

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),¹⁵ 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,¹⁶ approximately one seventeenth that of the U.S.⁴¹⁹ Indeed, some analysis suggests that China’s total timber consumption,¹⁷ 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 timber¹⁸ 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.¹⁸

¹⁵ 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.

¹⁶ 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.

¹⁷ Consumption = imports + production – exports.

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

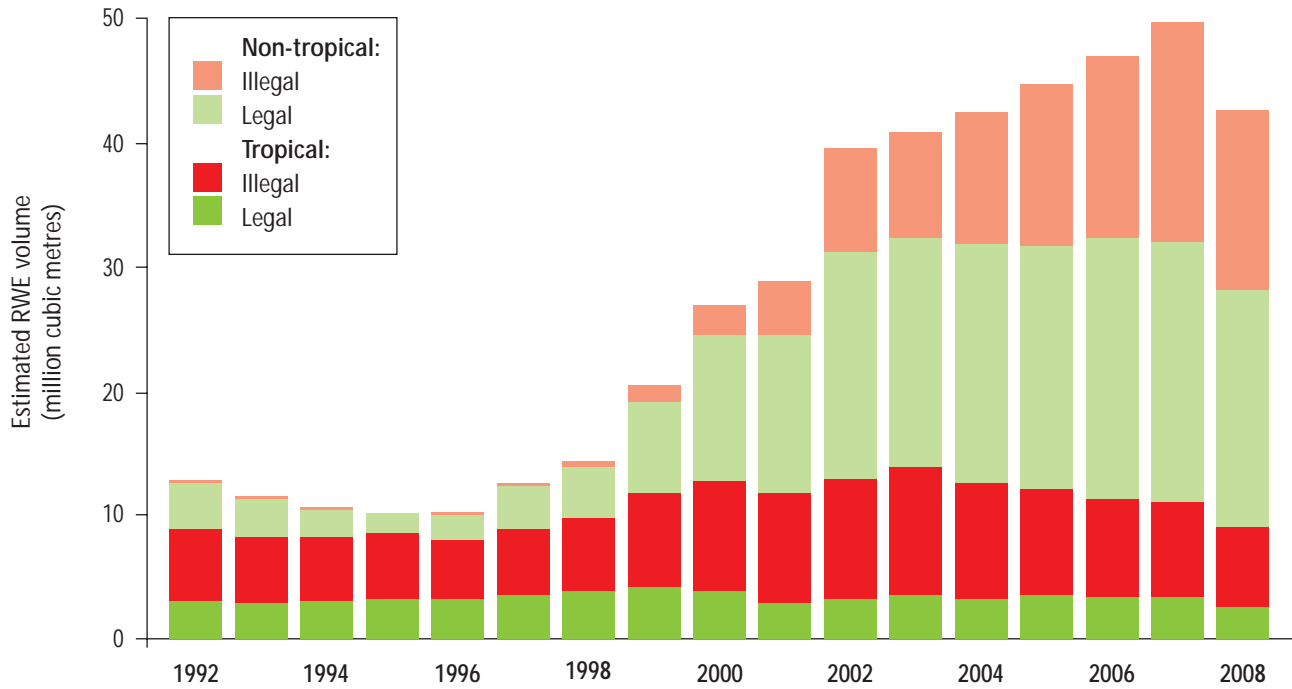
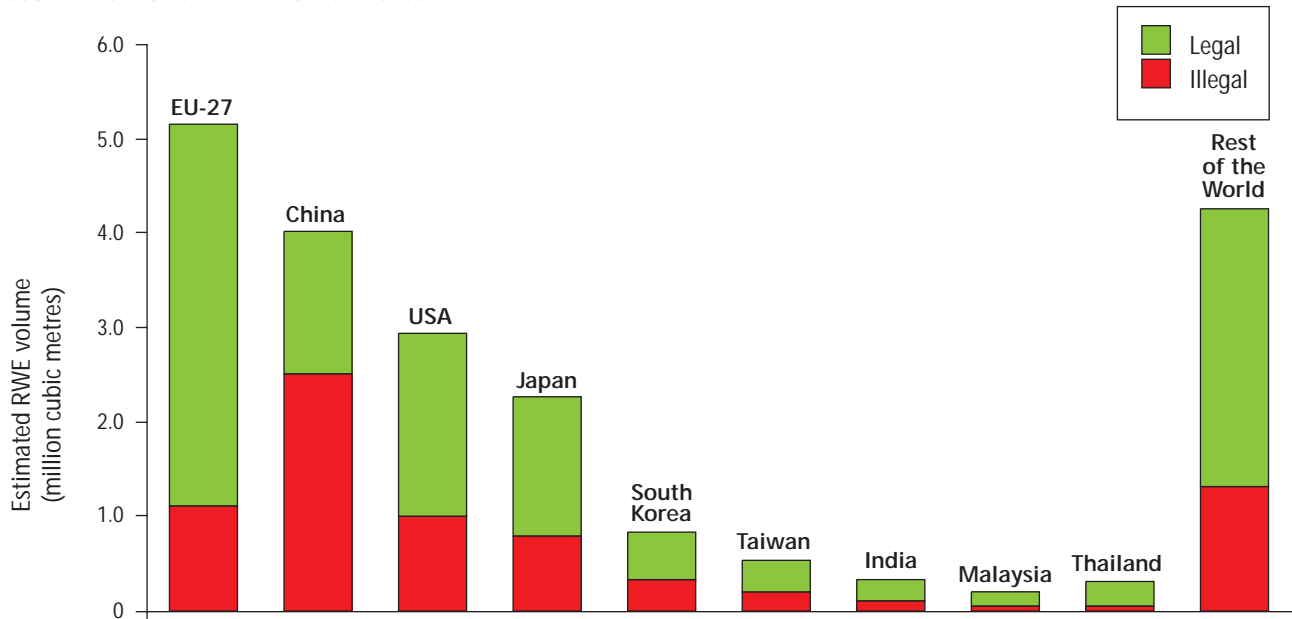


