang and Maru tribes, which have historic animosities with the Jingpaw-dominated KIO. This resulted in the KIO being less firmly in control of Konglangphu, and enjoying less public support, than elsewhere in Kachin State.

Konglangphu has been heavily contested in recent years. In 2003-04, the NDA(K) tried to expand the area under its control, leading to violent clashes with the KIO. Lasang Awng Wa took over Konglangphu, temporarily, in 2004, whereupon he entered into several logging deals with Chinese businessmen.²⁷⁹ Subsequently, in late 2005, SPDC troops moved in from nearby Putao. It is not entirely clear if this precipitated or followed the KIO and NDA(K) withdrawals.^{273, 280}

In mid-2006, the SPDC handed control to Dangku Ah Dang, a Rawang businessman dealing



Territorial control in Kachin State (based on interviews in Burma and China). Source: Transnational Institute (TNI), "Neither War nor Peace, The Future of the Cease-fire Agreements in Burma"; July 2009, from: www.tni.org/drugs. NB. The Lasang Awng Wa Peace Group controls the Gwi Htu area northeast of Myitkyina between KIO and NDA(K) held areas. This is not shown on the map above.

mainly in jade. He had previously been sent to Konglangphu by the NDA(K) of which he was a member until late 2005. He remains on good terms with the group.^{263, 280, 281, 282, 283} The KIO has also extended some support to him in the form of medical supplies and a few teachers.²⁵⁴ Dangku Ah Dang is also the leader of the small Rebellion Resistance Force (RRF), and a close ally of former SPDC Northern Commander, Ohn Myint. The RRF numbers no more (and probably less) than 100 predominantly Rawang soldiers.²⁸² It relies on the protection of the SPDC and the *Tatmadaw*, which has set up at least one small permanent military outpost in Konglangphu.^{263, 273}

Dangku Ah Dang has been allowed to conduct 'development' in the area. He has been busy mapping his territory²⁸¹ but the difficult terrain, tough weather conditions, and the unstable political situation have hampered his development and business activities. Despite this, he has been able to construct a bridge across the river, which now forms part of the main transport route to Putao.^{248, 282} According to the Kachin News Group many people from Machyang Baw Town, located beside the Mali Hka River, 14 miles south-east of Putao, were used as forced labour to carry construction material for the bridge. It was also reported that, in November and December 2006, villagers were forced to carry weapons and shells to Konglangphu area for the SPDC.²⁸² Global Witness has not been able to verify these allegations.

During his time as Northern Commander, Major General Ohn Myint approved the construction of a road leading from the Jubilee area to Konglangphu via Zangnauyang, along the west bank of the N'Mai Hka River. Dangku Ah Dang has also been road building. According to press reports, he has received help from the Forest Department of Nujiang

Prefecture, in Yunnan province, to construct a road from Fugong to Konglangphu.^{248, 281} It is likely that these roads will be used to facilitate the extraction of minerals and timber. Indeed, gold has recently been found near the N'Mai River by Dangku Ah Dang's Hla Pyit Win Company, working together with a Chinese company. Local people, reliant on gold mining for their survival, are concerned that Dangku Ah Dang, with the support of the SPDC, will evict them from their gold-mining fields.²⁸⁴

9.2.2 SPDC army posts in NDA(K) areas

Following the NDA(K) coup attempts in late 2005, the SPDC placed new army posts inside the NDA(K)-controlled area. These are located along strategically important roads from where the SPDC taxes log trucks en route to China. The new SPDC posts are in Lukpi, Steeljaw, Nuzungbaw and Langse.²⁸⁵ The SPDC has also set up new army posts at Sadon and near Wawhkyung, near Lahpai Village.²⁷³ Sadon had until then been controlled mainly by the NDA(K) and partly by the KIO. An NDA(K) outpost controlling the east bank of the N'Mai Hka River by the Jubilee Bridge has also been taken over by the SPDC.²⁸⁶ SPDC attempts to increase their control of the area have led to increased conflict.

9.2.3 Control in SPDC areas

These developments notwithstanding, from early 2006, Ohn Myint relaxed controls and enabled easier transportation by removing many checkpoints throughout the state. During 2006-7, the checkpoints were still physically there but vehicles were not stopped as they had been previously. Checkpoints

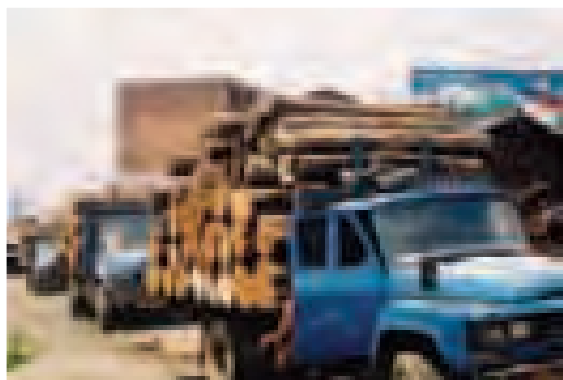
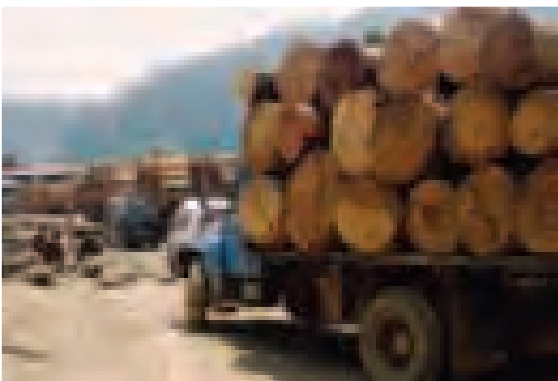
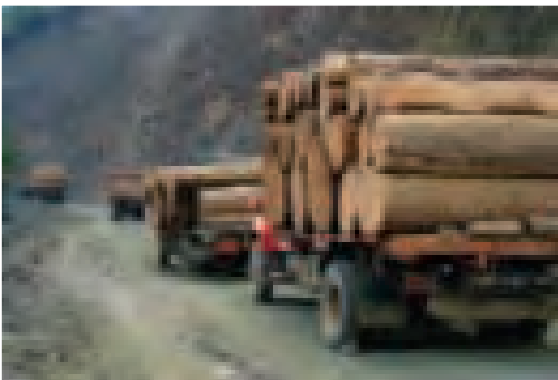
have been removed along major roads for example in Kampaiti, Manwin, Washawng, Mogaung, and the Bala Minhtin Bridge, which is just outside Myitkyina.^{249, 287}

In early 2007, there were only three checkpoints, including a KIO checkpoint, along the Myitkyina to Bhamo road. This compares to more than twenty when former Northern Commander, Maung Maung Swe was in charge.²⁴⁹ Only one SPDC checkpoint remains between Myitkyina and Laiza.²⁸¹ The reason behind this relaxation of control is not known. However, it is rumoured that Ohn Myint removed the checkpoints after he himself had experienced the inconvenience of being stopped numerous times.²⁸⁷ During 2008, most of the checkpoints were re-installed.²⁵⁷



Kampaiti checkpoint controlled by the SPDC, the NDA(K) and the Chinese; April 2006

BOX 5: 2005 - THE HEIGHT OF THE ILLEGAL CROSS-BORDER TIMBER TRADE



At the height of the trade in 2004-05, on average, one log truck carrying about 15 tonnes of timber logged illegally in Burma crossed an official Chinese checkpoint every seven minutes, 24 hours a day, 365 days a year.

10 THE DECLINE IN ILLEGAL LOGGING IN KACHIN STATE

“Our Kachin forefathers’ advice was that people should never cut trees on the tops of hills or beside rivers. But the Chinese are cutting all the trees. They also burn the land after they have finished cutting.” Church leader, Kachin State; 2006

Since the launch of ‘A Choice for China’ in October 2005, Global Witness has carried out several spot checks in Kachin State and talked to more than ten people with an intimate knowledge of the area. They have all confirmed that the timber trade continues but at a significantly lower level than in 2005. This evidence is supported by Global Witness’ analysis of trade data from China. Timber transport at night, sometimes by motorbike or mule, has become more common.

Widespread forest loss throughout Kachin State is leading to serious environmental and social problems (see ‘A Choice for China’, pages 28-36) and is ultimately undermining development. There are far fewer trees now than there once were near the Burma-China border and it has proved difficult to extend the logging roads to extract the remaining timber in less accessible places such as Sumprabum in the Triangle area. However, despite the problems even the southern part of the Triangle is now largely exhausted and there is little hardwood left in Bhamo. Logging of large trees to extract essential oils from the bark is also taking place.⁴⁰⁶ Armed ethnic opposition groups, such as the Kachin Independence Organisation/Army (KIO/A) and the NDA(K) should help end this illegal and destructive trade, particularly logging operations in areas under their control and timber exports that pass through their territory.

Logging and associated trade boomed in the years following the ceasefire deals between the SPDC and the Kachin armed ethnic opposition groups, negotiated in the late 1980s and mid 1990s. However, restrictions imposed by the former SPDC Northern Commander, Ohn Myint, in late 2005, and the Chinese government in early 2006, have resulted in a decline in logging activity and trade for the first time in more than a decade. Despite this, forest destruction has not yet come to a complete halt.

NDA(K) Chairman, Zahkung Ting Ying is apparently opposed to the logging ban.²⁸⁸ In contrast, senior KIO/A officials told Global Witness in January 2005 that they would forgo revenue derived from the timber trade rather than see the forests of Kachin State destroyed.²⁸⁹ However, long-term sustainable and equitable forest management is

not yet a priority for either the SPDC or the armed ethnic opposition groups.

Logging in Kachin State remains opaque, complex and in the hands of many different groups. The *Tatmadaw*, the KIO/A, the NDA(K), and individual Kachin, Chinese, and Bamar businessmen are all involved at different levels. No single group has control over the trade and deals often include several different individuals and/or groups. For example, timber logged in KIO areas may have to pass through an SPDC checkpoint and NDA(K) territory on its way to the Chinese border. At the same time, timber logged in SPDC-controlled southern Kachin State is often transported through KIO areas when exported to China. Bribes, in the guise of taxes, are an integral part of the system.

In 2006-07, logging was at its most severe in the Triangle area between the N’Mai Hka and Mali Hka rivers (see ‘10.3.1 Logging in the Triangle’, page 77-78). Logging, by predominantly Bamar companies, was also taking place near the Ledo Road as part of clearing the land for rubber and sugar cane plantations. Most of the logging operators in southern Kachin State have moved to nearby Sagaing Division citing the depletion of forests in Kachin State as the main driving force. According to one source, most of the planks currently being exported to China are from northern Sagaing Division.⁴⁰⁵

As a result of the Burmese and Chinese restrictions the once open trade has now largely gone underground, and trade routes into China have become more complex in response to more stringent controls. This may all change however. In what many will see as a retrograde step, on 20 September 2008, according to press reports, the new Burmese Northern Commander Brigadier General Soe Win officially granted logging permits to all armed ethnic opposition groups in Kachin State including Dangu Ah Dang’s RRF in Konglangphu.²⁹⁰ Global Witness has not been able to verify this information.

According to one NGO source based in Kachin State, logging is, at the time of writing, being carried out primarily in three places. The first logging site is in Jubilee area of the Triangle, under the control of the KIO. Timber from the Triangle is trucked through the outskirts of Pangwah, where the NDA(K) has its headquarters, via the Kampaiti Pass to Tengchong. The second area is near Bhamo and Shwegu, under the control of the SPDC. Logs are trucked from here via Nong Dao to Ruili. The third area is Sinbo from where logs are sent to Yingjiang. The businessmen controlling the timber trade are mainly of Chinese origin, based in both Burma and in China.²⁹¹

10.1 Crackdown on illegal logging in Kachin State

“China first wants to have a peaceful surrounding - to say they just want to make money is too simple.” Former Communist Party of Burma member, Yunnan Province; 2005

One of Northern Commander Major General Ohn Myint's first acts in office was to announce that logging in three specific forest reserves in Kachin State was prohibited. This was followed by an outright logging and timber transportation ban in late 2005. The ban has actually been enforced on the ground, albeit inconsistently. This is in contrast to earlier bans, announced by previous incumbents of the post, which were never implemented. Around 600 Chinese logging and mining workers in Kachin and Shan states were arrested in 2005. According to news reports most of them were sentenced to 12 years in prison^{g5} in Myitkyina and/or Bhamo and held for several months before being repatriated.²⁹²

The stricter approach to logging and the timber trade appears to have been sanctioned by the central authorities in the new administrative capital, Nay Pyi Taw.^{g6, 293} In this regard, it is interesting to note that one of the new Northern Commander Brigadier General Soe Win's first acts in office was to ask forestry officials to map the timber smuggling routes leading to China.²⁵⁵

Crackdowns in armed ethnic opposition areas have been infrequent simply due to the government's lack of control over these areas. Nevertheless, the restrictions from the Burma side have had a direct impact on the trade. The Chinese restrictions, on timber imports from Burma, have had a more significant impact on the trade because they have been enforced more effectively. This has had a negative financial impact on the armed ethnic opposition groups who relied more heavily on this trade and have fewer income-generating alternatives than the SPDC.

In the light of the shortfall in logging revenue, the NDA(K) is turning to the few alternative sources of income open to it such as gambling and mining. For example, the Htang Shanghkawng mine, located in Gawyun Village, Nuzung Baw Township (about 50 km from the Chinese town of Tse Tse) is rich in molybdenum. In 2006, Global Witness researchers were told that molybdenum ore from the mine was being sold for 500,000–600,000 yuan (US\$65,000–78,000) per ton.^{g7} The mine, operated by the Myanmar Apex Company, is owned and managed by Mangshang Ding Ying. The main investor is a Chinese businessman, Mr Chang Lin Hwa, who also built the road to the mine. Persistent rumours exist that a dispute over control of this mine, between Zakhung Ting Ying, Layaw Ze Lum, and Lauwa Zawng Hkawng, who had also invested heavily in



Truck carrying molybdenum ore from the Htang Shanghkawng mine (located in Gawyun Village in Nuzung Baw Township in Burma), Tse Tse, China; April 2006



Gambling centre in Pangwah Town; 2007

g5 The same report states that crossing the border illegally is punishable by 5 years in prison and illegal lumbering by 7 years. Global Witness has not been able to confirm this information.

g6 Translated as 'Abode of Kings'.

g7 These figures appear to be on the high side. See for instance: \$US1,200 per ton of rock at: http://www.molyseek.com/index.php?Itemid=2&id=88&option=com_content&task=view



MTE trucks carrying teak logs from Indawgyi Lake to Hopin, Burma; January 2006



After the main forest was gone, local people cleared the remaining forest and planted rice paddy. Sadon, Burma; June 2009



Logging started in 2000 and intensified with the construction of the Myitkyina-Kampaiti-Tengchong road. Sadon, Burma; June 2009

the mine, was the main reason behind the NDA(K) coup attempt.^{294, 295}

Overall the Burmese and Chinese restrictions have resulted in a decrease in logging activity, a decrease in the transportation of timber to China, and economic losses for the armed ethnic opposition groups and for individual timber traders. SPDC officials involved in the illicit trade, based in Kachin State, have also probably lost money as a result of the crackdown. It is very difficult to ascertain precisely how much the trade has slowed down, however local observers estimate that the logging activity might have fallen by as much as 50%.^{296, 297}

It appears that logging sanctioned by the Myanmar Timber Enterprise (MTE), mainly in southern Kachin State, and logging to clear land for plantations have been exempted from the ban. Global Witness has found no evidence of crackdowns in relation to such logging activities.

Concerns that logging areas and the timber trade would simply shift from the armed ethnic opposition groups to the government have not materialised. The government has increased its territorial control but logging and timber transport near the China border, and in the lucrative Triangle area, remain under the control of the armed ethnic opposition groups. There is no clear evidence that timber exports to China through government-controlled routes have greatly increased at the expense of the armed ethnic opposition groups, or that

large amounts of timber from Kachin State is being shipped to Rangoon instead of being exported to China. This is most likely because of the long distances involved and associated high transportation costs, together with a low potential purchase price from the government. In addition, many of the logging areas near the China border are not well linked, if at all, with the road network in Burma. That said, there has been a small increase in official exports to China via Rangoon, however, this timber is unlikely to have originated in Kachin State (see '6.1 Burma-China timber trade – analysis of trade data – the extent of illegality', pages 14-15).

BOX 6: OPINIONS ABOUT THE LOGGING BAN

"We were very hopeful versus the banning of the logging business – the Global Witness effort – that it would follow some support from outside. But so far no help." Senior KIO leader, Myitkyina, Kachin State, January 2007

People in Kachin State have had mixed views on the logging and timber transport restrictions. Most of the people interviewed cautiously welcomed the ban hoping that it will slow down the forest destruction. A group of Kachin youths were typical in this respect:

"The timber ban is bad for the KIO due to the decrease in money. For the people it is good because it preserves the natural resources for the future.

*Many people share this thinking but for people who are close with the KIO, it is not so good."*²⁹⁸ Another

local spoken to by Global Witness also supported the ban, *"The logging ban is good because the logging only benefits Chinese businessmen. Local people used to get orders to cut trees in their farms and are therefore happy about the ban too. There haven't been that many jobs lost in Kachin because most of the workers were Chinese and their food and machinery were brought over from China too."*²⁹⁹

That said, Global Witness has learned that some local traders have faced losses and as a consequence have not been able to pay the school fees for their children.³⁰⁰ In one village south of Bhamo, local villagers who had previously sold teak from nearby areas suffered economic shortfalls as a result of the restrictions. Some villagers could not afford to send their children to school and faced difficulty in paying for food and health care.³⁰⁰

Others question the motives of the SPDC. Some are concerned that local people involved in the trade will

lose their jobs or that the logging will continue at the same scale but with profits going to the SPDC rather than the armed ethnic opposition groups. For example, a Kachin environmental campaigner told Global Witness, *"It is difficult to say if it [the logging ban] is good or bad. But the Chinese and the SPDC are not doing good work. The SPDC is trying to control local forests and the ethnic groups; that is not good. And the Chinese are supporting the SPDC to expand control."*³⁰¹ A church leader expressed similar concerns about the effect on the KIO/A: *"The situation is better now with less logging but I would like to protect the KIA [...]. Indirectly the SPDC is affecting the KIO. They [the KIO] cannot control much now."*²⁷³

In contrast, senior KIO officials have expressed support for the logging and timber transport restrictions; in particular those imposed from the Chinese side. *"It is good for Kachin State that the Chinese have stopped the timber trade,"* said one top KIO leader in January 2007. *"We are very thankful – without this there would be no forests in Kachin State. We want to do replanting but cannot do much ourselves but it is our duty to replant."*³⁰²

Another senior leader explained, *"We do not want to relax the restrictions at the border. We want to keep the natural resources like forest and minerals. We don't want to destroy the environment – the beauty of Kachin State. But we need financial support for road construction, the hydroelectric power plants, the school and health care [...]."*³⁰³ An influential younger KIO officer thought that the Chinese ban was good in terms of environmental protection but not for business, *"But it is still good – less money but not losing natural resource."*³⁰³

Not all KIO officials are likely to be as positive given the economic difficulties the organisation and private individuals have faced in the wake of the restrictions. The KIO has had to reduce some of its development activities and food provision for its troops.³⁰⁴ Continued logging in KIO areas and the transport of timber through areas under its control suggest that at least some within the organisation do not support the ban.

Sources close to the NDA(K) have told Global Witness that the NDA(K) has also faced economic losses and that Zahkung Ting Ying is strongly opposed to the ban.



10.2 Enforcement of the logging and timber transportation ban

“The Burmese soldiers are vicious. They use guns and bats. The mountain soldiers [armed ethnic opposition groups] are very easy to deal with. You bribe them with some money and then they won’t bother you.” Elderly woman at a grocery store in Sudien, near Yingjiang, Dehong Prefecture, April 2007

In January 2006, Ohn Myint, Northern Commander at the time, told Global Witness that he had taken effective action against logging. He went on to say, *“The forests are important. It takes a hundred years for a tree to grow but it is also important to do development.”*³⁰⁵ By this time, the logging operations in Kachin State had slowed down following crackdowns in late 2005 by troops under his control.³⁰⁶ According to a local development worker the Northern Commander did not even allow logging for the construction of houses or hospitals. Activity had stopped, at least temporarily, in the normally busy logging areas in southern Kachin State. *“People are killed if they don’t obey his [the Northern Commander’s] orders.”*³⁰⁷ According to another source, *“There is not so much timber export anymore since there is more control now. Before it was out in the open – now there is less.”*³⁰⁸ A school headmaster, with a good knowledge of the trade, told Global Witness, *“At the moment there is no cutting going on [in southern Kachin State] and they cannot transport the logs. Transportation has almost stopped in SPDC areas but not in KIO areas.”*³⁰⁹

According to a leading KIO official interviewed in early 2006 the, *“New [Northern] Commander wants to control the timber as much as possible but frontline officers encourage businessmen to do logging. They still do that now but not on a very big scale and not very openly. It is occurring to the west of the Irrawaddy River, south-west of Bhamo. The timber is transported to China via KIO and NDA(K) checkpoints to avoid giving the government a bad name.”*³¹⁰

The *Tatmadaw* confiscated 27 Chinese log trucks in March 2007, in Sinbo. Ten Chinese workers from the same company were arrested and about one thousand large teak logs were impounded nearby. The Chinese company had obtained permission from the SPDC to build a road from Hopin to Nalong, in southern Kachin State, in exchange for logging concessions along the road. However, it logged a larger area than allocated, which prompted the arrests and confiscation of timber. The trucks and workers were transported to the Northern Command compound in Myitkyina, on 24 March 2007.³¹¹ Generally, control of logging in the Sinbo area by the *Tatmadaw* has increased since late 2005. This has frustrated logging operators in the area and led to a decrease in the number of logs transported from here to Sampai nearer the China border.³¹²



SPDC checkpoint, Kachin State



NDA(K) checkpoint, Kachin State



KIA checkpoint, Kachin State

In mid April 2007, Burmese military intelligence confiscated six log trucks carrying teak on the way from Bhamo to Loiye. *Tatmadaw* Infantry No. 47 had previously confiscated this teak at Kaihtik, south of Bhamo. This unit handed the timber to a higher-ranking *Tatmadaw* unit in Bhamo, which then tried to transport the timber to China but were caught. Before the timber was confiscated the first time, businessmen had paid 2,500,000 kyat (US\$2,049) to the *Tatmadaw* post in Kaihtik, another 2,500,000 kyat (US\$2,049) to the *Tatmadaw* post in Mansi and 3,500,000 kyat (US\$2,869) to the *Tatmadaw* unit in Bhamo.³¹³

In late June 2007, the BBC World Service reported that *Tatmadaw* troops had confiscated six boats carrying teak, at the confluence of the Irrawaddy and Taping rivers, and ten trucks and five motorcycles carrying teak in Mansi Township, south of Bhamo. Apparently, however, the troops did not arrest the traders involved, after accepting bribes.³¹⁴

In early 2008, *Tatmadaw* battalions from Bhamo District seized 40 trucks carrying teak and tamalan en route to Nong Dao, according to the Kachin News Group. The operation was carried out jointly with the Forest Department, the Immigration Department, the police, and SPDC administrative offices. Again, bribes had been paid in advance to SPDC checkpoints in Kaihtik and Man Win Gyi, where soldiers are being rotated every three to four months. However, in this case it did not facilitate the smooth transfer of the timber to China.³¹⁵

Switching the troops on a regular basis is costing Chinese businessmen a great deal of money in developing new relationships. Not only does this practice drive their profits down, it has also helped to put some companies out of business and prevented others getting established in the first place.⁴⁰

In many cases, the confiscated timber is auctioned off to local traders or to the armed ethnic opposition groups. Following the Chinese suspension of timber imports from Burma in late March 2006, traders and others close to the trade have told Global Witness that their main problem is getting the timber across the China border due the enforcement efforts on the Chinese side.³¹⁶ As one high-level KIO officer explained in 2007, *“The KIO can now get a permit for a limited amount [of timber]. The SPDC has so many confiscated logs so they allow us to use it in the organisation. The problem is that the China side does not open the border.”*²⁹³

Tatmadaw troops were once again pursuing Chinese loggers, in the forests of Bhamo District, in January 2009. The military, including soldiers sent from the new capital Nay Pyi Taw, detained over 30 log trucks as part of the operation.³¹⁷ As a result of this intervention, apparently carried out by three battalions, hundreds of loggers that had been active in the areas since mid-November 2008 returned to China.⁴⁰ The crackdown, however, would appear to be at odds with Soe Win’s earlier decision, reported in the press, to allow logging in Kachin State,³¹⁷ and does not

seem to apply to the Awng Mai Company either. Press reports from April 2009 claim that the Awng Mai Company has been illegally exporting teak to Nong Dao along three cross-border roads that it controls near Man Win, since December 2008. The company, which is run by military officers and supposedly linked to Senior General Than Shwe’s sons-in-law, is only authorised to buy and export teak previously seized by the authorities.¹⁴⁵ Awng Mai is also thought to have close ties to the former Northern Commander, Ohn Myint.³¹⁸ Indeed, it has been reported that Ohn Myint’s son and three brothers-in-law all work for the company.³¹⁹ Whatever the truth of such speculation, which Global Witness has not been able to verify, the company clearly enjoys a good deal of support in high places.



Tatmadaw soldier, Kachin State; January 2007

BOX 7: THE DECLINE IN THE NUMBER OF LOGGERS IN KACHIN STATE

"The way the Chinese people do logging in Myanmar is ruinous to the Myanmar forests. They cut down every single tree and only remove the ones with a diameter over 28 cm. The smaller ones are just left in a mess." Timber trader from Henan Province, Sudien, Dehong Prefecture, January 2007

The moratorium on the border timber trade, issued by the Yunnan Provincial authorities, included an order, "to restrict Chinese citizens who illegally leave the country to carry out logging or mining".³⁹ Other reports indicate that the Chinese authorities have called, "for all Chinese workers in Burma to return home" and that they, "would not take any responsibility for those who did not return".³²⁰ Despite these warnings, Global Witness has obtained information indicating that several thousand Chinese workers were still logging in northern Burma's forests in 2006 and 2007. Numbers have been on the decline but Chinese loggers were also active in 2008 and 2009.⁴⁰

Loggers are facing hardship in the forests of Burma due to the difficult working conditions, and opium use is extensive.³²¹ As of late 2005, they also run a high risk of being arrested by the *Tatmadaw*. More than 600 Chinese workers were arrested over a short period from late 2005 until early 2006, according to official figures.³²² All of these were reportedly repatriated in May, June, and July 2006.^{292, 323, 324} The repatriation was the largest in the history of Yunnan Province and China-Burma relations.^{323, 324, 292} Stories of recent arrests, beatings, torture, and killings of Chinese

logging workers, at the hands of the *Tatmadaw*, are widespread in the border area. However, with the exception of the well-documented arrests, Global Witness has not been able to confirm these stories. The Burmese Forest Minister states that no Chinese workers have been killed by its armed forces.³²² Nevertheless, the stories reflect deep-felt fears held by many of the Chinese workers who, interestingly, distinguish clearly between the *Tatmadaw* and local ethnic opposition soldiers – the former often being described as "greedy" and "vicious", and latter as "poor" and "easy to deal with".³²⁵

As a result of the suspension of the timber trade, and the crackdown on Chinese logging and mining workers by the *Tatmadaw*, the number of Chinese logging workers in northern Burma's forests has decreased. It has been suggested by several sources that around 20,000 Chinese, mainly migrants from Sichuan Province but also locals from the border area,³²⁶ were previously working in the area, but no definitive figures exist.

In May 2006, four companies in Fugong, contracted by the large Huaxin Company, which owns substantial tracts of forests in Burma, had 300 logging workers in Burma, 20-30 km from the border.³²⁷ The leading timber trader in Sudien, Dehong Prefecture further south, also had logging workers inside Burma at the time.³²⁸

According to a local man, Hongxin Company based in Nabang had 2,500 workers in Burma's forests in January 2007.³²⁹ A timber trader from Henan Province who was visiting the area explained, "Chinese people have still been continuously working in Burmese forests for logging after the border closed. Therefore, there are a lot of logs waiting in Burma

for when the Chinese people come back once the border reopens."³³⁰

In April 2007, loggers were still obtaining permits to cross into Burma in Fugong and Gongshan, Nujiang Prefecture, while others were sneaking across.^{331, 332} In the same month, Global Witness spoke to a small group of loggers in Nabang. They reported that approximately one thousand Chinese loggers were working in an area 70-80 km from the border. Loggers cannot use the official border crossing points to get to the logging area because they would be arrested, instead they use a secret crossing through the mountains.³³³



Illegal Chinese logging camp, Burma; March 2006

10.3 Logging and timber transportation in KIO-controlled areas

“If there is support from outside to build roads and hydro-electric power plants, then there is no need to cut the timber.” Senior KIO leader, Myitkyina, Kachin State, January 2007

Logging and taxing the transportation of timber has been the KIO’s main source of revenue over the last decade.³³⁴ Since the imposition of the moratorium on cross-border timber trade by the Chinese government, and the crackdown on logging by the Northern Commander, logging in and transport of timber through KIO-controlled areas has declined.³¹⁸

It has not yet been possible to ascertain the impact, or the veracity, of Soe Win’s decision to grant logging permits to the armed ethnic opposition groups in September 2008. However, according to press reports Chinese loggers had begun to arrive in Burma by November and the export of timber to China resumed in early December.³³⁵ Global Witness research, carried out along the China-Burma border in March 2009, suggests that trade is picking up, albeit slowly. This research also supports press reports that the KIO has reduced taxes on timber. According to the Kachin News Group, the KIO’s Central Treasury Department reduced tax on hardwood exports to China from 780 yuan (US\$115) per Lifang,^{g8} before the Beijing Olympics, to 650 yuan (US\$96). Chinese timber traders, however, were prepared to pay only 400 yuan per Lifang (US\$59), resulting in stalemate.²⁹⁰

There had been high-level KIO support for the restrictions, in particular those from the Chinese side. However, senior KIO leaders argue that they need alternative sources of revenue to promote development projects in areas under their control. This, they maintain, would go some way to showing the broader Kachin public that progress has been made following the ceasefire deal.^{336, 337, 338, 339} The KIO leadership

is also disappointed that the international community has not provided assistance, in the wake of the ban,³⁴⁰ and are planning to turn to mining to make up the revenue shortfall.³³⁸

Some of the revenue generated by the timber trade has financed road building and hydroelectric power plants, and helped to set up schools, health clinics, and other development projects. However, it is a wide-held belief, throughout the state, that much of the money has been squandered or ended up in the pockets of powerful individuals.³⁴¹

The need for revenue for development purposes and the power of individual interests might also explain why the rhetoric and the reality on the ground do not entirely match up.



KIA soldier at log storage area, Npaba; June 2005

g8 Cubic metre, Chinese vernacular.

10.3.1 Logging in the Triangle

"I don't understand the U.S. They open trade with China but put sanctions on Myanmar. The Chinese are dangerous – they are taking over everything." Youth, Myitkyina, Kachin State, January 2007

As timber resources have been depleted near the China-Burma border, logging operations have moved further west. Since 2004, the Triangle area, located between the N'Mai Hka and Mali Hka rivers, has become a major source of timber (see *'A Choice for China'*, pages 61-62). Throughout 2006-07, it was the KIO's main logging area. From October-November 2006 until January 2007, around 60,000 m³ of timber was logged here according to the KIA and high-level NDA(K) sources.^{342, 343}

The Awng Mai Company has been logging on a small scale in the vicinity of Njangyang, a small town under SPDC control. The company had obtained permission to log from the SPDC, between 2005 and 2006, in connection with the SPDC's Njangyang development project. In 2006, Global Witness researchers were told that Chinese loggers were busy in the area just north of Chipwe Bridge. Local people living nearby complained that between January and June 2006 they could hardly sleep at night due to the noise from the logging and the timber trucks. They explained, *"We do not get any benefit from logging. We feel like a waiter who just gets to smell the bad air and gets no money."*³⁴⁴

Most of the logging companies operating in the Triangle area are Chinese with the exception of a few

Kachin businesses. Until April 2006, the Jinxin Company was the largest in the area (see *'A Choice for China'*, pages 59 and 61). By early 2007 however, the key timber operator in the Jubilee area of the Triangle was a Chinese businessman called Mr Gau Sin Wang, who had entered into an agreement with the KIO.^{345, 346} In contrast, the prominent Jadeland Company, once a major logging operator throughout Kachin State, in particular in the Triangle area, faced heavy losses in 2006-07 as a result of the logging moratorium. Jadeland's flamboyant owner Yup Zau Hkawng, widely believed to be the richest man in Kachin State, has had to rationalise some of his logging operations and others have generated less profit.^{347, 348, 349} His 'road construction for logging' joint venture with the KIO's Buga Company has also come to an end (see *'A Choice for China'*, pages 68-69).³⁵⁰

The Triangle area is predominantly under KIO control but the timber has to pass through NDA(K) or SPDC checkpoints where it is taxed en route to the China border. In 2006-07, timber from the Triangle area was transported through roads in NDA(K)-controlled areas, bypassing the NDA(K) headquarters in Pangwah, to reach Dian Tan and nearby towns in the Tengchong area of Baoshan Prefecture, in Yunnan Province.³⁴⁵

The impact of periodic Chinese crackdowns, on timber importation from Burma, has clearly been felt in the Triangle area. For example, according to one senior NDA(K) officer, the Chinese authorities ordered all logging and mining workers to leave northern Burma in late January 2007.^{g9, 351} Apparently, a Chinese policeman from Tengchong arrived in Jubilee Village on 24 January 2007 and ordered all the Chinese workers to leave immediately, which most of them did the following day. On the night of the 25 January, more than 200 empty log trucks from the N'Gumla, Washa and Myawmaw areas of the Triangle area, crossed Chipwe Bridge, and exited Burma through the official Pangwah-Dian Tan border crossing. However, more than 300 Chinese logging workers hid in



The Chipwe Bridge

g9 Chinese logging and mining workers were prohibited from entering Burma from late March 2006. This would appear to be a reconfirmation of that order.

the forests of the Triangle, near Myawmaw, in defiance of the order.³⁴⁵ Global Witness received reports that ‘serious logging’ was taking place in the area surrounding N’Gumla, the headquarters of the KIA 1st Brigade, and also in the KIO-controlled Myawmaw area, 6 miles from Zangnauyang. A KIA post located at Washa, 10 miles from Zangnauyang on the road to N’Gumla, was taxing log trucks and timber was stockpiled here.^{343, 345, 352}

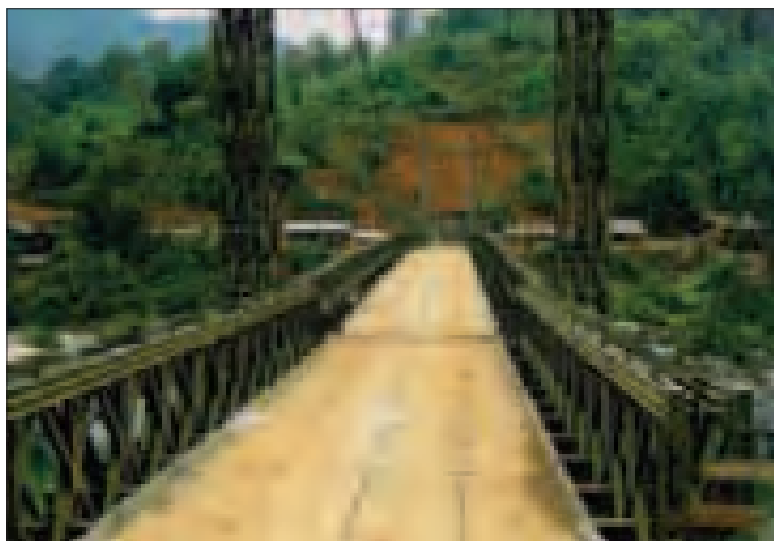
Instead of using the most direct route, along the Chipwe-Pangwah road to China, a more circuitous route has been in use since 2006, seemingly to avoid *Tatmadaw* troops. From the Jubilee Bridge, timber is transported northwards along the western bank of the N’Mai Hka passing Chipwe. Further north it is hauled across the river and transported towards China via the Zuklang Road passing just north of Pangwah. According to some local sources, this route has been built by a Chinese company and possibly approved by the KIO and NDA(K) leader Zahkung Ting Ying.³⁵³ Global Witness has not been able to verify this information. However, it is very unlikely that this could take place at scale without the KIO and the NDA(K) giving explicit permission.

By early 2007, traders were facing difficulties moving the timber to the China border because of the restrictions imposed by the SPDC and the Chinese authorities.³⁴² As a result, much timber was stored in the vicinity of the Chipwe and Jubilee bridges, which both span the N’Mai Hka River.³⁵³ The number of shops catering for the timber transportation businesses in the Jubilee area had doubled by 2007 compared to the previous year.³⁵⁴

Chinese loggers were reported in the Jubilee area in late 2008.³⁵⁵ More recently, according to press reports, two hundred trucks, “*brimming over with timber*”, were seen at the Jubilee timber camp, lined up and ready to drive to Tengchong. The trucks will have to pass through areas controlled by the KIO, the NDA(K) and the SPDC en route to China.³⁵⁵



Jadeland's flamboyant owner Yup Zau Hkawng; January 2006



The Jubilee Bridge



Reloading logs onto bigger trucks, the Zuklang Road; April 2009

BOX 8: BIRDLIFE INTERNATIONAL ARTICLE FROM THE BABBLER: CONTINUED CHINESE LOGGING RUINS MOUNT IMAWBUN, MYANMAR

“China has clamped down on illegal logging in northern Myanmar by closing its border to the timber trade and ordering Chinese workers to leave the country. The order was issued by the Provincial Government of Yunnan, China. It included the trade in timber and minerals and referred to Chinese logging and mining workers.” So stated the Xinhua New Agency on 27 March 2006 under the headline, ‘Yunnan Public Security Border Defense Brigade takes actions to ensure the Yunnan-Myanmar timber and mineral trading cooperation.’ Although welcomed at the time and declared an “unprecedented move” by Global Witness, BirdLife can confirm that in January 2007 the logging trade was in full flow.

Fieldwork conducted by BirdLife in the Mount Imawbun area of north-east Kachin State in January 2007 saw ample daily evidence of logging and mineral extraction by Chinese companies. On the night of Friday 12 January we counted more than 100 fully

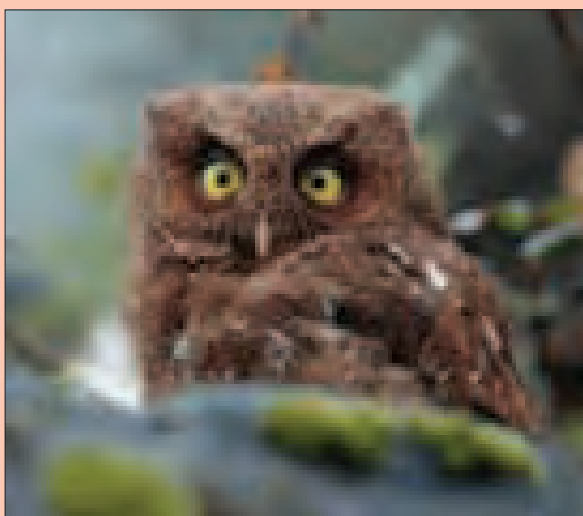
laden logging trucks leaving an area known as “the triangle” crossing the Chinese-built suspension bridge across the Nmai River and passing through the town of Chibwe en route to the international frontier. At a truck stop at 3,000 m just short of the Myanmar-Yunnan boarder at Kangfeng, the team watched fully laden Chinese logging trucks role in every night so the drivers could get a hot meal and put snow-chains on their trucks before the drive to the border. Trucks parking overnight had to set fires under their engines to thaw-out the frozen diesel.

The team also observed huge blocks (30 m³) of freshly quarried marble also being trucked out. The first time that this had been observed by BirdLife in this area. As Chinese Lunar New Year approached their seemed to be more logging traffic queuing-up as drivers made haste to return to the motherland.

From our highest vantage points at 3,400 m and for as far as we could see, the tell-tale signs of logging roads and the landslips that so often accompany them could be seen on every ridge to the horizon. During this trip the team also saw, for the first time, saw-mills on the Myanmar side of the border.

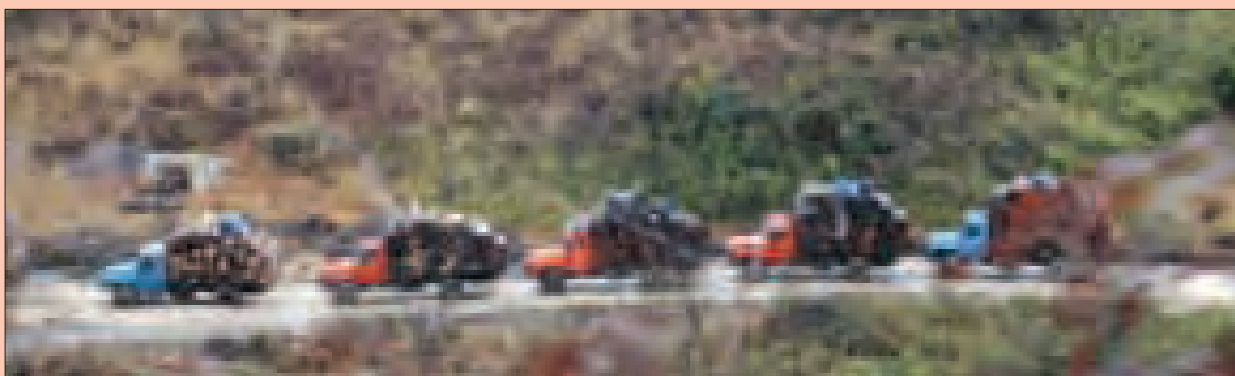
The extraction of such enormous volumes of timber from this area has seriously reduced the biodiversity value of this world famous site first surveyed by plant hunter Capt. Frank Kingdon Ward and later by the Anglo-American Verney-Cutting expedition during the late 1930s. Despite the work done by these scientists and others, confirming the global conservation importance of this site, BirdLife no longer believes it is worth proposing the Mount Imawbun area as a national park. The forest structure has been so damaged that not only has canopy cover been significantly reduced, the middle story has been gutted across huge areas. Bird species that hunt by sallying and gleaning are likely to have been hardest hit. The globally threatened Ward’s Trogon *Harpactes wardi* is likely to have been badly affected.

Imawbun now stands as a memory to human greed and reckless and totally unsustainable logging.³⁵⁶



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Mountain Scops Owl *Otus spilocephalus*, Mount Imawbun



Chinese log trucks, Mount Imawbun; January 2007

The preceding article, from the April 2007 edition of 'The Babbler, BirdLife International in Indochina' has been reproduced in full with the kind permission of BirdLife International. BirdLife International visited the Mount Imawbun area of north-eastern Kachin State as part of a project, 'Building constituencies for site-based conservation in Myanmar', funded by the UK Government as part of its Darwin Initiative. *"The aim of the Initiative is to assist those countries which are rich in biodiversity but poor in financial resources to implement the Convention on Biological Diversity (CBD) through the funding of collaborative projects which draw on UK biodiversity expertise."*^{h1}

According to project documentation, Mount Imawbun, located in a biodiversity 'hotspot', was selected for survey, *"because of its great height, [and] strategic location on the edge of the Eastern Himalayas and Yunnan Mountains [Endemic Bird Areas] EBAs"*. As part of the same project the BirdLife team surveyed another Important Bird Area [IBA] in Kachin State, the lowland wetlands in the north. The wetland survey work aimed amongst other things, *"to rediscover the feared extinct Pink-headed Duck*

Rhodonessa caryophyllacea".³⁵⁷ Additional funding has been secured for this research and it is to be hoped that there is a better outcome than experienced on Mount Imawbun.



Melting frozen diesel at 3,000 metres, Mount Imawbun; January 2007

© J. C. Eames



Mount Imawbun range

^{h1} The Darwin Initiative was announced by the UK Government at the Rio Earth Summit in 1992, for further information please see: <http://darwin.defra.gov.uk/>

10.3.2 Logging and timber transportation in KIO-controlled areas near the border

Only limited logging is taking place in KIO areas near the border.

The key timber transportation route is through roads that just bypass Laiza leading to Nabang near Yingjiang, in Dehong Prefecture, Yunnan Province. The main timber export roads near Laiza include the

official border crossing point in Laiza Town, which has been closed to timber for long periods of time since 2006, and the unofficial Munglai Dam road.^{h2, 273, 358}

Timber also enters China nearby through the newly built Lau Ying Road.³⁵⁸ Originally the road led to Laiza Town. However, in 2005 Lau Ying constructed a side road leading to the village of Kadu, inside China, located 42 km from Laiza. Some years ago, there was an official checkpoint from the

Chinese side, but this has now been moved to Nabang. The Lau Ying Road was built to import construction material for Mali hydroelectric power plant, constructed for the KIO, and to export logs from the Jahta area where the Mali hydroelectric power plant is located. By using this road traders can bypass the SPDC Lajayang checkpoint, through which they would otherwise have to pass when importing/exporting through Laiza.³⁵⁹ Timber smuggling also takes place a little further south, near Nong Dao, opposite Ruili. In December 2008 planks were still being still carried by motorbike and mule.³⁶⁰ Global Witness researchers did not visit Nong Dao on the 2009 Burma-China border

trip. However, timber traders told Global Witness that timber was still available albeit from only a few small companies and on a small scale. According to the traders one could buy several species including teak, Shuanzhi (*Dalbergia oliveri*), Hexinmulian (*Manglietia sp.*), Hongyuxian (*Cantleyt sp.*) and Guaizao (*Hovenia dulcis.*), the honey resin tree. Apparently the timber sold out quickly and potential purchasers were advised to tell them in advance which species were required.³⁶¹



Log truck from Laiza on the Chinese side of the border; January 2006



Chainsaws for sale in Laiza; March 2007

^{h2} The Munglai Dam, and the associated bridge and road were opened on 10 February 2006, as part of the Munglai hydroelectric power plant. The power plant supplies Laiza with electricity and was built for the KIO by Mr Lau Ying of the Kongshin Company Ltd from Kunming.

Similarly, the restrictions have affected timber transportation through Sampai. In 2004-05, teak logs from the Shwegu, Kaukwe and Katha forests, all under SPDC control, arrived in Sampai by boat and truck through Talawgyi and along the Dabak Hka River. These routes all lead to the town of Car Zan, Dehong Prefecture, in Yunnan Province. In 2006, timber was still arriving in Sampai. However, because of the Ohn Myint's stricter enforcement efforts, in the Talawgyi and Sinbo areas, transportation had been made more risky and profits reduced. Some limited logging of softwood species was still taking place at this time and, according to local people, a high-ranking KIO official had donated a primary school to Sampai Town after complaints from the locals that, "*all the trees were disappearing*".³⁶²

The Awng Mai Company had been logging with impunity further south in the Npaba, Munghkawng and Namlimpa areas, close to Mai Ja Yang and Ruili, since 2005. However, on 6 April 2006, *Tatmadaw* regiments 137 and 232 captured twenty log trucks loaded with planks, belonging to the company, near Mansi and the Mantha Forest (near Bhamo).²⁴² Global Witness first visited the area in April 2004 (see '*A Choice for China*', page 48). It is here, in Ban Li in China, and across the river border in Npaba in Burma, that the Rongmao Company has its main log storage area. There was no checkpoint on the Chinese side of the border and no one was present at the checkpoint on the Burmese side. Apparently, the local authorities in China had removed the checkpoint following the crackdown in 2006, in consideration of local economic development. Indeed, since the last visit in April 2004 there had been a great deal of construction: concrete buildings, temporary housing, fashion emporia, gambling and drug dens,^{h3} bars, guesthouses, and restaurants, all catering for the timber industry. Global Witness researchers also saw between 40 and 50 log trucks.³⁶¹

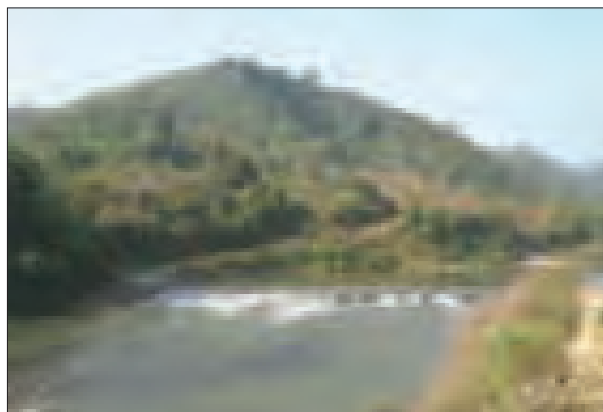
Rongmao has a large sawmill in Npaba the grounds of which, in early 2009, contained about 100 m³ of logs, sawn wood, boards and barks. The company's timber storage area on the Chinese side of the border, about 1,000 by 800 metres, contained perhaps 30,000 m³ of logs. The stockpile had been far larger, perhaps five times as large, but because of a crackdown by the *Tatmadaw* in the forests near Bhamo it had not been replenished for more than a month. The storage area was dominated by huge Heixinnan (*Magnolia baillonii*) trunk. It also contained logs of many other species including Mianbei (*Gonystylus bancanus*), Huangyunxian (*Cantleya corniculata*), and Jiayoumu (*Dipterocarpus spp.*), the fake teak tree. According to one source the



Jahta; February 2006



Official border crossing point, Nong Dao, China; January 2007



Unofficial border crossing point, Nong Dao, China; January 2007



Sampai; January 2006

h3 Many people were seen smoking Kaku, a type of opium mixed with plant fibre.



Rongmao's log storage area, Npaba; March 2009

'mountain army' received 10 million yuan (US\$1.5 million) from the company over the course of the last logging season and the first few months of the current season. By the time of Global Witness' visit, and after lengthy negotiations with several parties in Burma, the Rongmao Company intended to send its loggers back to Burma again before the rains started.³⁶¹



Nban La and Zahkung Ting Ying; January 2006

Smuggling has also been taking place in Janpru near Npaba, close to the Chinese town of Banling, near Ruili. Teak blocks, sized 5" x 5" x 3', bought from Outchyang (located south-east of Bhamo), were being sold for 6,000-6,500 kyat (US\$4.9-5.3) in Janpru. The blocks were carried by motorbike at night. Each motorbike can carry between ten and twelve blocks allowing for a minimum profit of 30,000 kyat (US\$25) per bike, per night.³⁶³

The KIO has also faced trouble of a more internal kind in relation to timber transportation. In October 2003, the KIO set up the Wun Rawt Company with the intention of stopping corruption in the KIO, controlling the business and development committees and taxing the timber trade (see '*A Choice for China*', pages 68-69). The managing director, one of KIO's top leaders Nban La appointed Dr Hkyet Awng to manage the activities of the company. However, controversy erupted over the tax take, which was lower than expected. According to a source close to the company this was because many Chinese businessmen avoided paying tax by bribing higher level KIO and KIA officials. Dr Hkyet Awng brought this to the attention of Nban La and offered to leave the company but was eventually fired by him on 21 December 2006.