CHART 10: IMPORTS BY THE TIMBER SECTOR FROM HIGH RISK COUNTRIES¹⁹ OUTSIDE THE EU.

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.

¹⁸ 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>

¹⁹ 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

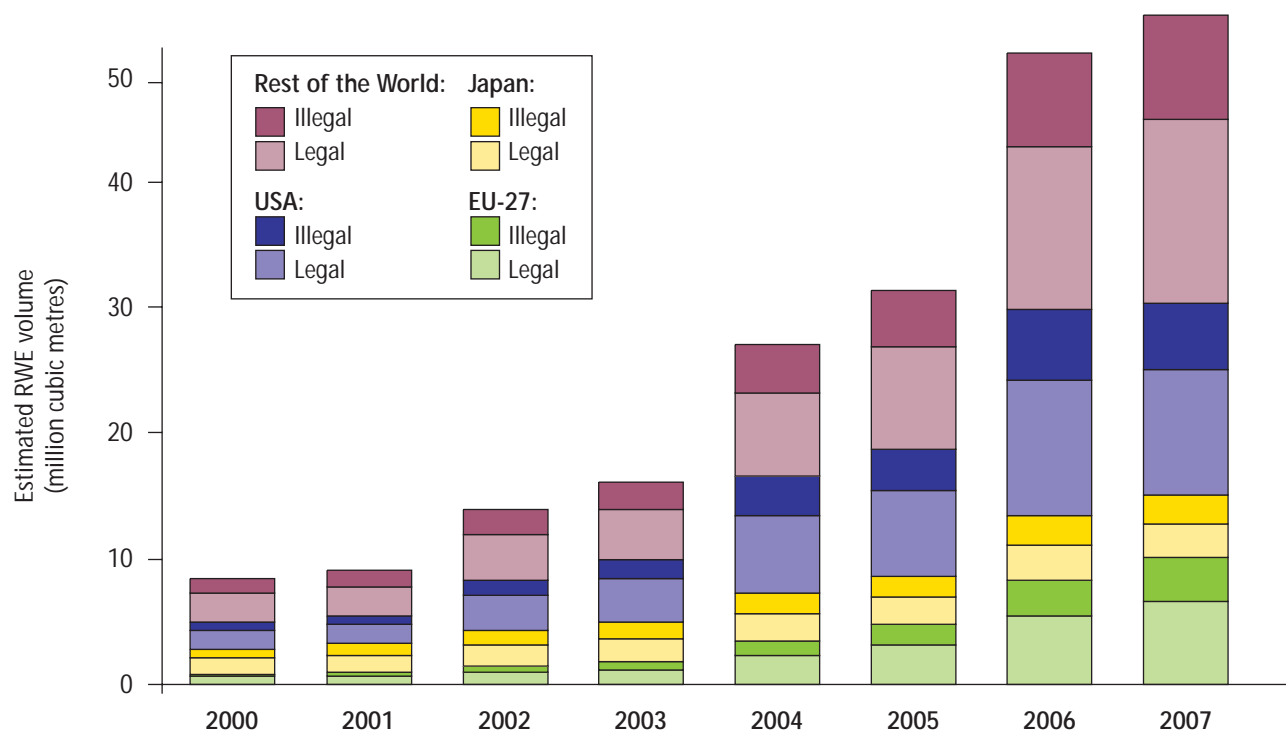
j2 For more information please see: Brendan G. Mackey, Heather Keith, Sandra L. Berry and David B. Lindenmayer, Green Carbon – The role of natural forests in carbon storage, 2008.

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 Arnaldo 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*”.¹⁹ 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