Approximately 600,000 m³ of timber passed through KIO's Laiza gate annually from 2003 until 2006. Official taxation was 900-1,000 yuan per m³ (US\$117-130) for teak and tamalan, and 300-500 yuan per m³ (US\$39-65) for other woods such as pine.³⁶⁴ If these figures are correct, and if all the timber was taxed, this trade would have generated somewhere between 600 million and 180 million yuan (US\$78 million and US\$23 million) each year.



Wun Rawt office, Laiza; January 2006

10.4 Logging and timber transportation in NDA(K)-controlled areas

“The NDA(K) will never stop logging. Pangwah, Hpimaw, and Kampaiti have been closed by the Chinese but they [the NDA(K)] have many roads crossing into China. The main problem now is getting logs.” Relative of senior NDA(K) leader, Myitkyina, Kachin State, January 2007

Destructive logging has been ongoing in NDA(K)-controlled territory since the early 1990s. Large tracts of forest have been sold to Chinese logging companies. By early 2008, only a little timber was left. The NDA(K) is facing a timber supply problem, which has been compounded by the ban on logging imposed by Major General Ohn Myint. In addition, this has restricted the amount of timber, logged in areas under KIO and SPDC control, reaching NDA(K) areas en route to China. The restrictions on timber imports by the Chinese authorities have made exports even more difficult. Previously, the NDA(K) derived a large income from taxing the timber trade, some of which has now been taken over by SPDC troops stationed in NDA(K) territory. These developments have caused significant financial difficulties for the NDA(K).^{351, 365, 285}

10.4.1 Logging in NDA(K)-controlled areas

“We have been doing logging for many years now and already depleted our area, there is no more. Now the Chinese are very rich, and NDA(K) very poor.” Senior NDA(K) official, Myitkyina, 2005

According to the NDA(K) chairman, Zahkung Ting Ying, twelve million tons of timber were logged in Kachin State between 1990 and 2007. Most of it was sold to China.³⁶⁶ According to one Kachin businessman however, this figure does not account for timber logged in SPDC or KIO-controlled areas; only that logged in the NDA(K) Special Region 1 (the official name for the NDA(K)-controlled areas). Nor does it include timber cut by villagers

and smaller businessmen. He, in turn, estimates that a total of 25 million tons of timber have been cut in the whole of Kachin State, by all parties, during the same period.³⁶⁷

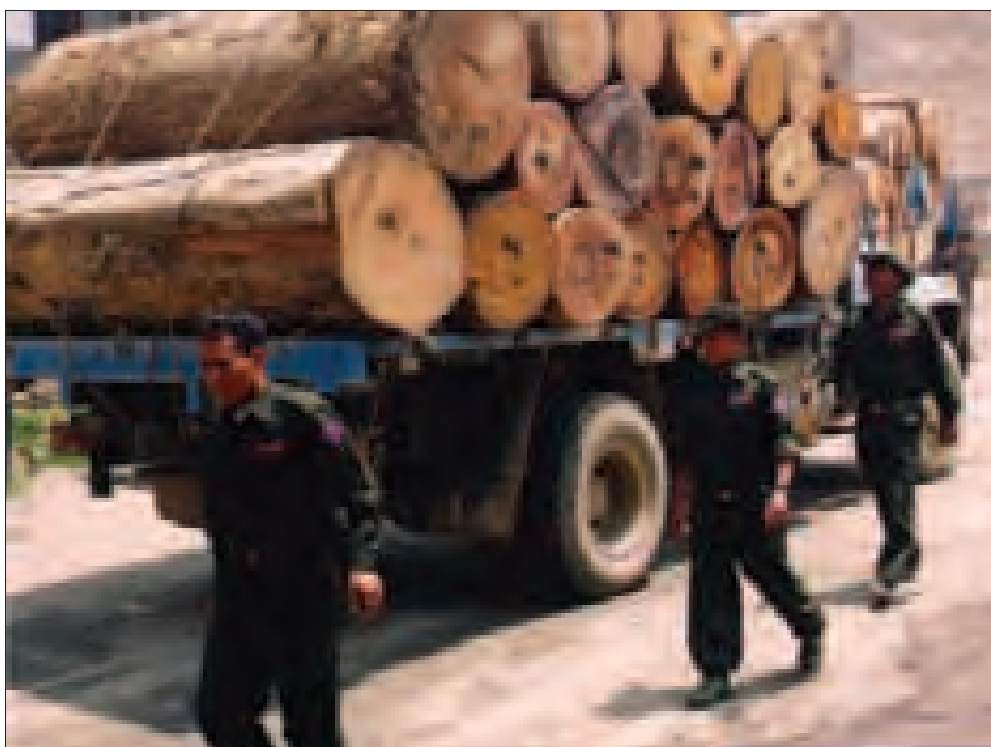
While exact overall figures are hard to come by, logging in NDA(K)-controlled areas, had declined to 10,000 tons between

November 2006

and January 2007, at the height of the logging season. This timber was cut in the Langse, Kangfang, Hpimaw,^{h4} Sanchyahaw, Sawlaw, Lakin, Mangki and Konglanphu areas located between border posts 7 and 33. Some was also cut on the western bank of the N'Mai Hka inside the Triangle area, immediately opposite Konglangphu and Sawlaw townships. The timber was only softwood species as a senior NDA(K) leader explained: *“There are no more hard woods in NDA(K) Special Region 1.”*³⁵¹



Zahkung Ting Ying at the Imawbun Building opening ceremony; 15 March 2007



NDA(K) soldiers, Kampaiti; April 2005

^{h4} Hpimaw is the Burmese name for the area near the prominent timber border town of Pian Ma in Nujiang Prefecture, Yunnan Province.



Pine trees from the Htawgaw Forest en route to Tse Tse in China; April 2009

In April 2006, Global Witness uncovered logging operations being carried out by Chinese loggers in the Htawgaw Forest. Four log trucks were seen carrying timber from the forest to Tse Tse on the China side of the border. At the nearby NDA(K) Htawgaw tax collection checkpoint the timber was taxed at 300 yuan (US\$39) per ton of Zamu, 500 yuan (US\$65) per ton of Sanjawfong (3 finger leaf tree), and 500 yuan (US\$85) per ton of mono maple (*Acer spp.*).³⁶⁸ An NDA(K) officer in charge of another checkpoint in the same area explained, “*Logging business is not profitable this year but some businessmen continue as they are hoping to retrieve their losses. If they stop now they will not get their investment back.*”³⁶⁹

Global Witness also found many logs and a sawmill in the area of Lagwi, in 2006.³⁷⁰

Global Witness visited the Kampaiti area in late 2008; it was very quiet. No log trucks were seen throughout the 3-day trip. According to one NDA(K) administrative officer, “*It is not easy to get logs anymore and China is not buying – no logs, jade or minerals.*”³⁷¹

10.4.2 Timber transportation and taxation in NDA(K)-controlled areas

“*Nobody knows when the Chinese will come and transport the logs. If they don’t come we might have to use the timber to build houses for the villagers.*” Senior NDA(K) leader, Kachin State; 2007



Log trucks stuck in Pangwah; April 2006

The taxation of timber trucks has been a major source of income for the NDA(K) since the mid-1990s. During 2006 and 2007 however, the NDA(K) had to re-route the timber in an attempt to avoid detection by both *Tatmadaw* and Chinese enforcement agencies. Routes from the Triangle now bypass the official border checkpoint in Pangwah Town. From May 2006 onwards, very few timber trucks passed through Pangwah, and as a result the service industry has declined.³⁷² Global Witness did not see any timber trucks here during visits in early 2007.³⁷³ This was in stark contrast to the situation in April 2006 when a queue of trucks, 10 miles long, was seen here, stuck due to the Chinese closure of the border.



Log trucks stuck in Pangwah; April 2006

Timber trucks started using two roads that split from the main road at Tsum Sang Junction near Lukpi Village, about 20 km from Pangwah Town. These roads cross the China border north of Pangwah, adjacent to Dian Tan, Baoshan Prefecture, in Yunnan Province. There are several other new roads in the area, some of which lead to Tse Tse.²⁷⁶

Timber transportation through Datianba and Kangfang to Pian Ma on the China side of the border has also been curtailed. In April 2006, Global Witness saw only two log trucks in previously busy Kangfang. They were stuck here due to restrictions on petrol imposed by the Chinese authorities.³⁷⁴ However, in December 2006 and during February, July and August 2007, timber trucks were on the move again. In December 2006, several hundred timber trucks, from the area close to Chipwe, were seen heading towards Pian Ma at night; no trucks were seen during daylight hours.³⁷⁵ Again, in early February 2007, Global Witness saw many yellow timber trucks in the evening, queuing up in three lanes to enter China at Datianba, opposite Pian Ma. The following morning they were all gone. In nearby Kangfang, however, only a little timber was being moved during this period.³⁷⁶

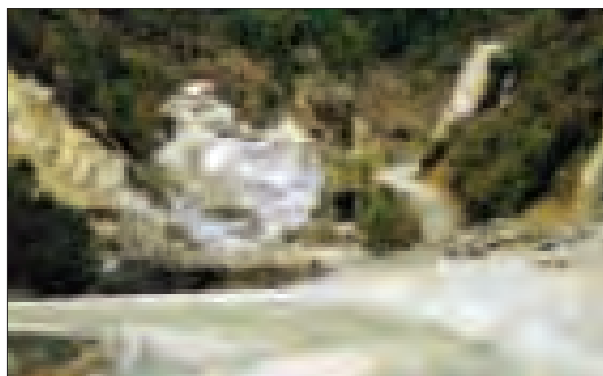
NDA(K) leaders and officers also blame the decline in the timber trade on political instability in the wake of the two coup attempts and the greater presence of the *Tatmadaw* in NDA(K) areas as a result. An administrative officer told Global Witness that it has been very difficult for the NDA(K) to manage the business sector since then.

Chinese businessmen are more reluctant to follow NDA(K) procedures and joint agreements, and less willing to pay the required taxes and donations.³⁷⁷

The *Tatmadaw* is taxing timber trucks passing through the checkpoints in NDA(K) areas that were set up in late 2005. According to a high-level NDA(K) official, the *Tatmadaw* “collects money without limitation from these checkpoints. They charge a minimum of 200-500 yuan [US\$26-65] per log truck. The big problem is that the Chinese drivers don’t understand why they are being asked for money again [by the NDA(K)], when they have already given tax to the SPDC.”²⁸⁵ Initially, the Chinese companies only

complained about this double taxation system, however, by 2007 they were now refusing to pay.

The NDA(K) is, according to the same leader, taxing fairly i.e. 12 yuan (US\$1.4) per ton. The NDA(K) also operates a different taxation system whereby their central administration in Pangwah collects tax in advance from the Chinese logging companies. They are then issued with a receipt that allows them to pass through checkpoints and taxation points freely.^{377, 378}



Tsum Sang Junction; February 2007



NDA(K) checkpoint, Kangfang; April 2006



Datianba; September 2006

The fact that many of the Chinese companies are unregistered further complicates things. Some claim to have been subcontracted by established companies such as Jinxin, Wunchang, and Huaxin.^{377, 379} Moreover, *“The Chinese authorities listen to pressure from the world making business in logging and mining difficult and irregular. They come and go and don’t stick to their contracts.”*³⁷⁷

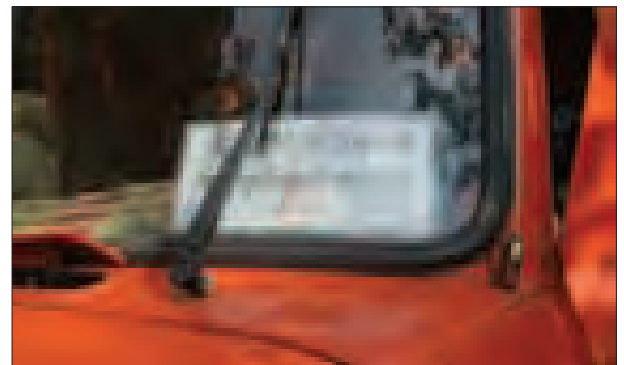
The Chinese have also been heavily involved in the construction of roads in NDA(K) areas to facilitate

further trade, in particular the trade in natural resources. The Kampaiti Pass, a key trade route across the China-Burma border, was an important logging road between 2000 and 2005. Since 2004, it has been significantly upgraded and expanded by Chinese construction companies paid for by Chinese investment. The stretch from the Kampaiti Pass to Myitkyina was completed in April 2007. At this time, Chinese road workers were busy completing the section from the border to Tengchong, via the timber trade town of Guyong. Officials and the business community hope that this route will also facilitate trade between India and China, through northern Burma, by linking to the Ledo Road.

The original road across the Kampaiti Pass went through Kampaiti Town, which is NDA(K)-controlled. The new road bypasses the town running along the valley and crossing the border through a tunnel, which is controlled by the SPDC. In June 2009 Global Witness saw log trucks on this road carrying ironwood which had arrived by train in Myitkyina from Sagaing Division.



Log trucks approaching Pangwah; April 2006



Jinxin log truck near the Leshin Bridge; April 2006



Chinese road builders returning to China along the Myitkyina to Tengchong highway; May 2007

10.5 Logging and timber transportation in SPDC-controlled areas

“What is the point of the ceasefire groups stopping logging, if the SPDC simply lets others do it.” Kachin youth, Rangoon, 2007

Timber from Kachin State and nearby Sagaing Division continues to enter China, albeit at a reduced rate, through KIO-held border areas. This timber is mainly logged in forest under SPDC control, at least some of which is officially sanctioned by the Myanmar Ministry of Forestry. According to information received in May 2009 seven companies have been logging in and around the Indawgyi, Mohnyin, and Gwi Htu areas since the start of the year. They are: Htoo Company,^{h5} Dagon Company,

Myat Nu Thu Company, Pacific Timber Company, Ever Winner Timber Company, Great Wall Company, and the Jadeland Company. The timber, both hardwood and teak, is sent via Irrawaddy River to the harbour at Katha and from there along the river to Rangoon. The large boats carry at least 300 to 600 tons of timber. Apparently the timber is then sold to companies from Malaysia, Singapore, India and China. If the timber companies log 100 tons of timber, they have to pay 40 tons of timber to SPDC in lieu of tax. The SPDC supplies the companies with diesel and petrol. In the past the Chinese companies logged illegally, subsequently exporting the timber to China. Now, some of them have obtained permission to log from the SPDC authorities in Nay Pyi Taw.²⁹¹

LOGGING IN KACHIN STATE PERMITTED BY THE MYANMAR MINISTRY OF FORESTRY ⁸								
Private Companies and Individuals	2005-06		2006-07		2007-08		2008-09	
	T	H/W	T	H/W	T	H/W	T	H/W
Mya Moe Thu Co.	10,800	27,000	9,000	41,400	9,000	54,000	9,000	54,000
Shwe Moe Tha Co.	3,600	12,600	-	12,600	-	-	-	-
Dagon Timber Co.	18,000	63,000	23,400	90,000	3,600	78,300	-	90,000
Htoo Co.	27,000	-	16,200	-	12,600	9,000	-	-
Century Dragon Co.	5,400	36,000	-	-	-	-	-	-
Glory Co.	90,000	-	90,000	-	90,000	-	27,000	-
Jade Land Co.	-	-	-	18,000	-	36,000	-	36,000
Pacific Co.	-	-	-	-	-	-	-	27,000
Htun Myat Aung	-	-	-	-	-	-	-	27,000
FPJVC	-	-	-	-	-	-	-	9,000
MTE Departmental	5,400	-	5,400	3,600	1,800	4,500	-	10,800
Total Cubic Meters	160,200	138,600	144,000	165,600	117,000	177,300	36,000	351,000

Notes: 1. T = Teak. 2. H/W = Hardwood.



Momentum is not the Ministry of Forestry's list of companies authorised to log in Kachin State; February 2006

^{h5} The Htoo Trading Company is one of the largest business conglomerates in Burma, in some part due to its close relations with the government (see 'A Conflict of Interests', pages 75-76). Interestingly, according to unconfirmed press reports from June 2009, the company is illegally exporting teak to Bangladesh. In addition to logging and timber plantations, it is involved in tourism, construction, property development, palm oil production, arms deals, and owns an airline, a travel agency, and a construction company. The owner U Teza, a close associate of Senior General Than Shwe, is on the EU and U.S. visa ban list.

Logging, which has not been authorised by Nay Pyi Taw, has continued in the SPDC-controlled areas of Kachin State since Global Witness released *'A Choice for China'* in late 2005. However, it has declined because of the crackdowns by the Burmese and Chinese authorities and, perhaps more significantly, the exhaustion of forest resources. Most of this timber cannot reach the border without the complicity of local SPDC authorities and the *Tatmadaw*.

The SPDC's main areas of control in Kachin State are near Myitkyina, Bhamo and south-western Kachin State. It is also increasing its hold on the Hukawng Valley in the north-west of the state. Not only are the logging fields being expanded but forests are being cleared to make way for cash crops. News reports from May 2008 suggest that there are plans to upgrade the road from Tanai Township to Shingbwi Yang further north. Jadeland has been contracted to build the road and has been given permission by the SPDC to log 2,000 acres near Hkalung Village, with the help of Chinese labour.³⁸⁰

In the summer of 2008, several tons of timber were dumped on a football pitch in Muse awaiting export to China. The logs, all marked with the MTE logo, came from forests in Lashio in northern Shan State. Burmese officials were apparently unable to export the timber because of a corruption scandal involving the local customs department.³⁸¹

10.5.1 Logging south of the Irrawaddy: Bhamo, Shwegu and Katha

"The big tree became timber, the middle size tree became a pole, the small tree and the branches were made into charcoal, the green mountain became bald. This is the situation of the Burmese forests." A Dai ethnic villager, interviewed near Ruili, Dehong Prefecture, January 2007

The large teak forests of southern Kachin State, which borders Shan State and Sagaing Division, have recently been exhausted by large-scale logging, at least in part sanctioned by the MTE (under the Ministry of Forestry). Logging quotas, allocated by the MTE to privately owned logging companies in the area, have frequently been exceeded. Some of this timber has been transported overland to China and sold to Chinese buyers.

Prior to 2006, heavy and mostly illegal logging had depleted the forests of Yinhke and Mungkhawng, in southern Kachin State, which until then had some of the best teak and pyinkado (also pying or Myanmar iron wood)^{h6} (*Xylia dolabriformis*) forest in the country.³⁸² In 2006, at least four logging companies received logging permits from the MTE for the remaining forests namely: Thapyak (including Mabein), Si-U and Sikaw forests (located south of the Irrawaddy River near Bhamo), Shwegu and Katha. Bhamo, Shwegu and Katha are located along the Irrawaddy River. Katha is located just inside Sagaing

Division and is closely linked to Shwegu and Bhamo, a few hours further upstream. Timber is transported from Katha by rail and road to Mandalay. The river is also used to transport timber downstream to Mandalay, from where much of the timber is transported by rail to Rangoon.

The four companies were: Momentum Company, Htoo Company, Myat Nu Thu Company and One Star Company. In early January 2006, the Momentum Company moved



Yup Zau Hkawng and Ohn Myint; January 2007

^{h6} Also known as cam xe or sokram in Cambodia.

from forests near Shwegu into the Thapyak forest where it had been granted a 30-year permission to establish a teak plantation. The company was also given permission to extract 25,000 tons of teak in 2006. According to sources close to the company, which is owned by two businessmen of Chinese origin, at least 5,000 extra tons were extracted by the company.³⁸³ The company had also set up a nursery for teak seedlings as part of its plans to establish a teak plantation.³⁸⁴

The Htoo Company received permission to log 15,000 tons of teak and other hardwoods in 2006, whereas Myat Nu Thu and the One Star Company had permits for 15,000 tons each. All the companies were rumoured to have extracted timber in excess of their quotas, illegally transporting it as planks to China through, among other places, Nong Dao located close to the Chinese border town of Ruili.³⁸⁵ By 2007, the companies had depleted the forests of teak and other hardwoods and had moved further east to the areas west of the Irrawaddy River bordering Kachin State and Sagaing Division.³⁵³

Loggers returned to the forests of Mansi, Sinkhan, and Shwegu Townships in November 2008. According to local residents over 300 Chinese trucks and about 1,000 Chinese loggers were operating 'day and night' in Bhamo District. Apparently the stimulus for this activity was a deal struck between Lee Maw Yung, a Chinese-Burmese timber dealer, and the Northern Commander Brigadier General Soe Win.³³⁵ The logging has not been welcomed by local residents. In one instance, a villager was shot dead during night-time altercations between Kone Ting villagers (Mansi Township) and 'timber-logger-thieves close to Chinese loggers.'³⁸⁶ Global Witness has not verified these reports.

People working for the Rongmao Company in Bhamo, in 2008-09, were organised into small groups of ten individuals working in their own capacity or as part of a smaller company. Ten small groups make one large group. Each large group collates the information supplied to it by the smaller groups, how much timber has been cut, by whom and of which species. The average payment is 400 yuan (US\$58) per cubic meter of timber that they cut, or per cubic meter of timber transported by truck. Small companies, comprising up to ten people, wishing to log in the area have to pay

Rongmao 600,000 yuan (US\$88,000) in advance. They can then either sell the timber to the Rongmao or to other companies at the border.⁴⁰



Momentum Company, Kachin State; February 2006



Myat Nu Thu, Kachin State; February 2006



One Star Company, Kachin State; February 2006

10.5.2 Logging west of the Irrawaddy: Namnit Pakkalar, Indawgyi, Banmauk, Moeda and Mamwah

By early 2007, the Myat Nu Thu Company had begun logging in the forests of Namnit Pakkalar, located west of Hopin, just inside Sagaing Division. The MTE granted the company permission to log in

this area during 2006 and 2008. Timber is transported by truck, from the forest, to storage sites located in the villages of Nammelawng and Maingnawng, near the Indawgyi Lake Wildlife Sanctuary. Local people have accused Myat Nu Thu of carrying out illegal logging within the boundaries of the wildlife reserve and bribing Forest Department personnel. Global Witness has not been able to verify this claim.

In early 2007, the MTE was logging on a small scale in the area of Longtong, east of the Indawgyi Lake, about 10 miles from Nammelawng and Maingnawng. People involved in the logging business near Indawgyi explained to Global Witness that until 2006 they could send the timber, logged by the MTE and private companies in this area, to China. However, they now had to transport the timber to Mandalay and Rangoon by train from nearby Namma, and from Hopin further north.³⁸⁷ Despite the fact that most of the log trucks on the

route from Indawgyi to Hopin travel at night (to avoid congestion on the roads during day time), Global Witness researchers saw more than ten log trucks on this road during the day within a 30 minute period, during the day, in March 2007.³⁸⁸ A new road to facilitate timber transportation from this area to China was constructed in 2006-07. It leads from Hopin eastwards straight towards the China border, crossing the Irrawaddy River north of Sinbo, and linking up with the road network north of Bhamo.³⁸⁷



Indawgyi Wildlife Sanctuary, "No Logging"



MTE preparing to log in the Indawgyi teak forest

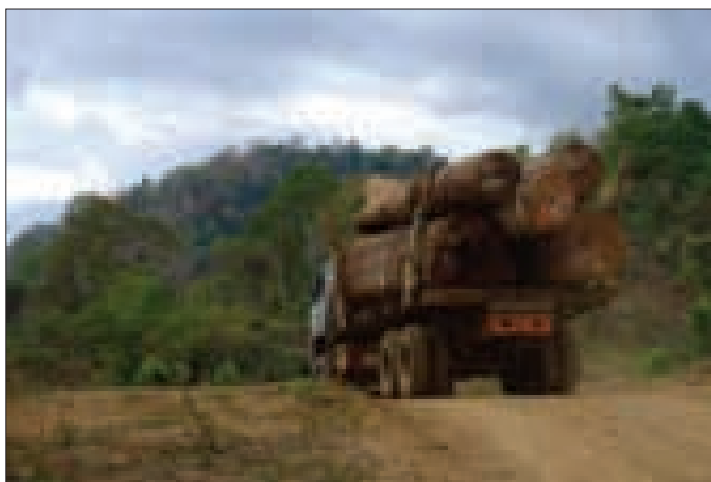


Namma to Mandalay railway; March 2006

By 2007, the Momentum Company had transferred its logging operations to the area of Banmauk located south-west of Hopin, just inside Sagaing Division. The Htoo Company logged in this area in 2006 but made little profit because of the bad infrastructure and early onset of the rainy season that year. The Momentum Company constructed more durable roads leading to and from the logging sites. The company was said to be using more than 100 trucks to transport the timber. Its eight and ten-wheel log trucks can carry 12 tons and 18 tons of timber respectively. The MTE had granted permission to log the area and the Momentum Company was planning to extract 70,000 tons of teak and other hardwood species during 2007.³⁸⁷ During visits to the area in 2007, Global Witness investigators saw ten large timber trucks within a two-hour period.³⁹⁰

The timber is transported from the Banmauk forests to the storage site of Nyaungpin Sik, and from here to Nyaung Chey Dawk by the Irrawaddy River, just south of Katha. From Katha the timber can be transported to Mandalay and Rangoon by river or rail, but a road also links up with the China border at Nong Dao.