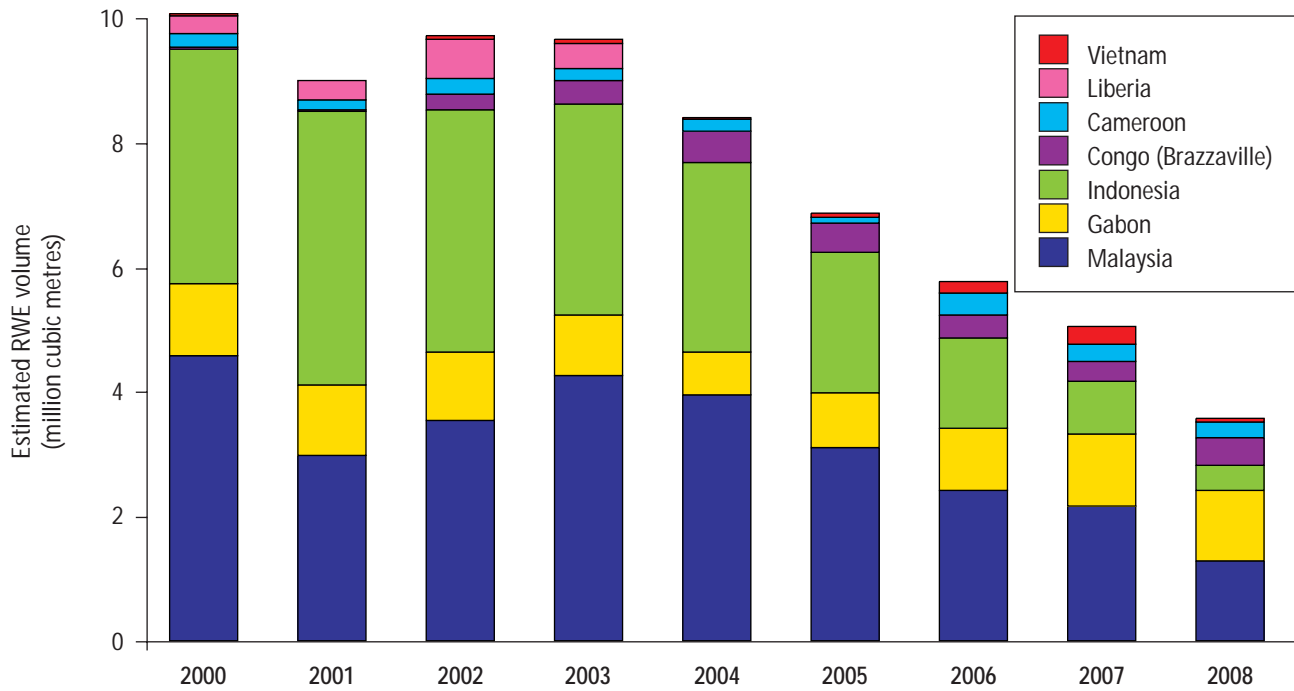