Local people employed in the timber industry told Global Witness that a Chinese businessman, with the assistance of Momentum Company, had logged very large teak trees in the Mawlu Forest near Nyaungpin Sik in 2006. These had to be carried to China by means of special trucks because of the length of the logs. The businessman had, “*cleared the way*” by bribing SPDC and KIA troops along the route. Both the logging and the subsequent export of timber were illegal. Apparently, the businessman had been reluctant to cut the logs into smaller lengths. He had explained that the logs were to be used for the Beijing Olympics and to construct a large shrine elsewhere in China.³⁹¹ Locals were concerned about the deforestation in Banmauk. A local log truck driver told Global Witness, “*The last frontier for hardwood and teak in the world is in Banmauk. But I think all the trees will be lost in the next five years*



Momentum Company log trucks, Kachin State; April 2007



Momentum Company log trucks, crossing the Way Hie River; April 2007

[...] due to legal and illegal logging. I have been there many times but it will be gone soon.”³⁹²

In 2006, Jadeland obtained permission to log in the border areas of Kachin State and Sagaing Division. The company was allocated a concession of 20,000 tons by the MTE for the Moeda area, located north of the Irrawaddy River between Katha and Mohnyin. It began logging in October-November 2006 and by the end of January 2007 the company had cut 8,000 tons of timber. Some of this timber was floated to Mandalay and Rangoon via the Irrawaddy River. Some timber had also been sold to Chinese businessmen who transported it across the border to China.³⁹³ Jadeland has apparently had difficulty making a large profit from this operation as it is “*only a contractor*”, and has to sell the timber to the MTE. The company cannot operate as freely further north in Kachin State.

It is not only the large logging companies that have been tempted to exploit forest resources in the Mohnyin area. In 2007, about ten small groups of local villagers and farmers supplemented their income by logging in Namwah Forest, east of Mohnyin Town. Global Witness visited one of these small logging sites from which the locals expected to extract about 30-40 tons of timber, mainly hardwoods. The timber is cut into square logs and planks and sells at about 200,000 kyat (US\$164) per ton of hardwood and 150,000 kyat (US\$123) per ton of other wood species.

Locals were also logging in Namsiawng Forest south of Mohnyin from where square blocks of teak sell for 600,000-800,000 kyat (US\$492-656). The timber is ordered in advance by timber traders who transport it to the China-Burma border. The local loggers have not been able to obtain a logging permit from the MTE, a privilege reserved for larger companies, and are therefore logging illegally. They explained that they have to make a down payment of 1,000,000 kyat (US\$820) to the police, the army and the Forest Department when operating nearer to Mohnyin Town.³⁹⁴

10.5.3 SPDC taxation of timber transport

Despite the SPDC crackdown, Global Witness has obtained evidence, from several sources, that some SPDC officials and *Tatmadaw* troops have continued to collect 'taxes' and to allow timber trucks to pass through their checkpoints en route to China. However, this practice has declined since late 2005.

Sinbo, located by the Irrawaddy River, halfway

between Myitkyina and Bhamo, is a hub for timber arriving from the SPDC-controlled areas south and west of the Irrawaddy. According to local sources involved in the trade, anyone wanting to transport timber through Sinbo must make initial payments of 500,000 kyat (US\$410) in bribes to the *Tatmadaw*, 400,000 kyat (US\$328) to the Forest Department, and 400,000 kyat (US\$328) to the Police. The same is the case in nearby Sumdu.³¹¹ In 2006, at Talawgyi, slightly further north along the Irrawaddy, timber was also arriving from the forests of Shwegu, Katha and Kaukwe.

During 2006, Ohn Myint also increased SPDC control over the Sinbo-Talawgyi area. This has led to a more difficult working environment for the logging operators. They are still using the same routes but fewer logs are passing through and profits have declined.³⁹⁵ Chinese businessmen, once a common sight in Sinbo and Sumdu have, since the beginning of the 2006-07 logging season, tended to stay on the Chinese side of the border and simply buy the timber from Kachin traders there.³⁹⁶ This may be about to change however. Press reports from April 2009 suggest that employees of the Chinese businessman Lau Ying started felling teak and hardwood species in government reserved forests on the east and west banks of the Irrawaddy near Sinbo in March.³⁹⁷

Roads lead from the Sinbo-Sumdu-Talawgyi river crossings to the predominantly KIO-controlled areas near the China-Burma border such as Nalong near Laiza,^{h7} Mai Ja Yang, and Jahta, which links with Car Zan on the Chinese side of the border. Both the KIO and the SPDC tax log trucks along these routes.³⁹⁸



MTE truck in Longtong carrying teak logs from Indawgyi to Hopin; March 2007

h7 Nalong is SPDC-controlled and Laiza is controlled by the KIO.

The Hopin-Nalong road, which crosses the Irrawaddy near Sinbo, was commissioned by the SPDC and built by Chinese companies in exchange for logging concessions along the road.³⁵³ In Nalong, large blocks of teak are often reloaded from smaller vehicles onto closed trucks hidden behind bags of rice. The traders have to pass through the important SPDC checkpoint at Lachayang but bribe the *Tatmadaw* troops to look the other way. In Laiza, the traders can sell the teak blocks for three to five times the amount they can get in Nalong.³⁹⁹

'Taxation' of timber trucks by SPDC officials has also been taking place systematically by the Jubilee Bridge, one of the two main bridges spanning the N'Mai Hka River, facilitating transport of timber from the Triangle area to the Chinese border. By early 2007, the SPDC had constructed a new road on the east side of the bridge, leading towards the Chinese timber town of Sudien, replacing a road controlled by the NDA(K). This effectively means that any timber truck from the Triangle, which crosses the Jubilee Bridge en route to China, has to pass an SPDC checkpoint. In early 2007, trucks passed through here at night only. This SPDC checkpoint collects 150-200 yuan (US\$19-26) per truck. The NDA(K) claims that the SPDC also collects tax of about 200-500 yuan (US\$26-65) per truck from its four new checkpoints in NDA(K) areas.²⁸⁵

In 2006, villagers living near the road leading to the NDA(K) checkpoint at the Leshin Bridge^{h8} confirmed that at least one SPDC officer was also stationed near the bridge and collected 400 yuan (US\$52) per timber truck. Most of these trucks pass at night.⁴⁰⁰ Chinese businessmen complain that they do not understand why they have to give tax to the SPDC checkpoint, or one of its roaming units, when they have already paid tax to the NDA(K) and vice versa.^{401, 285} This led to friction between the NDA(K) and the Chinese traders, in 2007, some of whom have refused to pay twice.²⁸⁵

The SPDC has let some timber transport

through to China in the areas near Muse and Bhamo since the ban. In December 2006 for example, five to six large timber trucks carrying round logs, destined for the official border crossing of Jiageo near Ruili, were spotted near the 105-mile point close to Muse. According to at least one press report the Chinese increased their imports of timber in 2007 in preparation for the Beijing Olympics in August 2008.³⁸¹ However, local sources told Global Witness that timber trade through this crossing point had actually declined.⁴⁰²

The Kachin News Group has, based on interviews with people in the timber trade, described how SPDC military officers and officials have facilitated the sale and transport of high-value timber across the China border. Military officers and officials from Bhamo District have allegedly organised the transport of timber from the SPDC-controlled areas of Bhamo, Shwegu, Katha and Manje to China through the KIO-controlled areas of Laiza and Npaba as well as SPDC-controlled Loiye near Bhamo.⁴⁰³ Moreover, several *Tatmadaw* battalions and the Burmese Military Strategic Command Headquarters in Bhamo District are accused of taking bribes, ranging from 3-4 million kyat (US\$2,459-3,279) to 15-20 million kyat (US\$12,295-16,393), from illegal teak traders in order to let the timber pass through their area to China. Some battalions are also said to sell teak planks, which have been confiscated in crackdowns on the timber trade in the Bhamo area.⁴⁰⁴



The west border gate in Jiageo; January 2007

h8 The bridge leads to Pian Ma in China.

BOX 9: LOGGING FOR PLANTATIONS AND HYDROELECTRIC POWER PLANTS

“First they took the forests, now they take the land.”
Local development worker, Rangoon, February 2009

Since the launch of ‘A Choice for China’ in October 2005 Global Witness maintained contact with many people living in, or visiting, Kachin State, all of whom know the area well. Almost without exception, they say that land grabbing mainly for agriculture purposes is emerging as a major threat to the remaining Kachin forests and to people’s livelihoods. That said, much of the cleared forest land lies idle, fenced off with barbed wire.

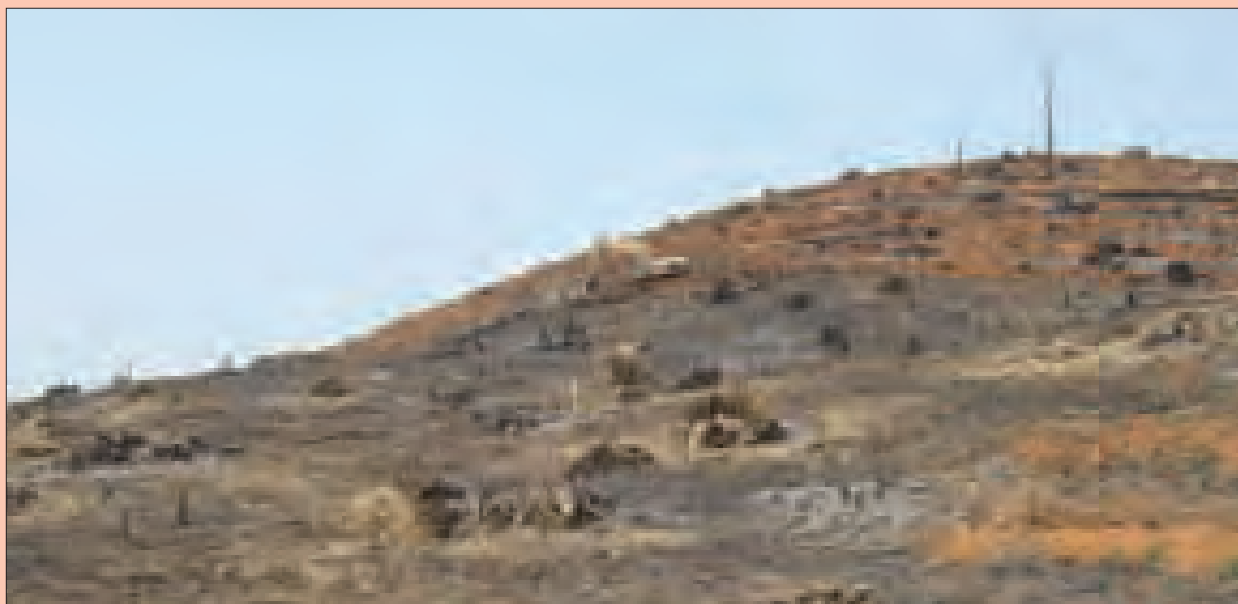
In one instance, reported in December 2008, local people took a stand against a company involved in forest clearance, destroying equipment and rubber tree saplings. According to residents of Washawng Village, the Chinese company had confiscated about 200 acres of forested land, belonging to the village, with the help of the local authorities. The plantation owner has asked for those responsible to be arrested.⁴⁰⁵

According to one source, much of the land grabbing is taking place in areas controlled by the SPDC near Npaba and Loiye and in Mai Ja Yang, controlled by the KIO. In some cases, where land is not being taken per se, these businessmen, together with officials from the KIO, are persuading local people to sell their land cheaply. The Chinese government is supporting investment in such agricultural projects throughout Kachin State: If the Chinese businessmen

can show that they own the land the government may lend up to 150 yuan (US\$22) per acre.⁴⁰⁶ This can be done through joint ventures with Bamar and Kachin businessmen. Local sources in Kachin State now worry that the Chinese, after logging much of the forest, will now take over their land.⁴⁰⁷ The Rongmao Company, for example, has a rubber plantation in Bhamo.⁴⁰

The SPDC has allocated large areas of land in Kachin State to Bamar and, more recently, Chinese and Kachin business groups. Beneficiaries have included the Rangoon-based Yuzana Company run by U Htay Myint, an ally of Vice Senior General Maung Aye, which was allocated 200,000 acres of land.^{h9} In late 2006, Yuzana started to clear the forest either side of the Ledo Roadⁱ¹ mainly for sugar cane and cassava plantations, exporting the timber to China.^{408, 409}

According to unconfirmed press reports, the SPDC plans to settle up to 200,000 Bamar people in the Hukawng Valley, ostensibly to work on the Yuzana plantations.⁴¹⁰ In 2008-09, the company destroyed large numbers of logs apparently because the cost of transporting them to China and/or Rangoon was deemed too high because of heavy taxes levied by the SPDC in the area.⁴⁰⁹ More recently, the Htoo Company, under the Yuzana Company banner, has been extracting at least 50 truckloads of hardwood each day from the valley. The Kachin-owned company Jadeland (see ‘A Conflict of Interests’, pages 109-110 and ‘A Choice for China’, page 69), supported by Chinese investors,⁴⁰⁶ has also amassed large areas of land here. More recently, land has reportedly been confiscated for gold mining purposes.⁴¹¹



Preparation for teak or rubber plantations on the road to Bhamo; March 2007

h9 See the Kachin News Group video, ‘Fast deforestation in Hukawng Valley - Tiger Sanctuary’, on YouTube: http://www.youtube.com/watch?v=6iuuFYqAuDY&feature=channel_page

i1 The Ledo Road runs from Ledo in Arunachal Pradesh in India to Kunming in Yunnan Province in China.

'Logging for development', sanctioned by government authorities, is taking place on a grand scale all along the old Ledo or Stilwellⁱ² Road, built by the British during the Second World War. This territory is part SPDC, part KIO-controlled and many local Kachins view the seizure of the land as yet another attempt by the SPDC to strengthen and expand its areas of control at the expense of the local population.^{i3, 412} Most of the land is located in the Hukawng Valley near the Hukawng Valley Tiger Reserveⁱ⁴ and was, until recently, a mix of paddy land, fruit orchards farmed by local farmers, closed forests, degraded forests, and fallow land. Local farmers report that they have been forcibly evicted from their fields without compensation^{413, 414} and that natural forests have been destroyed to make way for sugar cane and rubber plantations.^{412, 415}

Logging in and near both the tiger reserve and the Pidaung Wildlife Reserve has turned forests and grasslands, important for local bird species and wildlife, into plantations. According to BirdLife International, *"Lowland grasslands are now almost entirely destroyed throughout tropical Asia and those in and around the Hukaung Valley Wildlife Sanctuary constitute the largest and most important grasslands in the region. These grasslands and the wetlands within them support such globally threatened species such as White-winged Duck Cairina*



Yuzana Company plantation, Danai Township; March 2007



Mali hydroelectric plant

scutulata.⁴³⁵⁶ Former Northern Commander, Ohn Myint, has been instrumental in some of these deals. He initially took 2,000 acres for a private plantation inside the Pidaung Wildlife Reserve, which prompted many others to grab land inside the reserve. He has also established a plantation along the Bhamo to Myitkyina road where natural forest was clear-cut to make way for the development.^{303, 416}

This land grabbing is likely to increase with the planned reconstruction of the Ledo Road, intended to improve communications between India's north-east and China's south-western provinces, via northern Burma. According to press reports in November 2008, the contract to repave the road between Myitkyina and Tanai has been awarded to the Yuzana Company.⁴⁰⁸

The SPDC has commissioned Chinese companies to construct seven hydroelectric power plants in Kachin State over the next few years. The largest is near Myitsone, where the N'Mai Hka and the Mali Hka rivers join to become the Irrawaddy, 45 km north of Myitkyina. Construction began in 2006. The plant will generate 3,600 MW of electricity and flood a large area much of it forested. It is feared that thousands of people will be displaced.^{417, 418} It is not known if the sale of logs will help finance the construction of these power plants. However, in the recent past the KIO financed the construction of the Mali Hydroelectric Power Plant by allocating logging concessions to a Chinese company (see 'A Choice for China', page 59). In mid 2006, the Mali plant began supplying Myitkyina with electricity, after monsoon floods destroyed the government plant.³¹⁸

i2 The road was renamed the Stilwell Road after General *Vinegar* Joe Stilwell of the U.S. Army in early 1945 at the suggestion of *Generalissimo* Chiang Kai-shek, Director-General of the Kuomintang and later President of the Republic of China.

i3 For further information please see: Kachin Students and Youth Union (AKSYU), Kachin Development Networking Group (KDNG), 'Valley of Darkness: Gold Mining and Militarization in Burma's Hukawng Valley'; 2007

i4 At 8,400 square miles, the Hukawng Valley Tiger Reserve is the world's largest tiger sanctuary.

PART C: CHINA'S TIMBER TRADE IN A GLOBAL CONTEXT

11 THE CHINESE TIMBER TRADE IN CONTEXT

11.1 Chinese demand for timber, associated illegal logging, and climate change

*"As the World's largest 'middleman' in the global economy, China's responsibility – and capacity – must be shared with other nations and stakeholders who produce, consume and benefit from the supply of goods that pass to or through China."*⁴¹⁹ IISD, December 2008

In 2008, China's Gross Domestic Product (GDP),ⁱ⁵ measured on a purchasing power parity basis that adjusts for price differences, was estimated at US\$7.8 trillion, making it the world's second largest economy after the U.S.⁴²⁰ China's overseas direct investment in non-financial sectors in 2008 was US\$40.7 billion, an increase of more than 60% compared to 2007. In 2002 the figure was only US\$2.5 billion.⁴²¹ Year on year economic growth dropped significantly in 2008, to 9%. During the first quarter of 2009, China's economy grew at an annual rate of 6.1%. However, by the second quarter this had risen to 7.9% as the governments 4 trillion yuan (US\$585 billion) economic stimulus package began to take effect. At the time of writing, China's main export markets are not faring so well. The U.S. economy, for example, is predicted to contract by between 1 and 1.5% in 2009. China's total exports were down 21.4% in June 2009 compared to 2008. Clearly, this will have an impact on both legal and illegal timber imports into China.⁴²²

China currently sources timber from more than 80 different nations and, according to IISD, *"Chinese demand – whether for domestic use or for re-export – is often the most significant factor driving the growth of production and exports of China's principal supplying countries."*⁴¹⁹ As can be seen from Chart 9 opposite, China's imports of timber have risen steadily since Global Witness last analysed customs data in 2005, peaking at about 50 million m³ RWE in 2007. The increase in these imports has been driven by the rapid growth of the Chinese economy, increased living standards in China and the growth in exports of processed timber and timber products. Timber imports in 2008, excluding wood chips, pulp,

and paper, dropped off dramatically. Despite the fall, China, which imported 103 million m³ in 2008, is now the world's second largest importer of timber, in terms of RWE volume, after the U.S., which imported 181 million m³. If U.S. imports from Canada are excluded, which would leave 63 million m³ of timber, China is the largest timber importer in the world.⁴²³

It should be noted however that per capita consumption is still relatively low,ⁱ⁶ approximately one seventeenth that of the U.S.⁴¹⁹ Indeed, some analysis suggests that China's total timber consumption,ⁱ⁷ excluding paper, might actually be falling (for further information please see: <http://www.globaltimber.org.uk/china.htm>).

It can be seen from Chart 9 that timber importation into China rose sharply following the implementation of China's Natural Forest Protection Programme in 1998. Most of this rise was due to an increase in non-tropical timber imports, primarily from Russia. Imports rose more steadily from 2002, peaking in 2007 but dropping sharply in 2008, again due mainly to a decline in non-tropical timber from Russia. The amount of tropical timber imported into China has remained comparatively steady, on or around 10 million m³ RWE, peaking in 2003 and tailing off slightly thereafter. The slight decrease could be because Chinese manufacturers are getting more timber out of each log because of improved milling technology or, for example, a switch from solid wood flooring to engineered flooring.

The quantity of illegal timberⁱ⁸ being imported into China has increased as a function of overall timber imports; as a proportion, it is roughly half of total timber imports. The proportion of illegal timber in tropical timber imports has fluctuated around the two-thirds mark. In 2008, China imported about 9 million m³ of timber from the tropics of which about 6 million m³ is estimated to be illegal.

It can be seen from Chart 10 opposite that the EU imports less illegal timber than most other places as a proportion of its imports from high risk countries outside the EU; just over 20%. China imports more illegal timber than any other country, as a proportion of total timber imports, more than 60%. The UK imports more illegal timber than any other European country, mainly because it imports so much timber from China.ⁱ⁸

ⁱ⁵ GDP: The total market value of all goods and services produced by labour and property within the political boundaries of an economy during a given period of time. It is normally measured over one year and is the government's official measure of how much output an economy produces.

ⁱ⁶ Based on the few recent independent studies of China's domestic industrial round wood production, it is likely that more than 50% of this production is unreported and probably illegal (for example, G. Q. Bull and S. Nilsson, 2004) and therefore consumption underestimated. It should also be noted that official statistics are often inaccurate, particularly those for China's industrial round wood production.

ⁱ⁷ Consumption = imports + production – exports.

CHART 9: IMPORTS OF TIMBER INTO CHINA FROM ALL COUNTRIES, INCLUDING ALL CATEGORIES EXCEPT PULP, PAPER, AND WOOD CHIPS. SOURCE: BASED ON CHINESE CUSTOMS DATA

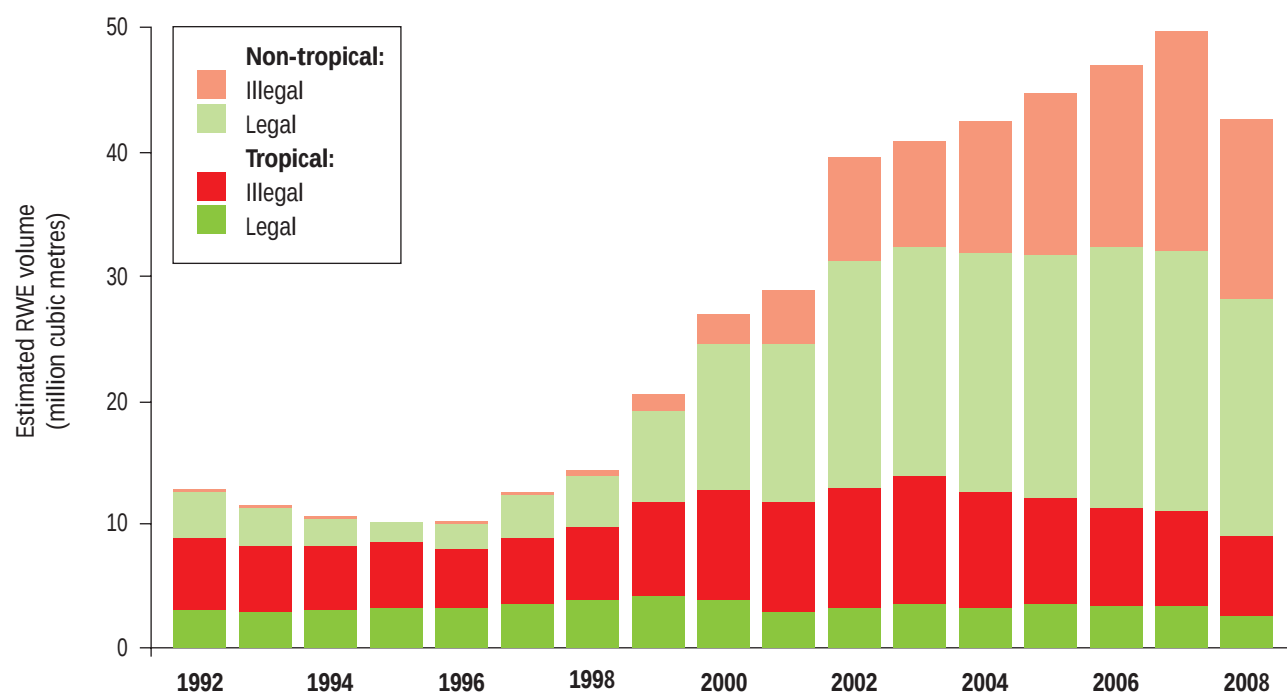
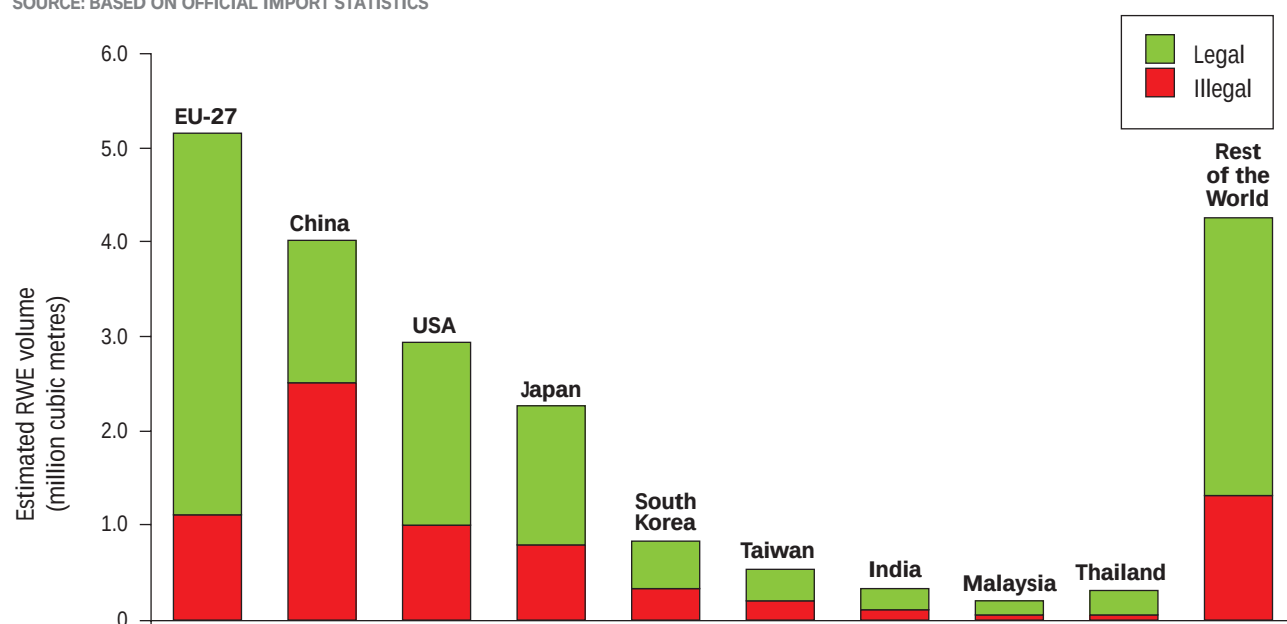


CHART 10: IMPORTS BY THE TIMBER SECTOR FROM HIGH RISK COUNTRIES ⁱ⁹ OUTSIDE THE EU.

SOURCE: BASED ON OFFICIAL IMPORT STATISTICS



Notes:

Published by Eurostat (EU member states), U.S. International Trade Commission Trade DataWeb, Trade Statistics of Japan, Korea Customs Service, Taiwan's Directorate General of Customs, and The Customs Department of the Kingdom of Thailand - all of which are freely available from the Internet. In addition, the Administration of Customs of the People's Republic of China, Monthly Statistics of the Foreign Trade of India, Malaysia's Department of Statistics, Badan Pusat Statistik (Statistics Indonesia), etc., which are available either at the British Library or for purchase only.

ⁱ⁸ A note on illegal imports: The quantities of illegal timber shown in Chart 10 above are based on estimates of the proportion of illegal timber in China's imports from each supplying country in each of the years shown. The illegal timber content from Russia for example is assumed to have increased very steeply during the early years of China's Natural Forest Protection Programme, which was initiated in 1998, and to have risen more slowly thereafter. Imports from Malaysia take into account the mismatch between what Malaysia declared as exports to China and what China declared as imports from Malaysia - the difference probably being illegal timber from Indonesia. Estimates of illegal imports from other countries primarily reflect the validity of logging concessions and/or the arrangements under which the logging contractor has access to those concessions. The percentages assumed tend to reflect the situation portrayed in formal publications (particularly those by Forest Trends) and in the country pages of the website: <http://www.globaltimber.org.uk>

ⁱ⁹ This analysis included the 35 major high-risk countries from regions throughout the world including, Africa, Asia, Oceania, South America, Russia, the Balkans and Eastern Europe.

China imports far more tropical timber than any other country, except Japan.⁴²⁴ Both countries have imported roughly 10 million m³ of tropical timber in recent years. If one includes wooden furniture, Japan probably retains the number one spot. However, if the pulp and paper made in Indonesia from tropical timber is included China is by far the largest tropical timber importer. Indeed, if Japan's imports of plywood from Indonesia and Malaysia are excluded Japan becomes almost insignificant in terms of tropical timber imports. These two bilateral trade flows are clearly of great importance as potential levers for improved forest governance in both Malaysia and in Indonesia.⁴²⁵

Many, if not most, of the countries supplying China with timber are tropical and have little, if any, control or management capacity in the field. Recent estimates suggest that the percentage of illegal timber

in timber exports from many of these countries is very high, for example: Brazil 70% Cameroon 50%, Guyana 60%, Indonesia 90%, Malaysia 40%, Papua New Guinea 90% and the Solomon Islands 90%.^{j1,426} As a result, half of China's timber imports are probably illegal.¹⁶ In fact, China imports roughly a quarter of all illegal timber being traded internationally and China's timber exports account for almost 10% of the trade in illegal timber.¹⁷ It is clear that in terms of global forest governance and associated trade, China, more than any other timber importing country, has a real opportunity to improve the situation.

China is also ideally placed to help combat climate change associated with deforestation and forest degradation. In 2006, the Stern Review stated that: *"Emissions from deforestation are very significant – they are estimated to represent more than 18% of global emissions, a share greater than is produced by*

the global transport sector." The vast majority of this deforestation takes place in the tropics,⁴²⁷ primarily as a result of the clearance of forested land for agriculture and illegal logging by the timber industry. The degradation of tropical forests by industrial logging companies, operating legally, is also a significant source of carbon loss, and the carbon stock of forests subject to commercial logging, even of a selective nature, is on average significantly less than the carbon stock of natural, undisturbed forests.^{j2} Worse still, roads and other infrastructure, built to facilitate industrial-scale logging, open up the forest to further exploitation, often leading to deforestation and permanent conversion.

There are clearly synergies between FLEG (see '11.2.1 Forest Law Enforcement and Governance (FLEG)', pages 101-103) and the pressing need to Reduce Emissions from Deforestation and Forest Degradation (REDD). Indeed, FLEG, including the drafting of illegal logging action plans by participant countries, should be a cornerstone of any forest-related elements of the 2012 post-Kyoto agreement.

At the third East Asia Summit, held on 21 November 2007, leaders of ASEAN, Australia, China, India, Japan,



Former Tasmanian forest – increasing the rate of global warming

j1 All percentages are for 2007 except Cameroon, which is 2008

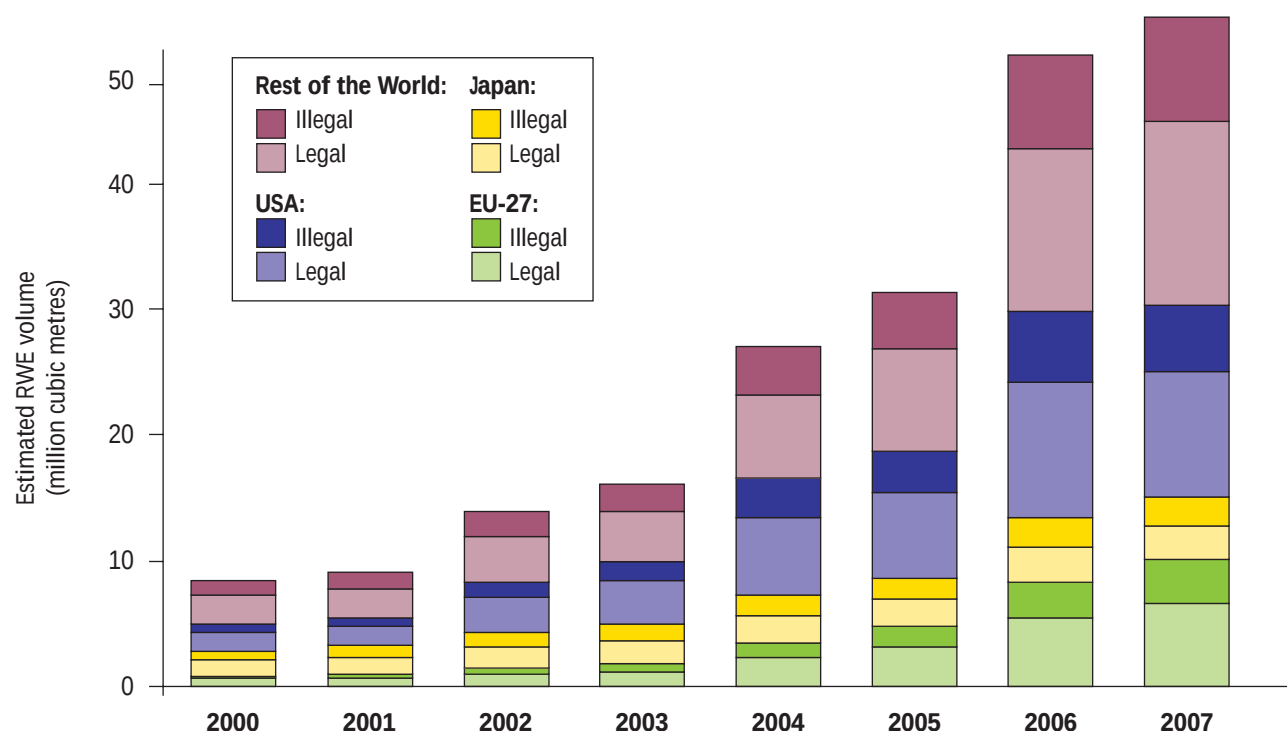
j2 For more information please see: Brendan G. Mackey, Heather Keith, Sandra L. Berry and David B. Lindenmayer, Green Carbon – The role of natural forests in carbon storage, 2008.

South Korea and New Zealand signed the 'Singapore Declaration on Climate Change, Energy and the Environment.' Interestingly, this declaration called for a reduction in, "*deforestation, forest degradation [...] including by [...] combating illegal logging [...]*".⁴²⁸

It is interesting to note that China is also a major exporter of timber and timber products, a trade that was until recently rising at a rate of about 30% a year. As much as 30% of the RWE volume of China's timber imports in 2007 may subsequently have been transformed and exported as finished timber products, primarily composites such as plywood.⁴²⁹ It is possible that over 40% of China's timber exports, most of which are destined for G8 nations,^{j3} comprise illegal timber.^{j1} Analysis of the 2008 data suggests that the U.S. alone could be importing illegal timber products from China worth in the region of US\$3.8 billion, most of which is accounted for by wooden furniture.⁴³⁰ All countries that import timber products that are 'Made in China' share China's responsibility for the illegal logging, deforestation, degradation, and resultant climate change.

As can be seen from Chart 11 below, Chinese timber exports have increased rapidly in recent years from just under 10 million m³ RWE in 2000 to over 50 million m³ in 2007. Most of this timber is exported to the U.S., Europe and Japan, more than to the rest of the world combined. Much of this trade comprises illegal timber.^{j4, 431} For example, it has been estimated that in 2007 as much as 5.2 million m³ of timber imported into the U.S., out of a total 15.2 million from China, was illegal. For the EU the figure is 3.4 million m³ of illegal timber, out of a total 10.1 million m³, in 2007. Such a high illegal content in Chinese timber exports will present Chinese companies with real problems in an increasingly discerning market, particularly with respect to new and proposed legislation in the U.S. and EU (see '11.2.5 Consumer country legislation', page 109). Indeed, one major U.S. company, Anderson Hardwood Floors, has already suspended imports from "suspicious regions", including China, until verifiable in response to the new provisions of the Lacey Act.⁴³²

CHART 11: EXPORTS OF TIMBER FROM CHINA TO THE EU27, JAPAN, AND THE U.S. INCLUDING ALL CATEGORIES EXCEPT PULP, PAPER, AND WOOD CHIPS. SOURCE: BASED ON CHINESE CUSTOMS DATA



j3 The G8 comprises Canada, France, Germany, Italy, Japan, Russia, the United Kingdom and the United States.

j4 A note on illegal exports: This report assumes that the proportion of illegal timber in China's exports of wood-based products rose during the first few years subsequent to the period to which previous estimates (cited in a report published in 2004 by the American Forest & Paper Association)⁴³¹ applied. This is because the percentage of illegal timber in China's imports of timber from its leading high risk suppliers has probably increased – reflecting the scale and rapidity with which those imports have grown and the exhaustion of suitable forest. It is also because illegality along the chain of supply within China (including the exploitation of plantations and forest) has probably increased in tandem with the expansion of China's wood-processing industry. The percentages of illegality assumed in this report vary by year, product and destination country in order to reflect changes in the market, notably in procurement practice. Note: China's exports of timber products tend to be made out of a combination of imported and locally grown wood.

11.2 Chinese commitment, and international initiatives, to combat illegal logging and associated trade

*“Widespread failure of forest governance, characterised by illegal logging, associated illegal trade and corruption, directly undermines any nation’s attempt to achieve sustainable economic growth, societal equity, and environmental conservation.”*⁴³³ The World Bank, 2009

The ‘G8 Action Programme on Forests’,⁴³⁴ issued on 9 May 1998, was effectively the first major public pronouncement on illegal logging and associated trade. Since then there have been countless national, regional, and international initiatives to combat illegal logging and the illegal trade in timber and timber products.⁴³⁵ Many of these initiatives look extremely good on paper but have met with varying degrees of success, depending on the extent of implementation, which in turn is closely tied to political will or, more often than not, the lack of political will. Exactly what impact there has been no one knows for sure as few, if any, of these initiatives have been independently assessed.

This section outlines some of the most promising initiatives, those that China has taken part in, those that have met with some success, others that would benefit from China’s participation and still more that will impact China’s timber industry directly.

11.2.1 Forest Law Enforcement and Governance (FLEG)

*“FLEG initiatives can succeed when resolute leadership, devoted to implementing reforms, exists.”*⁴³⁵ Arnoldo Contreras-Hermosilla, forest economist, 10 August 2007

FLEG sits well with the Chinese government’s aspiration of achieving a ‘harmonious society’ (héxié shèhuì) by 2020. President Hu Jintao’s political doctrine, officially endorsed by the Communist Party in October 2006, seeks to address some of the social and environmental issues associated with China’s economic growth. According to a statement, released after the meeting of the party’s Central Committee, *“the rule of law is to be carried out completely, and people’s interests and rights are to be respected and guaranteed”*.⁴³⁶ Later, at an APEC⁴³⁷ meeting in September 2007, Hu Jintao declared his intention to, *“establish Asia-Pacific forest recovery and sustainable management network”*.⁴³⁷ This initiative was included in the Sydney APEC Leaders’ Declaration, as was the need to combat illegal logging.⁴³⁸

China has taken part in two Forest Law Enforcement and Governance ministerial conferences: the East Asia FLEG, which took place in Bali in September 2001, and the Europe and North Asia (ENA) FLEG, which took place in St



“Crossing the border to log is prohibited”, Nong Dao, China; January 2007

j5 For further information please see Annex 1 of the EU FLEGT Action Plan from: http://ec.europa.eu/development/icenter/repository/FLEGT_en_final_en.pdf and Section III of the 16-24 April 2009 Report of the Executive Director of the CCPCJ on combating illegal logging:

In English: <http://daccessdds.un.org/doc/UNDOC/GEN/V09/805/95/PDF/V0980595.pdf?OpenElement>

In Chinese: <http://daccessdds.un.org/doc/UNDOC/GEN/V09/805/94/PDF/V0980594.pdf?OpenElement>

j6 APEC is “the premier forum for facilitating economic growth, cooperation, trade and investment in the Asia-Pacific region”. It has 21 members, “which account for approximately 40.5% of the world’s population, approximately 54.2% of world GDP and about 43.7% of world trade”. Members include: Australia; Brunei Darussalam; Canada; Chile; People’s Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; The Republic of the Philippines; The Russian Federation; Singapore; Chinese Taipei; Thailand; United States of America; Viet Nam. For further information please see: http://www.apec.org/apec/about_apec.html

Petersburg in November 2005. Both conferences resulted in a non-binding declaration, accepted by acclamation by the participant countries, and an indicative list of actions for implementing the declaration (see '13.4 Appendix IV FLEG Documentation' pages 121-122).

Given the amount of tropical timber that China imports from Africa each year, over 2.5 million m³ in 2007, representatives from the government of the PRC should perhaps also have attended the Africa FLEG, which took place in Yaoundé in October 2003. In fact, China has, for some years now, been the world's major importer of tropical African timber.⁴³⁹ Significantly, however, China did send a delegation of State Forest Administration (SFA) officials and a representative from the Ministry of Commerce on a study tour of West and Central Africa, organised by IUCN in May 2008.⁴⁴⁰

The FLEG initiatives were designed to create political space at both national and regional levels to address the issues of illegal logging, corruption in the forest sector, and associated trade. However, there was no requirement in either the East Asia or Africa FLEG declarations for participant countries to devise an action plan to implement the declaration, to monitor progress against such a plan, or to report progress on an annual basis or at all. It is perhaps not surprising therefore that implementation in these regions has been mixed and in some countries all but absent.^{j7} The ENA FLEG declaration was a distinct improvement in this regard as participant countries affirmed and declared that they would, internationally, "Integrate within existing mechanisms the systematic monitoring, assessment and reporting of progress on FLEG."⁴⁴¹ Further, the indicative list of actions included the following, at a national level within the ENA region:



Logs cut illegally in Burma near Chinese Customs, Car Zan; March 2009



Logs cut illegally in Burma near the official Chinese checkpoint, Car Zan; May 2007



Logs cut illegally in Burma near the official Chinese checkpoint, Car Zan; May 2006

^{j7} For further information on FLEG implementation please see: <http://siteresources.worldbank.org/INTFORESTS/Publications/21639793/FLEGReview.pdf>

- *Formulate and implement in a reasonable timeframe national plan of actions^{j8} that is integrated in the national forest policy framework and comprises clearly defined targets, activities and indicators of success to address the issues identified in the Declaration;*
- *Establish a national mechanism for effective interagency, cross-sectoral and multistakeholder cooperation to develop and implement the national plans of actions in a structured and transparent manner;*
- *Periodically report nationally on progress according to agreed targets and indicators.*

The Vientiane Action Programme 2004-2010 states that, “*Measures taken to promote social protection, cultural identity, the conservation of natural resources, and the protection of the environment, fuel economic growth and sustain life.*”²⁴ In line with this assertion, ASEAN member countries were called upon to, “*eradicate unsustainable forest management practices by 2010*”.²³ In October 2004, ASEAN ministers meeting in Rangoon endorsed the ‘ASEAN Strategic Plan of Action for 2005-2010 on Forestry’.⁴⁴² One of the plan’s action programmes was to promote, “*cooperation in the ASEAN region to reduce the trade in illegal wood products*”. It is perhaps not surprising therefore that a couple of years later, in September 2006, the ASEAN Secretariat agreed to serve as the institutional home for the East Asia FLEG. In April 2007, three priority areas were confirmed: regional customs cooperation, forest sector transparency, and country reporting.⁴³⁵

Later the same year ASEAN ministers, including Burma’s Minister of Agriculture and Irrigation, Major General Htay Oo, agreed to, “*strengthen forest law enforcement and governance in their respective countries, particularly in preventing and combating illegal logging and its associated trade, consistent with prevailing national laws, rules and regulations.*” The 1 November 2007 ASEAN Ministers on Agriculture and Forestry (AMAF) ‘Statement on Strengthening Forest Law Enforcement and Governance (FLEG)’ also committed member nations to, “*enhance collaborative activities and programmes*”, such as regional customs and trade cooperation and forestry sector transparency. And to, “*build upon the East-Asia Forest Law Enforcement and Governance (EA-FLEG) initiative*”. ASEAN Senior Officials on Forestry (ASOF) were tasked to, “*prepare and*

implement a work plan to achieve the above-stated measures”.⁴⁴³ The proposed ‘Work Plan for Strengthening Forest Law Enforcement and Governance (FLEG) in ASEAN 2008-2015’ was subsequently agreed at the 11th ASOF Meeting held between 31 July and 1 August 2008 in Kuala Lumpur and endorsed by the 30th AMAF Meeting on 23 October 2008 in Hanoi. Expected outputs include, the harmonisation of national laws and regulations (“*supportive to the implementation of FLEG*”), the development of a regional reporting format for FLEG implementation, and the establishment of national multi-sectoral committees to oversee the implementation of FLEG (and a regional network of these national committees). In addition, there will be regular cross-border enforcement and surveillance.

The 11th ASOF Meeting also established the ‘ASEAN Regional Knowledge Network on Forest Law Enforcement and Governance’ (ARKN-FLEG). FLEG experts in the ARKN-FLEG will support ASOF and AMAF decision-making and the implementation of the FLEG work plan.⁴⁴⁴ Planned ARKN-FLEG policy briefs include, “*a comparative policy analysis on FLEG implementation in ASEAN*”.⁴⁹ The 12th ASOF meeting held on 25-27 June 2009, in Nay Pyi Taw, Burma, featured, amongst other things, a presentation by a U.S. State Department official on the May 2008 Lacey Act amendments and their implications for timber exporters in ASEAN.⁴⁴⁵

China is East Asia’s most important consumer of timber and timber products. China has also been involved in the East Asia FLEG from the start, it was after all conceived as an East Asian initiative, rather than a Southeast Asian one. It is important therefore that China remains engaged in the process. Perhaps the most appropriate forum for discussion is “ASEAN Plus Three”, which includes ASEAN member countries, China, and, fortuitously, Japan, and North Korea.^{k1} These countries already discuss and cooperate on environmental issues (sustainable forest management is a priority area) and transnational crime.⁴⁴⁶ It would make sense therefore to include environmental crimes, in particular the trade in illicit timber, as a priority area. This would also be in line with ASEAN ministers’ call for, “*enhanced cooperation with their counterparts from outside of ASEAN*” on FLEG.²³ Implementation of the proposed FLEG work plan by ‘ASEAN Plus Three’ could have a significant impact on trade in illegal timber throughout the region and beyond.

j8 National plan of action is understood to be either a specific plan or an enhanced set of activities integrated into national forest programmes or equivalent frameworks.

j9 There is also an ARKN on Forests and Climate Change

k1 For an overview of ASEAN Plus Three cooperation please see: <http://www.aseansec.org/16580.htm>

11.2.2 Forest Law Enforcement Governance and Trade

China, as the world's major importer of illegal timber could, perhaps should, play a key role in FLEG. This would certainly be consistent with conclusions reached at the EU-China FLEG conference, held in Beijing in September 2007, where delegates called on, *"the EU and China to actively contribute to regional FLEG processes"*.^{k2} In fact, the EU and China have repeatedly stated their commitment to combat illegal logging:

- In 2005, *"Leaders of the two sides also pledged to work together to tackle the problem of illegal logging in the Asian region;"*⁴⁴⁷
- In 2006, *"Leaders agreed to intensify cooperation on these areas and on specific issues such as illegal logging, as an important contribution to the preservation of natural resources;"*⁴⁴⁸
- And again in 2007, *"The two sides are determined to continue their joint effort to tackle illegal logging as an important contribution to the preservation of natural resources and biodiversity, mitigation of climate change, and the economic development in the timber-producing countries."*⁴⁴⁹

Perhaps the most significant development since Bali 2001 has been the EU's Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan and its subsequent implementation.^{k3} To date, this has primarily meant the negotiation of Voluntary Partnership Agreements (VPAs), and associated FLEGT licensing schemes, with timber producing countries. The first such binding agreement was concluded on 4 October 2008 with Ghana. Crucially, the agreement makes it a requirement for local communities to provide written consent before logging can take place on their land. The agreement also commits Ghana to a participatory review of forest policy, regulation and institutions.⁴⁵⁰ The second VPA, with Congo Brazzaville, was completed on 9 May 2009. Interestingly, the government of Congo Brazzaville intends to apply the Legality Assurance System (LAS)^{k4} to all exports of timber. This will include timber exports to China, a trade, mainly comprising logs, that was worth US\$130 million in 2007. Total timber exports are currently worth in the region of US\$330 million.⁴⁵¹ The Commission is, at the time of writing, in negotiation with Cameroon, Indonesia, Liberia, Malaysia, and Vietnam and in the process of initiating discussions

with the Central African Republic, Gabon, and possibly the Democratic Republic of Congo.

On 15 November 2008, the European Commission launched the 'Regional Support Programme for the EU FLEGT Action Plan in Asia.' This €6 million programme is set to run for four years. FLEGT Asia has three specific objectives:

- *"To facilitate the collection, analysis and dissemination of new and existing research/information relevant to the implementation of the EU FLEGT Action Plan in Asia;"*
- *"To strengthen FLEGT-relevant institutions and initiatives in Asia;"*
- *"Develop mechanisms, tools and increased capacity for cooperation between FLEGT-related enforcement agencies in the region."*

According to the European Commission, *"Support will be provided on a demand-led basis, and it is expected that this will mostly cover all countries in the south-east Asian region and will take into consideration trade links with China and India."*^{k5} The budget mostly covers publications, studies, seminars, and training.⁴⁵²

China imports significant amounts of timber from most of, if not all, the potential FLEGT partner countries. It is also evident that at a time when timber exports to Europe from potential partner countries are declining, exports from China to Europe, and incidentally to Japan and the U.S.,⁴⁵³ are increasing rapidly (see Chart 11, page 100). It would make sense, therefore, not only for China to join the EU and timber rich nations in the VPA process but also for China to enter a voluntary partnership agreement with the EU.



k2 For further information on the EU-China conference please see: <http://www.eu-china-fleg.cn/Frame-page.htm>

k3 For further information on EU FLEGT please see DG Environment: <http://ec.europa.eu/environment/forests/flegt.htm> and DG Development: http://ec.europa.eu/development/policies/9interventionareas/environment/forest/flegt_en.cfm

k4 For further information on the LAS please see FLEGT Briefing Notes 3 and 5 from: http://ec.europa.eu/development/policies/9interventionareas/environment/forest/flegt_briefing_notes_en.cfm

k5 For further information on FLEGT Asia please see: http://ec.europa.eu/europeaid/where/asia/regional-cooperation/environment/flegt_en.htm

As can be seen from Chart 12 opposite, China's imports from proposed EU FLEGT partner countries have experienced a steady downward trend since 2003, falling from just under 10 million m³ of timber to below 4 million m³ in 2008. Most of this drop is due to a massive decrease in timber imports from Indonesia and falls on a similar scale from Malaysia. In this regard it is interesting to note two things. First that much Indonesian timber has historically been laundered through Malaysia and, according to the Environmental Investigation Agency and Telapak, still more is cleared through customs in China with false Malaysian paperwork.⁴⁵⁴ Second that Indonesia and China signed a memorandum of understanding, "Concerning Cooperation in Combating Illegal Trade of Forest Products", in December 2002 i.e. immediately before the fall.⁴⁵⁵

China's imports from proposed EU FLEGT partner countries, other than Indonesia and Malaysia, have increased slightly or remained steady in recent years. The importation of timber into China from Liberia ceased in 2004, following the May 2003 UNSC-sanctioned member state ban on the importation of Liberian timber.^{456, k6} Nevertheless, in 2008 China imported a total of 9 million m³ of tropical timber, two thirds of which has been estimated to be illegal. Just under half of this timber was from proposed EU FLEGT partner countries.