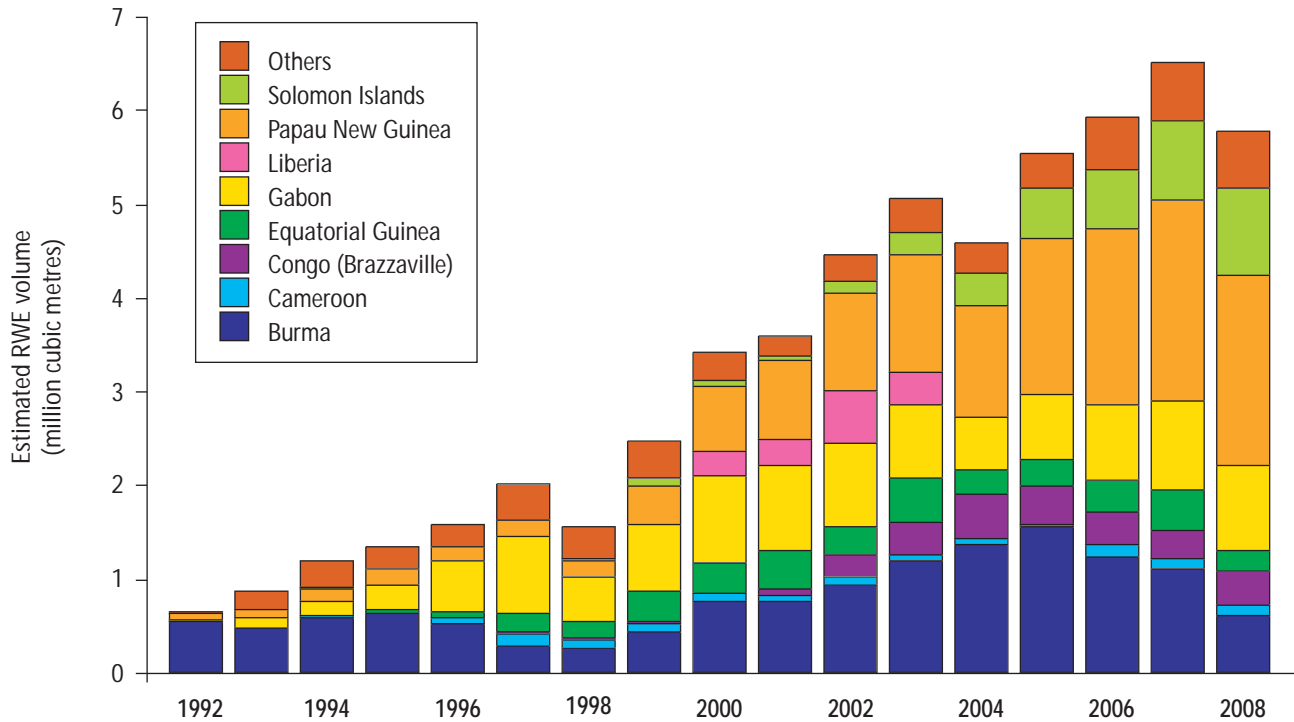