Not only would it make sense for China to join the EU in partnership with these timber rich nations but also countries such as Papua New Guinea (PNG) and the Solomon Islands. China's illegal timber imports from such countries have risen steeply in recent years (*see Chart 13 opposite*). Even more worryingly, the volume of timber which China imports (in selected species) from the Solomon Islands is nearly four times the annual sustainable cut for all species.^{k7, 457} China continues to import large quantities of logs from the Solomon Islands.⁴⁵⁸ Indeed, during the first two months of 2009, China alone imported 300,000 m³ of timber,⁴⁵⁹ more than annual sustainable cut of 250,000 m³.⁴⁶⁰ For its part, the EU imports negligible quantities of tropical timber directly from PNG or the Solomon Islands. However if the Commission were to establish a credible VPA with China, before countries such as the Solomons have lost all of their tropical forest, such a VPA might give the EU more leverage over their forest governance than a VPA with the countries themselves.⁴⁵⁷

China's support and/or part funding of the VPA processes would be welcomed by many as would China's acceptance of the timber LAS being developed in each county. Perhaps the best opportunity for this is in Africa, as the EU and China are the two main markets for African timber. Such an approach would

also be in line with expert advice given at the September 2007 EU-China FLEG conference. The Co-chairs' summary states, amongst other things, that:

- "Measures to combat the trade in illegal logged timber and wood products must be based on the definitions of legality of producer countries and systems to verify legality. Such measures would be more effective if all trading partners recognised them"; and further that,
- "Participants expressed a desire to see the EU and China enhance their collaboration in helping relevant timber producing countries to build capacity in forest law enforcement and governance and improving information and transparency of supply chains between major producer and consumer countries."

In this regard, it is interesting to note that the EU and China later agreed to establish a coordination mechanism on FLEGT issues at a follow-up meeting on 24 April 2008.⁴⁴⁰ The meeting, held in Beijing between Mr Stavros Dimas (Environment Commissioner of the European Commission) and Mr Jia Zhibang (Minister of the Chinese SFA), also, "marked the establishment of a European Commission-China Dialogue at Ministerial Level on Sustainable Forest Management and Forest Law Enforcement, [and] Governance (FLEG)".⁴⁶¹ The 'EU-China Bilateral Coordination Mechanism on Forest Law Enforcement and Governance' was signed subsequently on 30 January 2009.⁴⁶² This agreement commits the Environment Directorate-General of the European Commission, interested EU Member States, and China's SFA, to associate with other departments as necessary to ensure the, "[...] integration of FLEG in EU and Chinese policies on development, trade & customs and other policies". Specifically, the Coordination Mechanism will, "Explore opportunities for the EU and China to develop a shared approach towards legality verification schemes for timber and timber products implemented by timber exporting countries, including in the context of FLEGT Voluntary Partnership Agreements."⁴⁶² Consultants are, at the time of writing, drafting a detailed multi-annual work plan on behalf of both the SFA and the Commission.

Zhu Lieke, Deputy Administrator of the SFA, had previously signed a similar memorandum of understanding with the Government of the United States of America in April 2008. This included an undertaking to, "Endeavor to complete negotiation of a detailed agreement on bilateral cooperation to combat illegal logging and associated trade by the Fourth U.S.-China Strategic Economic Dialogue."⁴⁶³ At the time of writing, the detailed agreement has yet to be completed.

CHART 12: CHINA'S IMPORTS OF TIMBER FROM PROPOSED EU FLEGT PARTNER COUNTRIES: CAMEROON, CONGO (BRAZZAVILLE), GABON, INDONESIA, LIBERIA, MALAYSIA AND VIETNAM.

SOURCE: BASED ON CHINESE CUSTOMS DATA

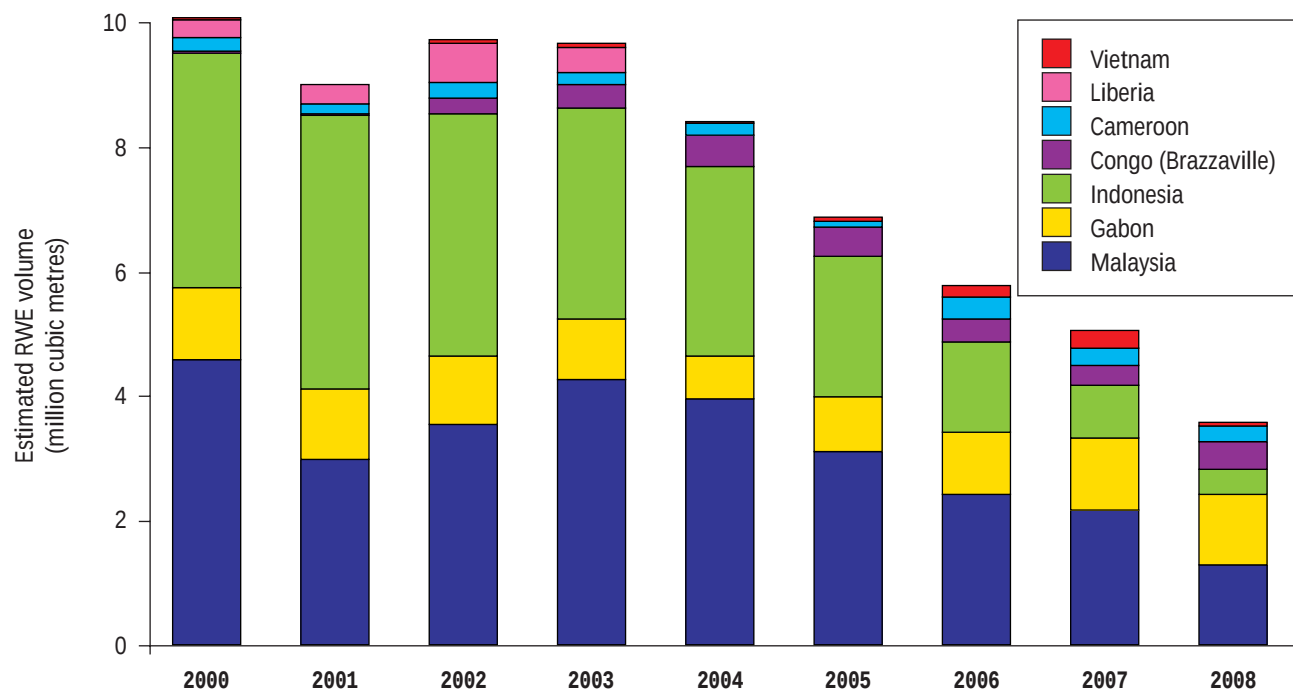
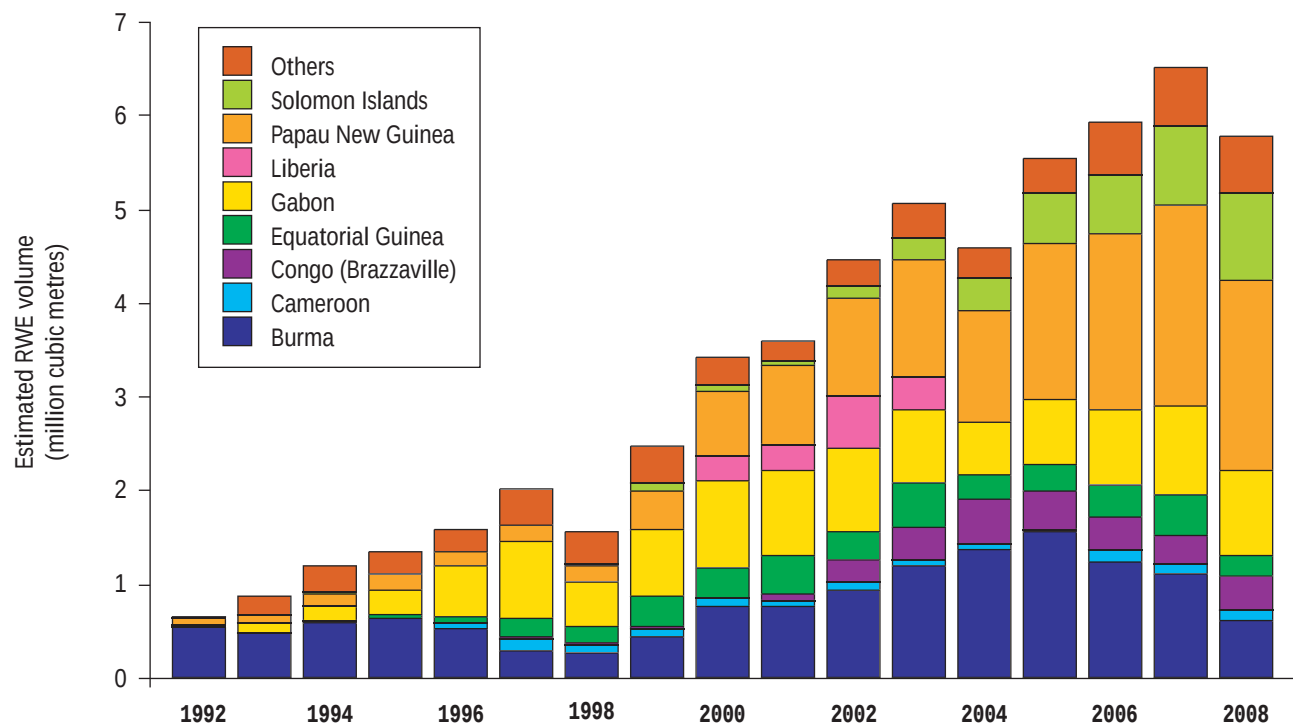


CHART 13: CHINA IMPORTS OF ILLEGAL TIMBER (BY SUPPLYING COUNTRY-EXCLUDING INDONESIA AND MALAYSIA). SOURCE: BASED ON CHINESE CUSTOMS DATA



k6 The 10-month ban was subsequently extended. Timber sanctions were lifted on 20 June 2006. However, industrial-scale logging has, at the time of writing, yet to resume.

k7 According to the Central Bank of the Solomon Islands 2007 Annual report, "The forestry sector, which accounts for about two thirds of the country's total exports, is forecast to decline by 2010." For further information please see: <http://www.cbsi.com.sb/fileadmin/PDF/reports/AR2007.pdf>

11.2.3 The CCPCJ and ASEAN-WEN

The United Nations Commission on Crime Prevention and Criminal Justice (CCPCJ) is a subsidiary of the Economic and Social Council of the UN (ECOSOC). ECOSOC is the main body for coordinating the social and economic aspects of the UN's work. It serves as the central forum for discussing international economic and social issues and for “*formulating policy recommendations addressed to Member States and the United Nations system*”.^{k8} The CCPCJ, as the name suggests, coordinates UN activity in the areas of crime prevention and criminal justice.

Two of the four mandated priority areas of the CCPCJ are, “*international action to combat national and transnational crime, including organised crime, economic crime and money laundering*”, and “*promoting the role of criminal law in protecting the environment*”.^{k9} Illegal logging and associated trade fit well with both mandates and it is in this regard that the CCPCJ drafted Resolution 16/1 on, ‘International cooperation in preventing and combating illicit international trafficking in forest products, including timber, wildlife and other forest biological resources’.²⁵

In Resolution 16/1, and the subsequent draft ECOSOC resolution,⁴⁶⁴ Member States are strongly encouraged to strengthen law enforcement to eradicate illicit international trafficking in forest

products, and to cooperate at a bilateral, regional, and international level, to do the same. Member States are also encouraged to provide information regarding implementation of Resolution 16/1 to the United Nations Office on Drugs and Crime (UNODC), especially with respect to their use of the United Nations Convention against Transnational Organized Crime (2003)²⁶ and the United Nations Convention against Corruption (2005).²⁷

China is currently a member of the CCPCJ and has ratified both conventions. Burma on the other hand has yet to ratify the UN Convention on Corruption, despite signing it on 2 December 2005. At the time of writing, neither country has reported their implementation of Resolution 16/1 to the UNODC even though both countries have made significant progress in ending their illegal cross-border timber trade. Clearly, increased cooperation between Burma and China, better enforcement and reporting, in accordance with the resolution, can only help the situation. Given the success of the UNODC's Border Liaison Office (BLO) programme,¹¹ an expansion of its mandate to cover the trade in illegal timber could also prove useful. The UNODC BLO programme, for the countries of the Greater Mekong sub-region, has already been hailed as an effective cross-border cooperation model, in terms of tackling the trade in narcotics.^{465, 466}

Another initiative that could usefully be

expanded to cover the trade in illegal timber is the Association of Southeast Asian Nations Wildlife Enforcement Network (ASEAN-WEN).¹² ASEAN-WEN¹³ was first proposed by the former Thai Prime Minister Thaksin Shinawatra. On 2 October 2004, during his opening address, to the 13th Meeting of the Conference of the Parties to CITES, the Prime Minister pointed out that, “*Globally, the illegal*



Wildlife trade

k8 For further information on the ECOSOC please see: <http://www.un.org/ecosoc/about/>

k9 For further information on the CCPCJ please see: <http://www.unodc.org/unodc/en/commissions/CCPCJ/index.html>



Wildlife trade

trading in wildlife, timber and other natural resources is now surpassed only by the trafficking in drugs and weapons. This, in itself, is a shocking statistic. To make matters worse, it has been found that criminal elements involved in conventional forms of organised crime are often linked to this illegal trade in wildlife and timber."

ASEAN-WEN is now, "the region's largest environmental law-enforcement network. It links scores of environmental agencies, police organisations, customs bureaus and members of the judiciary from all 10 ASEAN member countries to share intelligence, conduct investigations, and train officers to combat wildlife trafficking and implement international and national laws regulating wildlife trade."⁴⁶⁷ There has already been talk of ASEAN-WEN's mandate being expanded to cover the trade in CITES-listed timber.⁴⁶⁸ It would make sense for this to be expanded further to include all illegal timber and for ASEAN-WEN to coordinate its activities with the UNODC BLOs.

11.2.4 Public procurement¹⁴

Participants at the EU-China FLEG conference highlighted, "the importance of developing and implementing sustainable consumption policies such as guidelines on public procurement of products from legally harvested and/or sustainable timber and of promoting sustainable procurement by other major consumers of wood and paper products, as well as by households." The EU-China Coordination Mechanism provides for a useful first step in this regard, as it will, "Exchange information on private and public procurement policies for forest products from legal and sustainable sources [...]."⁴⁶² Several countries have already taken this step. Japan, for example, updated its green procurement law in 2006 requiring that all timber and timber products purchased by the state be harvested legally from sustainable sources.¹⁵

Anecdotal evidence suggests that the implementation of legal and sustainable procurement policies by several European governments¹⁶ has already influenced the behaviour of contracting companies, with a knock-on effect on timber importing companies, and further down the supply chain. This is perhaps not surprising when one considers the amount of timber that these governments actually buy. For instance, central government is thought to procure about 20% of all timber bought in the UK; when combined with local authorities and other government agencies this figure could rise to as much as 40%.⁴⁶⁹ Public procurement of timber and timber products throughout the European Union is thought to account about 20% of the market.⁴⁵¹ Given the greater extent of state control, these percentages, and therefore the influence on company behaviour, are likely to be far higher in China. If the government of the PRC were to specify timber from verified legal and sustainable sources, in all government contracts, the impact would be felt not only in Burma but also throughout the global timber trade network.

Government procurement policies, in countries to which China exports timber, will have a significant impact on Chinese trade. The UK is a good case in point. Since 2001, timber from China has accounted for almost all of the growth in UK imports of plywood, joinery, and wooden furniture, from outside the EU.⁴⁷⁰ In 2008, the UK imported 3 million m³ of

¹¹ See for example <http://www.unodc.un.or.th/law/D91/ad-ras-99-d91.htm>

¹² For further information please see: <http://www.aseansec.org/PR-ASEANWEN-HabitatConservation.pdf> and http://www.asean-wen.org/index.php?option=com_content&view=article&id=47&Itemid=55

¹³ This was referred to at the time as the new, 'Southeast Asian Regional Law Enforcement Network to Combat Nature Crimes'.

¹⁴ For a wealth of documentation on international policies for government timber procurement please see: <http://www.proforest.net/cpet/international-policies-1> and http://www.illegal-logging.info/sub_approach.php?approach_id=1&subApproach_id=44

¹⁵ For further information on the Japanese government's timber procurement policy please see: http://www.env.go.jp/en/earth/forest/pamph_jgpp.pdf

¹⁶ Belgium, Denmark, France, Germany, Netherlands and the UK all have or are developing such systems

timber RWE from China at a cost of US\$2.4 billion.⁴⁷¹ Indeed, the UK imports more timber from China than any other European country.⁴⁷⁰ However, only about 75% of this timber RWE volume, imported into the UK from China, is thought to come from legal sources, far less from sustainably managed forests.⁴⁷⁰ China actually exports more illegal timber to the UK than any other country.⁴⁷⁰ This is important because UK government procurement policy changed on 1 April 2009. According to the UK Government's Central Point of Expertise on Timber (CPET), *"Central government departments, their executive agencies and non-departmental public bodies are now required only to procure timber and wood-derived products originating from either legal and sustainable or FLEGT licensed or equivalent sources."*¹⁹ This new policy, therefore, will effectively exclude the majority of timber exports, from China to the UK, from UK government contracts.¹⁷

11.2.5 Consumer country legislation

China will also, increasingly, have to verify the legality and sustainability of its timber exports in an ever more discriminating global market. Australia's government, for instance, is working to, *"require disclosure at point of sale of species, country of origin"*, and, *"identify illegally logged timber and restrict its import into Australia"*.¹⁸ Europe has also been busy on the legislative front in recent years. On 17 October 2008, the European Commission issued a proposal for a regulation, which adopts a systems-based approach, designed to eliminate illegally harvested timber from the Community market.⁴⁷²

However, the proposal is flawed; in particular it fails to make it an offence to import illegally harvested timber into Europe.^{19, m1} Fortunately, the U.S. authorities have not made the same mistake. Earlier in the year, On 22 May 2008, the U.S. Congress passed a groundbreaking law banning commerce in illegally obtained plants and their products, including timber and wood products.^{m2} The new law is an amendment to a 100-year-old statute, the Lacey Act.²⁰ Although Australia has been working on similar legislation, it is currently legal to import and market timber and timber products, produced in breach of the laws of the country of origin, into most other countries.

China does have legislation in place that could be used to stop the importation of illegal timber but it is not being implemented. Under these circumstances, Lacey-style legislation in China might prove to be a better solution. Not only has the Lacey Act been specifically designed to combat the trade in illegally sourced plants (including timber) and wildlife, it also includes a broad range of prohibited activities and associated penalties. For example, knowingly engaging in a prohibited activity is a criminal felony. This could result in a fine of up to US\$500,000 (for companies), US\$250,000 (for individuals), or twice maximum gain from the transaction, forfeiture of the timber in question, and a possible prison sentence of up to five years. In contrast, China's timber import regulations do not carry significant penalties for non-compliance. On the other hand, the applicable criminal law, which could be used to deter illegal timber traders, does have robust penalties, but only for tax evasion (see *'A Choice for China'* pages 23-

24). It is also interesting to note that the Burma-China timber trade is classified, by the Chinese authorities, as frontier trade rather than country to country trade ('damao') and is therefore not subject to the same documentary requirements as 'damao' (see *'6.2 Timber import procedures, theory and practice'*, pages 16-17). The Lacey Act applies to all trade, irrespective of its scale or deemed importance to the nation.



Logs cut illegally in Burma enter China

¹⁷ For further information on UK government timber procurement policy please see: <http://www.proforest.net/cpet/files/August%202008%20timber%20procurement%20guidance%20document.pdf>

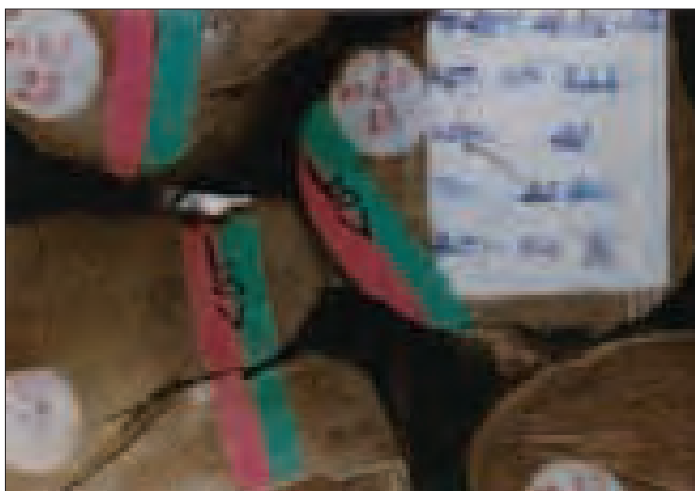
¹⁸ For further information on Australian Government commitments to combat illegal logging see: <http://www.daff.gov.au/forestry/international/illegal-logging>

¹⁹ For a brief critique of the proposal please see Global Witness' 17 October 2008 Press Release, "European Commission timber regulation fails to create offence"; available at: http://www.globalwitness.org/media_library_detail.php/672/en/european_commission_timber_regulation_fails_to_cre

11.2.6 Chinese initiatives to combat illegal logging and associated trade

Despite the lack of appropriate legislation to exclude illegal timber from the Chinese market, China has been relatively active in addressing this issue, as its participation in the regional FLEG initiatives and engagement with the EU, Indonesia, Russia and the U.S. suggests. In fact, China has been working with the international community, to find solutions to the adverse environmental and social impacts of China's economic growth, since 1992, through the China Council for International Cooperation on Environment and Development (CCICED). It was CCICED, ultimately, that encouraged the Chinese Ministry of Commerce (MOFCOM) to form an international taskforce to identify strategies to build more sustainable global supply chains, including that of timber.^{m3} In May 2009 the Ministry of Environmental Protection and MOFCOM completed drafting mandatory environmental measures for Chinese companies involved in projects abroad. Under the new rules Chinese investors would be required to ascertain any environmental impact that their project might have, prior to commencement, and they would also be required to abide by the international environmental treaties that China has signed. Banks would also be required to take into account any environmental or social issues related to projects that they finance. At the time of writing, the new rules are awaiting approval by the relevant authorities.⁴²¹

MOFCOM, together with the SFA, has also issued guidelines for Chinese enterprises engaged in 'sustainable forest cultivation' overseas.⁴⁷³ These guidelines, which include advice to comply with relevant laws, to increase community participation in decision making, to engage in forest monitoring and to protect biodiversity, essentially apply to plantation companies. It is thought that guidelines



Teak logs in Rangoon



More teak logs in Rangoon

for Chinese logging companies operating abroad may be issued shortly.⁴⁷⁴

For further information on FLEG as it relates to China please see 13.4 Appendix IV: FLEG Documentation and the China section of Chatham House's illegal logging website (illegal-logging.info).⁴⁷⁵ Not only does this useful site contain news and policy papers relating to China and illegal logging it also contains presentations from the biannual illegal logging update meetings held in London. Details of the six-monthly informal meetings "to discuss issues related to the trade of legal and sustainable wood", organised by Chatham House, IUCN-China, and Forest Trends in Beijing, can also be found here.

m1 In December 2008, the Committee on the Environment, Public Health and Food Safety of the European Parliament tabled useful amendments, which will be debated in plenary, on 23 April 2009. Member States will also have the opportunity to amend the legislation: The Environment Committee's Draft Report, PE418.093; 19 December 2008 can be found at : <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+COMPARL+PE-418.093+01+DOC+PDF+V0//EN&language=EN>

m2 For further information in English please see: www.eia-global.org/lacey/P6.EIA.LaceyReport.pdf, and in Chinese <http://www.eia-global.org/lacey/P6.EIA.LaceyReport.pdfChinese.pdf>

m3 The resultant report, by the International Institute for Sustainable Development (IISD), can be read in full at: http://www.iisd.org/pdf/2008/china_sd_forest.pdf.

12 CONCLUSION

*“Myanmar’s affairs should be decided by its people. As a neighbor, China hopes Myanmar can realize reconciliation, stability and development through dialogues of all parties.”*⁴⁷⁶
Chinese Foreign Ministry spokesman, Ma Zhaoxu, 19 May 2009

Burma is at a crossroads in its short history since independence from the British in 1948. The past sixty years have been dominated by the military in its various guises from the Orwellian-sounding State Law and Order Restoration Council (SLORC) to the current incumbents, the re-branded State Peace and Development Council (SPDC). Rule by the military has been characterised by ethnic tension, division, repression, economic failure, and isolation. For its part the international community has either endorsed the SPDC, because of its geographical strategic importance and/or wealth of natural resources, or perpetuated the isolation through the imposition of sanctions. China, India and Russia have been richly rewarded in terms of oil, gas, minerals, and timber whilst the western democratic nations have sought to maintain the moral high ground.^{m4} Neither approach has served Burma or its peoples well. Throughout this time the military has remained impervious to external pressure, immune to criticism, and, arguably, benefited from its isolation.

Multi-party elections were held most recently in Burma in May 1990. The National League for Democracy (NLD), led by Aung San Suu Kyi, won with 52.9% of the vote and 392 seats (80%). The NLD, in alliance with 19 ethnic minority parties, also won the majority of constituencies. The SLORC-sponsored National Unity Party took 25% of the vote, but only 10 seats. Subsequently, the military disputed the purpose of the elections claiming that they were not to form a government but instead to elect a constituent assembly that would draft a new constitution. When the newly elected politicians attempted to call a parliament the military arrested over 80 of them.

During the intervening years the NLD has remained intransigent, understandably, insisting that the 1990 election result be recognised, most recently in the 29 April 2009 Shwegondaing Declaration.⁴⁷⁷ Whilst Aung San Suu Kyi has spent 14 of the last 19 years under house arrest, her party has become increasingly marginalised, and, perhaps, less representative of the views of ordinary people in Burma. At the same time, the SPDC has studiously followed its ‘seven-step roadmap’ to disciplined

democracy, regardless of NLD statements and outside ‘interference’. According to the SPDC, the new constitution was endorsed by 92% of voters in the May 2008 national referendum.

The constitution reserves 25% of parliamentary seats for military officers⁴⁷⁸ and few, if any, of the points raised by the armed ethnic opposition groups during the drafting process were reflected in the final text. Despite these concerns, James Lum Dau, deputy foreign minister of the KIO, has said that he, “*strongly believed that the new constitution had the basic foundation of democracy*”. He said further that the elections, planned for 2010, would allow the Kachin people to fight for democracy, which would have to be achieved step-by-step.²²⁶ The NLD has said that it will also participate in the 2010 elections but only if certain pre-conditions are met, including the amendment of, “[...] *provisions of the (2008) Constitution which are not in accord with the democratic principles [...]*”. Since the SPDC announced that the constitution had been approved it has rejected any possibility of further amendments. The constitution is due to come into effect in 2010.

The SPDC has now reached point 5 of its roadmap: “*Holding of free and fair elections for Pyithu Hluttaws (Legislative bodies) according to the new constitution.*” Notwithstanding the flawed constitution, and the process to date, these elections will almost certainly take place in 2010. These elections represent perhaps the best opportunity for achieving a peaceful transition to a legitimate civilian system of government in Burma. To this end, the international community must put to one side vested self-interest and/or distaste for the regime. The international community must ensure that the elections are genuinely, “*free and fair*”, transparent and inclusive, and based on international standards. For its part, the SPDC should accede to demands that all political prisoners and detainees are freed, well in advance of the elections. Not only would this confer upon the elections a far greater degree of credibility, the SPDC cannot hope to reach point 7 of its roadmap, “[...] *building a modern, developed and democratic nation [...]*” without doing so.

Against this backdrop of political manoeuvring, Chinese companies continue to destroy Burma’s northern frontier forests. Since 2006, the clearing of forest, backed by Chinese money, to make way for sugar cane, tapioca, castor oil and rubber plantations has become one of the worst threats to these forests.

^{m4} At the time of writing Chevron, a U.S. company, and Total, a French company, are significant investors in Burma’s Yadana natural gas project in the Andaman Sea. The project is run together with PTT, a Thai state-owned company and Myanmar Oil and Gas Enterprise, a Burmese state-owned enterprise. In 2008 the U.S. Congressional Research Service estimated that the Yadana pipeline provides at least US\$500,000,000 in annual revenue for the SPDC. However, the U.S. executive branch has exempted investment in the Yadana pipeline from the sanctions regime against the SPDC. Investment by Total is not covered by the EU Common Position.

The logging has continued with the knowledge and direct complicity of local SPDC authorities and the armed ethnic opposition groups. Not only is this activity destroying livelihoods and contributing to climate change, it further increases the sense of injustice felt by ordinary people in Kachin State. It confirms suspicions that the SPDC, and to a lesser degree the armed ethnic opposition groups, are putting self interests before genuine democratic and sustainable development and adds to the general atmosphere of lawlessness along the Burma-China border. The Chinese government's aspiration to achieve stability in this region, let alone a 'harmonious society' (héxié shèhuì), appears to be some way off.

Restrictions imposed by the SPDC and by the Yunnan authorities have disrupted but not halted the logging and associated timber trade. In 2008, China recorded more than 70% less timber being imported across the Burma-China border than it did in 2005, prior to the launch of Global Witness' report 'A Choice for China' in October that year. Log imports, across the Burma-China land border, have fallen from one million cubic metres in 2005 to 270,000 m³ in 2008 according to Chinese import data. However, it is probable that more than 90% of the timber trade across the Burma-China border, representing over half the total timber trade between the two countries, is still illegal. Implementation of 'Interim Measures to Manage Timber and Mineral Cooperation between Myanmar and Yunnan Province', issued by the Office of Yunnan Provincial People's Government on 11 May 2006, has had perhaps the most significant positive impact.

Despite the significant slowdown in the trade and resulting economic losses, the trade infrastructure (availability of migrant workers, accessibility to the forests, relationships between Chinese investors and brokers inside Burma, and processing plants inside China) remains intact. Therefore, it is highly likely that any relaxation in the new rules, governing the cross-border timber trade, would result in a resumption of logging in Kachin State. This would have significant negative implications for the forests and the local population in northern Burma as well as related detrimental impacts for sustainable

development, stability, and long-term progress in Yunnan Province.

Nevertheless, the significance of the decline in logging and trade should not be underestimated in a country where change is slow and rarely for the better. Both the central SPDC authorities and the KIO have expressed an interest in preserving the forests of Kachin State and for their part the Chinese authorities have showed willingness to tackle the illicit timber trade, which should be applauded. The Yunnan Provincial Government should continue to make businesses, all relevant local authorities, and enforcement agencies aware of the 'Interim Measures', working closely with them to ensure full implementation (*for an unofficial translation of the Interim Measures please see '13.5 Appendix V', page 123*). Furthermore, the Chinese authorities should monitor the environmental and social impacts of Chinese logging companies and Chinese companies clearing forested land for the production of cash crops operating in Burma. All operations with negative environmental and/or negative social impacts should be stopped. If this action is combined with long-term sustainable, transparent and equitable forest management and the development of alternative economic opportunities for local communities, progress really will have been made.



13 APPENDICES

13.1 Appendix I: The Burma-China timber trade in context – Burma's external relations

“Chinese diplomatic support of the SPDC and military and economic aid is very important: \$2 billion in military aid since the early 1990s, \$200 million annually in economic aid, substantial foreign investment including new investment in natural gas, and a huge influx of Chinese migrants into Burma, mainly traders. China’s role is a prime justification for India’s ‘constructive engagement’ policy toward Burma.” Congressional Research Service Report for Congress, “Burma-U.S. Relations”, 4 October 2007



U Teza

Both the Burmese and Chinese governments have expressed an interest in developing official trade in recent years, including timber.^{479, 480, 481} To this end, the Burmese government has set up a border trade zone in Muse, near the China border. The SPDC has also liberalised trade procedures for certain products, including timber products with the exception of teak, to boost bilateral trade between the two countries.^{482, 483} In 2005-06 trade between Burma and China amounted to US\$1.5 billion, by 2007-08 this had increased to US\$2.4 billion, accounting for almost 25% of Burma's total foreign trade.⁴⁸⁴ China is, at the time of writing, Burma's largest border trade partner. China is Burma's second largest trading partner overall and also Burma's fourth largest foreign investor (or largest, depending on who you believe).^{485, 486}

A delegation of Burmese officials, led by General Maung Aye, visited Russia in April 2006. During the trip, a memorandum of understanding was signed between Russia's Zarubezhneft oil company and the Burmese Energy Ministry, which would allow the company to tender for future oil and gas exploration and production concessions in Burma. The delegation, which included U Teza,^{m5} also sought Russian cooperation on the supply and upgrade of military hardware.⁴⁸⁷ India began selling arms to the Burmese military in late 2006⁴⁸⁸ and Burma has also re-established diplomatic relations with North Korea, sparking fears of increased military cooperation between these two countries.⁴⁸⁶

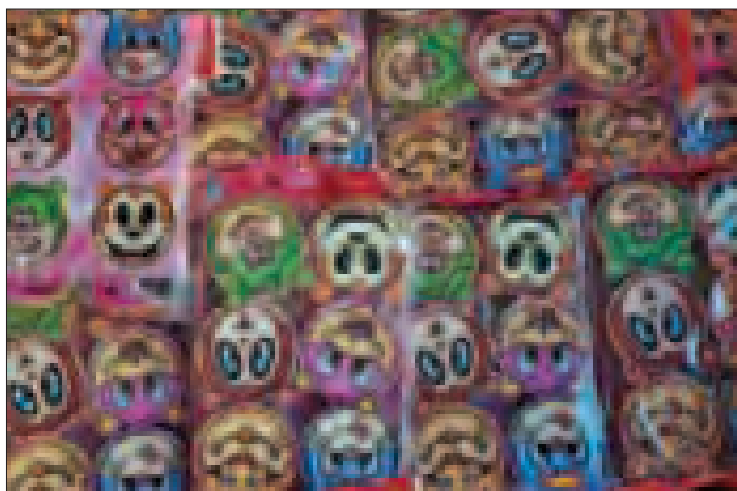


Burmese trucks parked in Jiageo; January 2007

m5 As well as his interests in the timber industry, U Teza is the Burma representative for the Russian aircraft manufacturer MAPO and the Russian helicopter firm Rostvertol.

In January 2007, the U.S. introduced a draft resolution to the UNSC condemning the SPDC and calling for reforms.^{500,486} Both China and Russia vetoed the resolution, which was supported by the UK and France. The SPDC later announced its decision to sell natural gas in the Bay of Bengal to China. China and Russia blocked another U.S.-EU initiative at the UNSC to impose sanctions on Burma in September 2007, a response to the SPDC's crushing of demonstrations led by monks and pro-democracy activists throughout Burma earlier that autumn. ASEAN leaders criticised the Burmese government but did not support the U.S.-EU initiative either.⁴⁸⁶ The Council of the European Union strongly condemned the, "[...] brutal crackdown on demonstrators", urging, "[...] the Burmese authorities to exercise restraint in the face of peaceful protests". The Council went on to say: "[...] the EU deems it necessary to increase direct pressure on the regime through stronger measures as well as the following additional restrictive measures: an export ban on equipment to the sectors of logs and timber and mining of metals, minerals, precious and semi-precious stones; an import ban of products of the sectors mentioned before; and an investment ban in these sectors".⁴⁸⁹

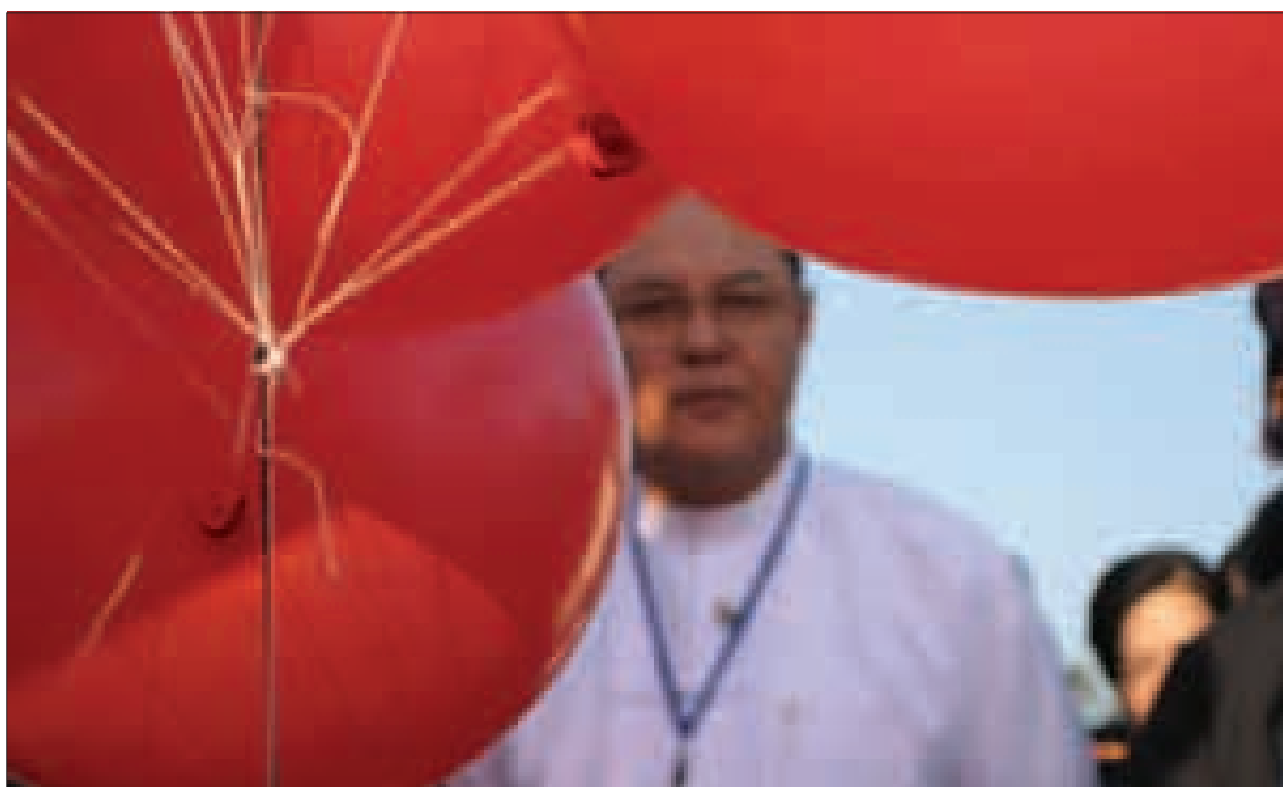
According to the European Commission website: "The prime goal of the EU is to see a legitimate, democratically elected civilian government established in Myanmar (Burma) - a government which pursues



Official trade with China

social and economic development and respects human rights while rebuilding relations with the international community".⁴⁹⁰ Since 1996, bilateral relations have been framed by the 'EU Common Position'. Common Position 2006/318/CFSP⁴⁹¹ was extended until 30 April 2009 on 29 April 2008⁴⁹² and again on 13 August 2009.⁴⁹³ Common Position 2009/615/CFSP, adopted soon after the verdict in the trial of Aung San Suu Kyi includes, "the members of the judiciary responsible for the verdict in the list of persons and entities subject to a travel ban and to an asset freeze [...]".⁴⁹³

For its part, the U.S. Congress has renewed the 'Burmese Freedom and Democracy Act',⁴⁹⁴ which includes a ban on the importation of, "any article that is a product of Burma", each year since 2003, most recently in July 2008. The 'Tom Lantos Block Burmese



Brigadier General Thein Zaw Thu secretariat member USDA in charge Kachin State and subject of EU sanctions

JADE Act',⁴⁹⁵ which is designed to prevent Burmese gemstones from entering the U.S. via third countries, was also signed by former U.S. President George W. Bush in July 2008.⁴⁹⁶ Despite the EU and U.S. sanctions, business continues or as U Teza put it in June 2009, *"Who cares? Why bother with Europe and the U.S. when China and India are right next door?"*⁴⁹⁷

In October 2008, the SPDC agreed to allow China to build oil and gas pipelines from Yunnan Province to the Burmese seaport of Sittwe, in Arakan State. This will enable China more easily to import oil and gas from Africa and the Middle East.⁵⁰⁰ Yet another deal was signed in Rangoon, on 24 December 2008, with four firms from South Korea and India to pipe gas from the Shwe^{m6} offshore gas fields via the seaport of Kyaukpyu to Kunming in Yunnan Province, China.⁴⁹⁸ The thirty-year deal, worth US\$150 million to the Burmese government in annual transit fees alone,⁴⁹⁹ will further negate the impact of U.S. and EU economic sanctions. China also signed agreements with Burma to cooperate in a number of other areas such as culture, education, health, technology and tourism. In addition, General Thura Shwe Mann, Burma's third most senior general, and his opposite number in the People's Liberation Army (PLA), Chief of the General Staff, Chen Bingde, agreed to enhance military cooperation.⁵⁰⁰

It is interesting to note that in June 2007 Chinese officials arranged a meeting in Beijing, between a U.S. State Department official and representatives of the Burmese government. It is not known what was discussed.⁴⁸⁶ However, with a change in the U.S. administration, there is recognition that sanctions have not achieved their desired results. On 18 February 2009, the new Secretary of State, Hilary Clinton, said in Jakarta, *"Clearly, the path we have taken in imposing sanctions hasn't influenced the Burmese junta"*. Unfortunately, *"reaching out and trying to engage them hasn't worked either"*.⁵⁰¹ At the time of writing, the Obama administration is carrying out a review of its policy approach towards Burma, including an assessment of whether unilateral sanctions have been effective. Indeed, according to the Washington Post, despite the imposition of increasingly tough sanctions on Burma by Congress in recent years there is, *"an increasing willingness to reconsider the sanctions approach"* on Capitol Hill. On 25 March 2009, Stephen Blake, Director of the Office for Mainland Southeast Asia, met with SPDC Foreign Minister Nyan Win. The New Light of Myanmar described their talks as, *"[...] cordial discussions on issues of mutual interests and the promotion of bilateral relations between the Union of Myanmar and the United States"*.⁵⁰²

m6 Shwe means gold in Burmese.

BOX 10: AUNG SAN SUU KYI AND THE SPDC

*"[...] Daw Aung San Suu Kyi has been exerting efforts for Confrontation, Utter Devastation, and Imposing All Kinds of Sanctions including Economic Sanction against Myanmar. If she declares to give them up, the Senior General will personally meet her."*⁵⁰³ SPDC

Announcement No. 1/2007, 4 October 2007



Senior General Than Shwe

The fate of the leader of the NLD, Aung San Suu Kyi, remains a serious bone of contention between the Burmese authorities and many in the international community, not least the EU and U.S. On 8 October 2007, U Aung Kyi, Minister for Labour and for Relations, was designated the liaison person between Aung San Suu Kyi and the SPDC. They met five times between November 2007 and January 2008. This marked the first attempt at a dialogue for four years. She was also permitted to meet twice with the Central Executive Committee of the NLD, again for the first time in four years.

A referendum on the new constitution took place on 10 May 2008 in most parts of the country and on 24 May 2008 in areas affected by cyclone Nargis. On 27 May 2008, the SPDC extended Aung San Suu Kyi's house arrest. On 18 August 2008, the NLD Central Executive Committee wrote to Ibrahim Gambari, the UN Secretary-General's Special Advisor, listing five substantive demands.^{m7} The SPDC for its part proposed further meetings between U Aung Kyi and Aung San Suu Kyi on both 1 and 15 September 2008. Aung San Suu Kyi declined. According to the UN Secretary-General, *"[...] subsequent reports*

confirmed, Daw Aung San Suu Kyi's response that she wished to meet with the Minister for Relations but not at that time. In letters dated 10 and 23 September 2008 to the Special Adviser, the Government further assured that "the Myanmar authorities are committed to the policy of national reconciliation and are willing for continued dialogue with Daw Aung San Suu Kyi".⁵⁰⁴

On 29 April 2009, the NLD said that it would take part in the proposed 2010 parliamentary elections, having studied the forthcoming Party Registration Act and the Laws relating to the Elections, if the following preconditions were met:

1. "All the political prisoners including the leaders of the NLD were unconditionally released,
2. The provisions of the (2008) Constitution which are not in accord with the democratic principles were amended,
3. All inclusive free and fair general election were held under international supervision".⁴⁷⁷

Aung San Suu Kyi has now spent 14 of the last 19 years under house arrest, which, according to the UN Working Group on Arbitrary Detentions, is illegal both under Burmese law and international law.^{505, 506} She was due for release on 24 May 2009. However, shortly before the release date she was arrested and put in Insein Prison for allegedly violating the terms of her house arrest. Her trial started on 18 May, but was suspended, only to resume on 10 July 2009.⁵⁰⁷ UN Secretary-General, Ban Ki-moon, called for the release of Aung San Suu Kyi, and all other political prisoners in Burma, during a visit to the country on 3-4 July 2009. According to the BBC, the AFP news agency quoted him as saying, "I proposed and I urged that all political prisoners should be released before this election begins, so that this election can be all inclusive." Despite asking Senior General Than Shwe in person, the Secretary-General was not permitted to meet Aung San Suu Kyi.⁵⁰⁸

On 11 August 2009 Aung San Suu Kyi was sentenced to three years in prison with hard labour. However, the sentence was immediately reduced by 'special order' from Than Shwe to 18 months under house arrest in order to, "maintain peace and tranquillity" and because she is the daughter of General Aung San.^{m8, 509} China's response to the verdict was that the international community should respect Burma's judicial sovereignty.⁵¹⁰ Thailand, in its capacity as ASEAN Chair

issued a statement on 11 August 2009 expressing, "deep disappointment" at the sentence. ASEAN also reiterated calls, "for the immediate release of all those under detention, including Daw Aung San Suu Kyi, with a view to enabling them to participate in the 2010 General Elections".⁵¹¹ The EU went further in its criticism of the Burmese authorities condemning the verdict and describing the trial as 'unjustified'.⁵¹² U.S. Secretary of State Hillary Clinton said that Aung San Suu Kyi, "[...] should not have been tried and she should not have been convicted".³

The fact that Aung San Suu Kyi will not be free to participate in the 2010 parliamentary elections is at odds with points 5 and 7 of the SPDC's 'seven-step roadmap' to disciplined democracy, which are respectively, holding free and fair elections, and building a democratic nation. Arguably it is in the SPDC's best interests for Aung San Suu Kyi to be free to take part in the elections. Jim Webb, chair of the U.S. Senate Foreign Relations Subcommittee on East Asia and Pacific Affairs, made this point succinctly, "[...] it will be impossible for the rest of the world to believe the elections were free and fair if she [Aung San Suu Kyi] was not released. With the scrutiny of the outside world judging their Government very largely through how they are treating Aung San Suu Kyi, it's to their advantage that she's allowed to participate in the political process."⁵¹³ Mr Webb, a strong proponent of engagement with the SPDC, made these comments following meetings with both Aung San Suu Kyi and Senior General Than Shwe on 15 August 2009.



Daw Aung San Suu Kyi

m7 "[...] (i) to get the right of review of the national Constitution (2008), which was unilaterally drafted and ratified by force by the authorities and which is not yet in force; (ii) to mediate for the solutions to the issues presently facing the country, such as political and constitutional problems, without addressing the topic of new election; (iii) to attempt to materialize a meaningful dialogue between Daw Aung San Suu Kyi and the State Peace and Development Council within one month; (iv) to get recognition for the result of the 1990 election in some way; and (v) to inform the authorities that NLD is ready to negotiate without preconditions any issues for national reconciliation."

m8 General Aung San led the pre-independence Executive Council. He was considered by many to be the one person with the vision and diplomatic skills necessary to resolve the problems inherent in developing an independent Burma. Tragically, He was assassinated on 19 July 1947.

13.2 Appendix II: Research notes

A note on methodology:

Global Witness conducted primary research along the China-Burma border in 2006, 2007 and 2009 and interviewed people from many different backgrounds. To the best of our knowledge, this report reflects the reality of timber trade in these border areas.

A note on sources:

Not all of the information contained in this report was witnessed at first hand by Global Witness. Global Witness has also relied on media reports from trusted sources and interviews with individuals familiar with logging in Burma and the timber trade in China. Where possible the identity of these sources has been made clear, although some of these individuals remain anonymous to maintain their safety. It should be noted that accounts of natural resource exploitation in Burma might be politically biased. Global Witness has therefore treated such information with caution, and has attempted to convey this in the text. Furthermore, the opinions expressed by some of the interviewees do not necessarily reflect the opinions of Global Witness.

The Democratic Voice of Burma (www.dvb.no) is a non-profit media organisation, established in July 1992, based in Oslo, Norway and run by Burmese expatriates. It aims to provide uncensored news and information, primarily about Burma to the people of Burma, and amongst other things to, “*impart the ideals of democracy and human rights*” to the Burmese people.

The Kachin News Group (www.kachinnews.com) is an ‘exile’ media organisation, established in May 2003, run by young Kachin people, covering Kachin State, Burma, south-east Asia and beyond.

Mizzima News (www.mizzima.com) is a Burmese news agency, established in August 1998, based in Delhi, India and Chiang Mai, Thailand, by a group of exiled Burmese journalists. It reports from Bangladesh, Burma, China, India and Thailand and openly supports efforts to bring democracy to Burma.

The Xinhua News Agency (www.xinhuanet.com) is the official press agency of the government of the People’s Republic of China.

A note on statistics:

Various sources of such data were consulted. For example data published by Eurostat (EU Member States), U.S. International Trade Commission Trade DataWeb, Trade Statistics of Japan, Korea Customs Service, Taiwan’s Directorate General of Customs, and The Customs Department of the Kingdom of Thailand - all of which are freely available from the internet. In addition, the Administration of Customs of the People’s Republic of China, Monthly Statistics of the Foreign Trade of India, Malaysia’s Department of Statistics, Badan Pusat Statistik (Statistics Indonesia), etc., were also used. These are available either at the British Library or for purchase only.

The data selected for analysis are those that we regard as being from the most representative source. It



Log scaling, Pian Ma, China; January 2007

should be noted however, that there appears to be little correlation between a number of these sources. In addition it is often unclear which products have or have not been included in a given data set, or indeed which units of measure are being used. Consequently, the analysis presented in this report should be considered as indicative rather than precise. Unfortunately, the provision of incomplete, inaccurate, contradictory and confused data is a global problem.

A note on conversion rates:

Global Witness has used a conversion rate of 1,220 Myanmar kyat to one United States dollar (the exchange rate in February 2008) unless otherwise stated. Figures quoted from press articles remain the same.

The exchange rate between Chinese yuan (RMB Renminbi) and the U.S. dollar for each month covered by Global Witness research in this report, from 2006 to the present, can be found at: <http://www.xe.com/ict/>. The exchange rate in June 2009 stood at 1US\$ to 6.83 yuan.

For the purposes of this report timber volumes have been calculated in cubic metres (m³). Where appropriate, to facilitate comparison between timber statistics, wood volume data has been converted to Round Wood Equivalent (RWE) volume. This has been done by multiplying the wood volume by a standard conversion factor: 1 for logs, 1.8 for sawn wood, and 2.3 for plywood.⁵¹⁴ The weight of timber in tons, as reported in the press or by sources in the timber trade, have not been converted to RWE.

A note on tree species identification:

Identifying individual tree species is difficult especially in the absence of flowers, fruit, leaves, and bark, as is the case in most timber yards. Global Witness researchers have also had to rely, at least in some instances, on information provided to them by people in the timber trade. This information can sometimes be inaccurate and inconsistent. For example, 'red birch' has also been called 'cherry' and 'golden teak' described as 'a kind of walnut.' It is also probable that some of these species are sourced in countries other than Burma despite what Global Witness researchers were told.