CHART 13: CHINA IMPORTS OF ILLEGAL TIMBER (BY SUPPLYING COUNTRY-EXCLUDING INDONESIA AND MALAYSIA). SOURCE: BASED ON CHINESE CUSTOMS DATA



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/AREports/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 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

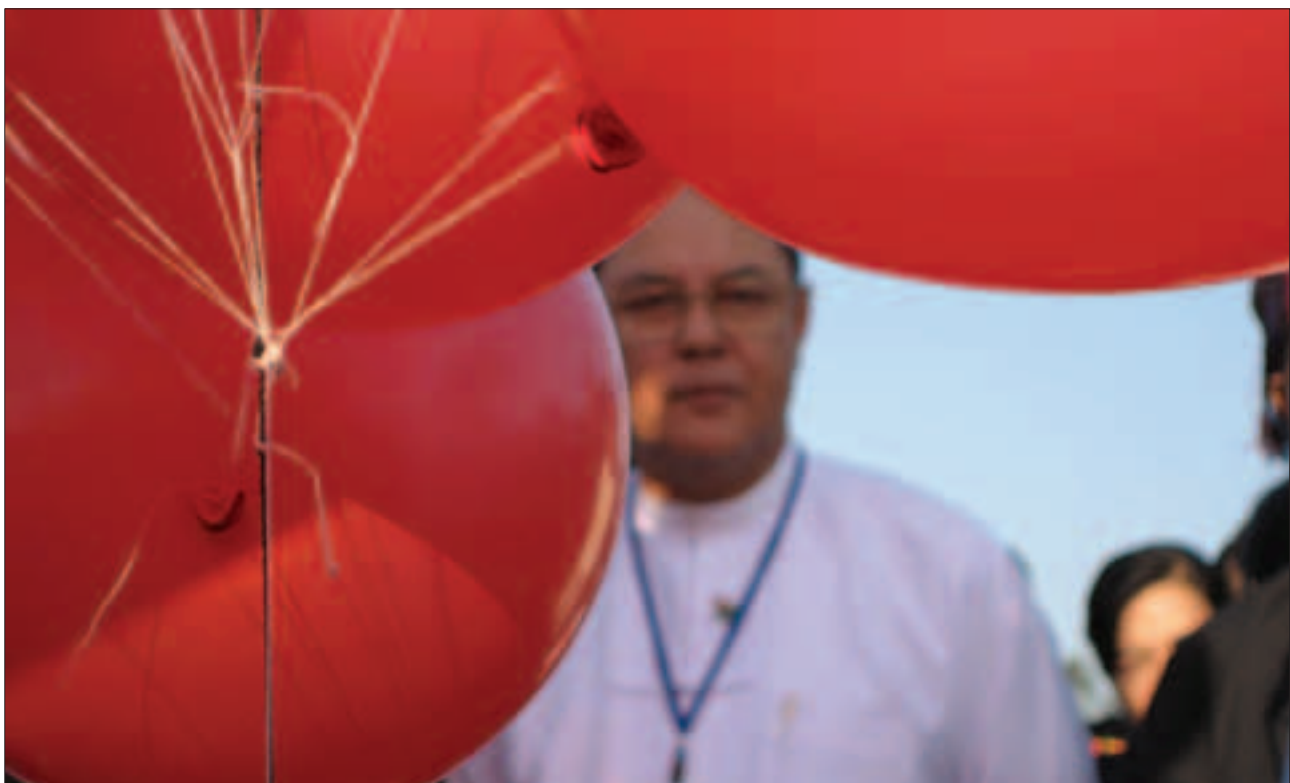
According to the European Commission website: “*The prime goal of the EU is to see a legitimate, democratically elected civilian government established in Myanmar (Burma) - a government which pursues*



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>chrysothri</i>
Chunmu	
Burma: thitkado ⁵¹⁵	<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.
Jidanhuang (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 ¹	<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.