Where possible, Global Witness has tried to identify the 'accepted scientific name' of each species with the help of 'Mabberley's Plant Book - a portable dictionary of plants, their classification and uses' (second edition). The following taxonomic databases, available online, were also used:

- **World Checklist of Selected Plant Families:**

<http://apps.kew.org/wcsp/home.do>

- **Catalogue of Life: Dynamic Checklist:**

<http://www.catalogueoflife.org/search.php>

- **Multilingual Multiscript Plant Name**

Database:

<http://www.plantnames.unimelb.edu.au/Sorting/Frontpage.html>

The Royal Botanic Gardens, Kew, Species 2000 and Integrated Taxonomic Information System (ITIS),^{m9} and The University of Melbourne run each of these databases respectively.



Gudeng, China; October 2006

m9 For further information on the 'Catalogue of Life', IT IS and Species 2000 please see: http://www.catalogueoflife.org/info_about_col.php

13.3 Appendix III: Burmese timber tree species found in Chinese towns along the Burma-China border

Chinese name (and other common names)	Accepted scientific name
Aishan (small-leaved mulberry tree)	<i>Morus australis</i> Poir.
Baicuipei	
Baimu	<i>Brassaiopsis</i> spp.
Baimulian	<i>Manglietia</i> spp.
Bainanmu	<i>Phoebe</i> spp.
Bianselong	<i>Pterocarpus tinctorius</i> var <i>chrysotrichi</i>
Chunmu	
Burma: thitkado ⁿ¹	<i>Toona</i> spp.
Dabaishu (golden champaca)	
Burma: laran, mawk-sam-lung, sagah	<i>Michelia champaca</i> Linn.
Daoguazhishu	
Doufuzha	<i>Brassaiopsis</i> spp.
Guaizao (honey tree) (Japanese raisin tree)	<i>Hovenia dulcis</i> Thunb.
Handonggua (Nepalese alder)	
Burma: maibau	<i>Alnus nepalensis</i> D. Don
Heitaomu (black walnut)	
Heixinmulian/Heixinnan	<i>Magnolia baillonii</i> Pierre, Fl. Forest. Cochinch
Hongchun	
Burma: mai yom horm, taung tama, taw thamgo, thit kador	<i>Toona ciliata</i> M. Roem
Hongcuipei	
Hongmu (lipstick tree)	<i>Bixa orellana</i> L.
Huangxinnan	<i>Phoebe puwenensis</i> W.C. Cheng
Huangyunxiang	<i>Cantleya corniculata</i> (Becc.) R. Howard
Hupinan	<i>Daphniphyllum paxianum</i> K. Rosenthal
Jiakelong	
Jiasuanzhi	<i>Dalbergia</i> spp.
Jiayoumu	<i>Dipterocarpus</i> spp.
Jidanhuan (Burmese mahogany)	
Burma: thitka	<i>Pentace burmanica</i> Kurz
Jinsinan	<i>Phoebe shearerii</i> (Hemsl.) Gamble
Kasinan	<i>Viburnum cylindricum</i> Buch.-Ham. Ex D. Don
Kelongmu (in) (keruing)	<i>Dipterocarpus turbinatus</i> Roxb.
Kulianzhi (bead tree)	
Burma: tamaka	<i>Azadirachta indica</i> A. Juss.
Laoshudajiangshu	
Limu (oak)	<i>Quercus</i> spp.

n1 Mianbai is almost indistinguishable from Dabaishu.

Chinese name (and other common names)**Accepted scientific name**

Lengshan (fir)	<i>Abies delavayi</i> var. <i>nukiangensis</i> (W. C. Cheng & L. K. Fu) Farjon & Silba
Maisuo	<i>Hopea</i> spp.
Mianbai ⁿ¹	<i>Michelia champaca</i> Linn.
Matihe	<i>Exbucklandia populnea</i> (R.Br. ex Griff.) R. W. Brown
Mulianhuashu	<i>Manglietia</i> sp.
Mumian (silk cotton tree)	<i>Bombax ceiba</i> Linn.
Nanmu	<i>Phoebe nanmu</i> (Oliv.) Gamble
Nianzao	<i>Chukrasia tabularia</i> A. Juss.
Qingsong	<i>Pinus griffithii</i> Mcclelland in Griff.
Qiumu (Chinese bean tree)	<i>Catalpa fargesii</i> f. <i>duclouxii</i>
Shanan	<i>Zelkova schneideriana</i> Hand. Mazz.
Shanxiangguo	<i>Lindera metcalfiana</i> var. <i>dictyophylla</i> (C.K. Allen) H. P. Tsui
Shuidonggua	<i>Alnus ferdinandi-coburgii</i> C. K. Schneider
Suanzhimu (Burma rosewood)	<i>Dalbergia oliveri</i> Prain
Tiechun	<i>Chukrasia tabularia</i> A. Juss.
Tiejianshao	<i>Shorea</i> spp.
Tieshan (Himalayan hemlock)	<i>Tsuga dumosa</i> (D. Don.) Eichler
Tusha (coffin tree)	<i>Taiwania cryptomerioides</i> Hayata
Wolumu	
Wujiaofeng	<i>Acer pictum</i> Thunb. subsp. <i>mono</i> (Maxim) H. Ohashi
Wujiaoxing	<i>Juglans</i> spp.
Xiananhua	<i>Betula</i> spp. ⁵¹⁵
Xianbo (Wilson juniper)	<i>Juniperus pingii</i> var. <i>wilsonii</i> (Rehder) Silba
Xiangchun (Chinese cedar)	<i>Toona sinensis</i> (A. Juss.) Roem.
Xiangzhang	<i>Cinnamomum glanduliferum</i> (Wall.) Nees.
Xinanhua	<i>Betula alnoides</i> Buch.-Ham ex D. Don
Yulinchun	<i>Toona</i> spp.
Youmu (teak)	
Burma: kyun ⁵¹⁵	<i>Tectona grandis</i> L. f.
Zhasang	<i>Morus</i> spp.
Zitan (Burma padauk)	<i>Pterocarpus macrocarpus</i> Kurz.

13.4 Appendix IV: FLEG Documentation

The 2001 Bali Declaration (English):

http://www.illegal-logging.info/uploads/Bali_ministerial_declaration.pdf

The 2001 Bali Declaration (Chinese):

http://www.illegal-logging.info/uploads/Bali_Declaration_Chinese.doc

Memorandum of Understanding between the governments of China and Indonesia Concerning Cooperation in Combating Illegal Trade of Forest Products (December 2002):

<http://www.dephut.go.id/index.php?q=id/node/1701>

COM (2003) 251 Final Communication from the Commission to the Council and the European Parliament Forest Law Enforcement, Governance and Trade (FLEGT) Proposal for an EU Action Plan: http://ec.europa.eu/development/icenter/repository/FLEGT_en_final_en.pdf

The 2003 Yaoundé Declaration: http://siteresources.worldbank.org/INTFORESTS/Resources/AFLEGMinisterialDeclaration_English.pdf

The 2005 St Petersburg Declaration: http://siteresources.worldbank.org/INTFORESTS/Resources/FLEG_brochure_Final.pdf

Council Regulation (EC) No 2173/2005 on the Establishment of a FLEGT Licensing Scheme for imports of timber into the European Community: http://ec.europa.eu/development/icenter/repository/B2_FLEGT_regulation_OJ_en.pdf

CCPCJ Resolution 16/1: International cooperation in preventing and combating illicit international trafficking in forest products, including timber, wildlife and other forest biological resources (April 2007):

http://www.ditjenphka.go.id/article_file/Resolusi%2016.doc

The World Bank Forest Law Enforcement and Governance Program Review of Implementation (10 August 2007):
<http://siteresources.worldbank.org/INTFORESTS/Publications/21639793/FLEGReview.pdf>

Summary and Conclusion of the September 2007 EU-China Conference, English:
<http://www.eu-china-fleg.cn/Chairman%20summary%20and%20conclusions%20ver%2024%20sep%20final.pdf>

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EU FLEGT Briefing Notes:
http://ec.europa.eu/development/policies/9interventionareas/environment/forest/flegt_briefing_notes_en.cfm

Memorandum of Understanding between the Government of the United States of America and the Government of the People's Republic of China on Combating Illegal Logging and Associated Trade (April-May 2008):
http://www.ustr.gov/sites/default/files/US-China%20MOU%20to%20Combat%20Illegal%20Logging_0.pdf

The Lacey Act (Amended May 2008):
<http://www.eia-global.org/PDF/background—redlinedLaceyamndmnt—forests—may08.pdf>

Commission Regulation (EC) No 1024/2008 laying down detailed measures for the implementation of Council Regulation (EC) No 2173/2005 on the establishment of a FLEGT licensing scheme for imports of timber into the European Community: http://ec.europa.eu/development/icenter/repository/Com_Reg_1024-08_en.pdf

EU-China Bilateral Coordination Mechanism on Forest Law Enforcement and Governance (30 January 2009): http://www.cbfp.org/docs/news/mars_avril2009/FLEG_EU-China.pdf

13.5 Appendix V: Interim Measures to Manage Timber and Mineral Cooperation between Myanmar and Yunnan Province (unofficial translation of key articles)

Issued by Office of Yunnan Provincial People's Government, on May. 11, 2006

Category: Policy Reference number: Policy Office, Yunnan, [2006] 91

To each prefecture, municipality of people's government, provincial committee, offices and bureaus and relevant units of central government based in Yunnan and large-scale enterprises (groups). The provincial government has agreed on the issuance of 'Interim Measures to Manage Timber and Mineral Cooperation between Myanmar and Yunnan Province'. Hereby it is printed for your knowledge and future compliance.

Office of Yunnan Provincial People's Government, May 11, 2006

In order to regulate cooperation between Myanmar and Yunnan timber and mineral industries and promote sustainable development, and in accordance with the relevant State provisions and the spirit of the first meeting on China-Myanmar Forestry and Mining Cooperation the following measures were put in place (below referred to as "the methods").

Article 1: Implement Verification System for Myanmar-China cooperation on timber and mineral projects

1. All Myanmar timber and mineral cooperation projects agreed after this date (including compensation trade projects) must apply for approval before they are implemented.
2. The Provincial Bureau of Commerce is the main competent authority for regulating Chinese timber and mineral cooperation projects in Myanmar State and municipal departments are responsible for the initial evaluation of the cooperation projects. Having passed the initial evaluation, the projects will be passed on to provincial bureau of commerce for verification. The provincial bureau of commerce will issue the approval certificate to qualified projects.
3. Application material:
 - Application form.
 - Agreement/ contract of cooperation project endorsed by Myanmar government.
 - Enterprise business licence, proof of

qualification for foreign trade or economic and technical cooperation.

Article 2: Enterprises, which purchase timber and mineral products directly, must register at the provincial bureau of commerce. State and municipal bureau of commerce are responsible for the verification, selection, and recommendation of eligible enterprises. It is recommended that in the 6 prefectures boarding with Myanmar there should not be more than 5 business registers. In principle, enterprises from other states and municipalities are not eligible for registration. Registration is valid for 1 year.

Article 3: Issuance of Licence for Myanmar-China Timber and Mineral Trade

Enterprises, which have successfully registered, need to apply for importing certificate at the provincial bureau of commerce. The following application materials are needed:

1. For cash trade: a registration certificate and trade agreement with the relevant government department of Myanmar.
2. For Chinese enterprise operating in Myanmar: a verification certificate.

Article 4: Managing the movement of goods and labour across the China-Myanmar border:

1. Shipments of timber can pass customs accompanied by an importation certificate issued by the provincial bureau of commerce.

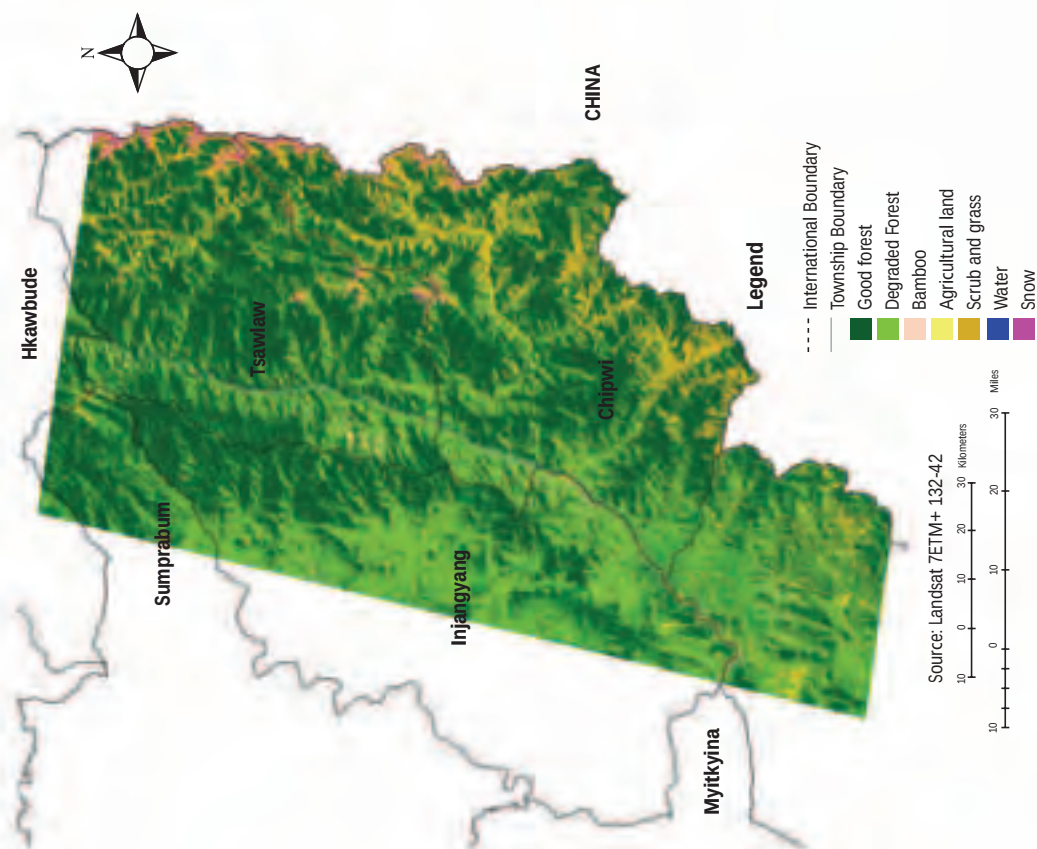
Article 7: Strengthening the management of transportation and processing of timber. Enterprises and individuals should use customs declaration forms to apply for conveyance certificates for imported timber. They also need to apply for conveyance certificates for transporting the timber in Yunnan province once having passed the border. Enterprises and individuals that intend to carry out processing activity need to apply for a certificate for processing imported timber. Non-compliance could lead to the confiscation of goods and other penalties.

Article 8: A levy is put on timber imported from Myanmar based on the customs duty-paid price for an afforestation fund. Please refer to the "Provisional Measures on collecting afforestation levy on the Cross-Border timber trade of Yunnan Province" for specific requirements (Cloud [2006] No. 42).

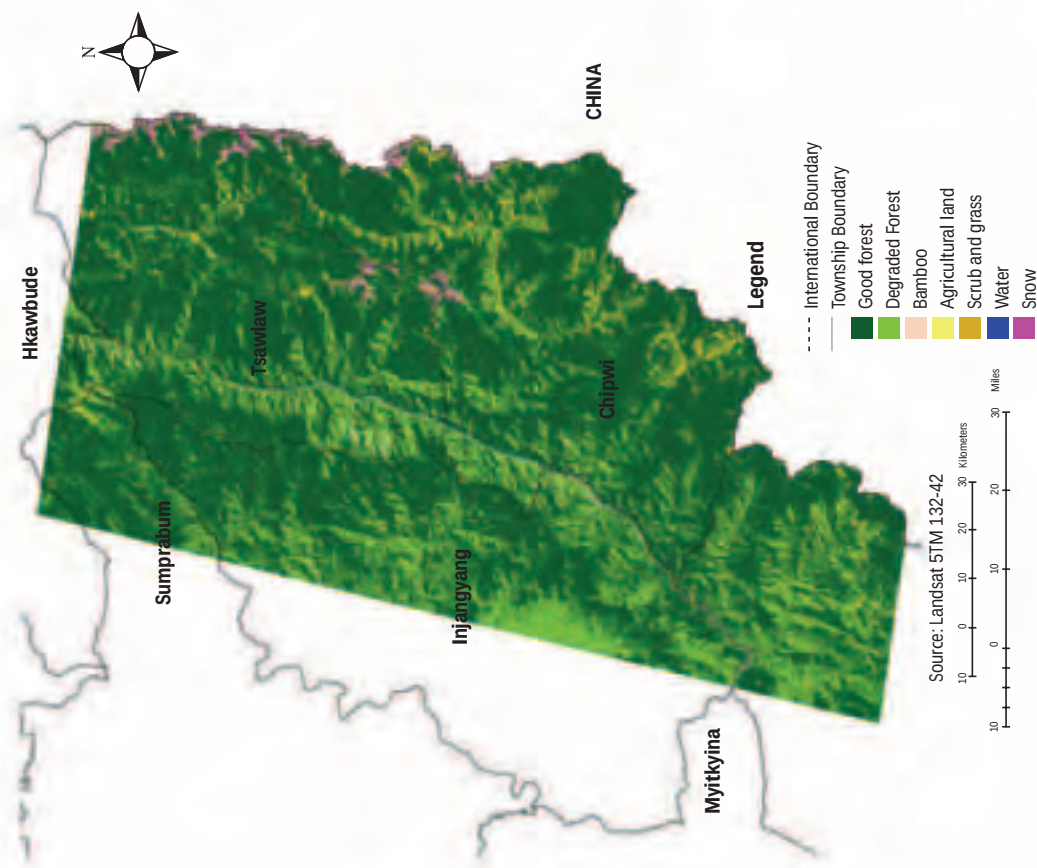
Article 9: These measures come into force upon promulgation.

13.6 Appendix VI: Land cover maps of eastern Kachin State (1991 and 2005)

Land cover map of Eastern Kachin State (2005)
(Landsat 7ETM+ 132-42)

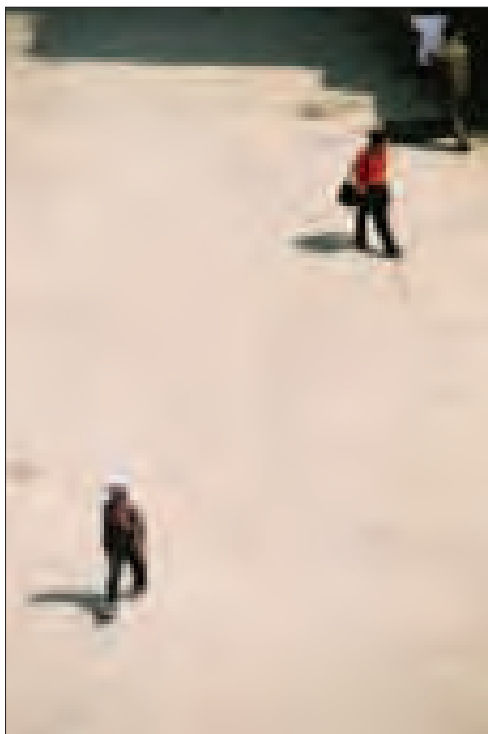


Land cover map of Eastern Kachin State (1991)
(Landsat 5TM 132-42)



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15 GLOBAL WITNESS REPORTS (2009)

A Decade of Experience: Lessons learned from Independent Forest Monitoring to inform REDD. (Out Soon)

Independent Forest Monitoring (IFM) has been developed by Global Witness over the past decade to monitor the forest sector including logging, legal compliance, and forest law enforcement. Through the provision of publicly accessible and objective information, on the control of activities in the forest sector, IFM encourages good governance, increases transparency, and supports forest law enforcement; all key to Reducing Emissions from Deforestation and forest Degradation (REDD). *'A Decade of Experience'* presents a detailed review and analysis of lessons learned from implementing IFM in the field. The analysis also provides the basis for the Global Witness report, *'Monitoring for REDD Implementation: Beyond Carbon MRV'*.

Monitoring for REDD Implementation: Beyond Carbon MRV. (Out soon)

'Monitoring for REDD Implementation' is intended to inform the development of a monitoring, reporting, and verification system for REDD based on lessons learned from existing systems, particularly IFM and the Extractive Industries Transparency Initiative (EITI). The report recommends the establishment of national systems for independent monitoring of REDD (IM-REDD) as part of a comprehensive monitoring system, founded on multi-stakeholder processes, to ensure the successful implementation of REDD at national and local levels.

Trick or Treat: REDD, Development and Sustainable Forest Management. (September 2009)

'Trick or Treat' argues that the inclusion of 'sustainable forest management', a euphemism for industrial-scale logging, in a global deal on climate change could spell disaster not only for the future of the world's forests but also for the climate.

Fuelling Mistrust: The need for transparency in Sudan's oil industry. (September 2009)

The 2005 peace agreement which brought to an end the conflict between north and south Sudan – one of Africa's longest-running and most bloody wars – was based on an agreement to share oil revenues. 'Fuelling Mistrust' is the first public analysis of Sudan's oil figures and Global Witness' first report on Sudan. It documents how the oil production figures underpinning the peace agreement don't add up.

Faced with a gun, what can you do? War and the militarisation of mining in eastern Congo. (July 2009)

Based on Global Witness field research in eastern Democratic Republic of Congo, this report describes the involvement of armed groups and the Congolese national army in the mineral trade in North and South Kivu. The desire to gain or retain control of the region's tin ore, coltan and gold mines continues to be one of the main factors prolonging the armed conflict. *'Faced with a gun'* highlights the role of European, Asian, and other companies who are buying these minerals, their failure to carry out due diligence to ensure that their trade is not fuelling the conflict, and the refusal of governments to hold these companies to account.

Vested Interests: Industrial logging and carbon in tropical forests. (June 2009)

'Vested Interests' argues that REDD funds should not be used to finance industrial-scale logging, or sector reform. The report warns that 'sustainable forest management' is acting as a stalking horse for industrial logging and makes the case that industrial-scale logging is not sustainable i.e. industrial-scale logging cannot meet, *"the needs of the present without compromising the ability of future generations to meet their own needs"*.ⁿ²

According to the Stern 'Review on the Economics of Climate Change', issued on 30 October 2006, "[Greenhouse gas] Emissions from deforestation are very significant – they are estimated to represent more than 18% of global emissions, a share greater than is produced by the global transport sector". The

n2 This is the World Commission on Environment and Development definition of sustainable development.

majority of this deforestation takes place in the tropics. These forests also act as a vast carbon sink (1.3 billion tonnes each year during recent decades, across all tropical forests).⁵¹⁶ From a climate change perspective therefore, it is of vital importance to keep forests standing. Negotiators at the United Nations Framework Convention on Climate Change are aiming to reach a global deal on climate change in Copenhagen, in December 2009. As a result, billions of dollars could soon be made available for REDD activities.

The degradation of tropical forests by industrial logging companies, including those operating legally, is a significant source of greenhouse gas emissions, thereby contributing to global warming. In addition, the carbon stock of forests subject to industrial logging, even of a selective nature, is on average significantly less than the carbon stock of natural, undisturbed forests. Worse still, roads and other infrastructure, built to facilitate industrial-scale logging, open up the forest to further exploitation, often leading to deforestation and permanent conversion and yet more greenhouse gas emissions.

Undue Diligence: How banks do business with corrupt regimes. (March 2009)

'Undue Diligence' names some of the major banks that have done business with corrupt regimes. By accepting these customers, banks are assisting those who are using state assets to enrich themselves or brutalise their own people. This corruption denies the world's poorest people the chance to lift themselves out of poverty and leaves them dependent on aid. The report sets out what governments, regulators, and banks need to do in order to tackle this complicity with corruption.

Country for Sale: How Cambodia's elite has captured the country's extractive industries. (February 2009)

'Country for Sale' details how rights to exploit oil and mineral resources in Cambodia have been allocated behind closed doors by a small number of powerbrokers surrounding the prime minister and other senior officials. The beneficiaries of many of these deals are members of the ruling elite or their family members. Meanwhile, millions of dollars paid by oil and mining companies to secure access to these resources appear to be missing from the national accounts.

Illegal logging in the Río Plátano Biosphere: A farce in three acts. (January 2009)

'A farce in three acts' describes how, between 2006 and 2007, the authorities in Honduras promoted illegal logging on a large scale. Poor governance in forest management is threatening Río Plátano, the country's largest protected area and a 'Man and the Biosphere Reserve' accredited by UNESCO,ⁿ³ and jeopardising the livelihoods of local communities.

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Acknowledgements

Global Witness would like to acknowledge the organisations and individuals that have generously contributed to this report. They know who they are.

A particular debt of gratitude is owed to the staff of the blue moon fund for their continued support and patience. Thanks also to our researchers, in Burma and in China, and to James Hewitt, independent consultant, who provided the analysis of trade data presented in this report.

The blue moon fund

This product has been prepared with the financial assistance of the blue moon fund. The views expressed, the information and material presented, and the geographical and geopolitical designations used in this product do not imply the expression of any opinion whatsoever on the part of the blue moon fund.

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Printed on 100% unbleached recycled paper.

Front cover photograph: Loading Burmese logs, Sudien, China; January 2007

Back cover photograph: Tractor with Burmese logs, Tse Tse, China; January 2007

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ISBN 'A Disharmonious Trade':
978-0-9562028-3-3
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n3 UNESCO's Man and the Biosphere Programme aims, "to improve the relationship of people with their environment globally." It, "targets the ecological, social and economic dimensions of biodiversity loss and the reduction of this loss. It uses its World Network of Biosphere Reserves as vehicles for knowledge-sharing, research and monitoring, education and training, and participatory decision-making." For more information please see: http://portal.unesco.org/science/en/ev.php-URL_ID=6393&URL_DO=DO_TOPIC&URL_SECTION=201.html



Tractor with Burmese logs, Tse Tse, China; January 2007