

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<sup>a1</sup> is currently run by the military in the form of the State Peace and Development Council (SPDC).<sup>a2</sup> The human rights abuses committed by the regime, in particular against the ethnic minority peoples, have been well documented and are abhorrent.<sup>a3</sup>

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”.<sup>a4, 1</sup> 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,<sup>2</sup> has been widely condemned by the international community.<sup>3</sup> UN Secretary General Ban Ki-moon said the case brought into question the, “*credibility of the political process*” in Burma.<sup>4</sup>

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.<sup>5</sup> 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

<sup>a1</sup> 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.

<sup>a2</sup> Formerly the State Law and Order Restoration Council (SLORC)

<sup>a3</sup> 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](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’<sup>a5</sup> (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 mining<sup>6</sup> 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.<sup>a6</sup> 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.

<sup>a4</sup> People imprisoned solely for their peaceful political or religious beliefs; that have not used or advocated the use of violence.

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

<sup>a6</sup> 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?”<sup>a7</sup>*  
 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).<sup>a7</sup>
- 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 m<sup>3</sup> 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 m<sup>3</sup> to only 170,000 m<sup>3</sup> 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 m<sup>3</sup> 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.<sup>8</sup>
- 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.<sup>5</sup>
- In 2008, China’s imports of selected timber products from Burma, ‘not directly overland’, at 219,000 m<sup>3</sup> 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).

<sup>a7</sup> 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.”*<sup>9</sup> 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.*”<sup>10</sup> 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.<sup>11</sup> 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.”*<sup>12</sup> 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.*”<sup>13</sup> 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*”.<sup>14</sup>

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.”*<sup>15</sup> 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.<sup>16</sup> 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.<sup>17</sup> 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.<sup>18</sup> 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.”*<sup>19</sup> Forest Law Enforcement Governance and Trade (FLEGT) is discussed in full in Section 11.2.2 (pages 104-106). The U.S. Lacey Act,<sup>20</sup> 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.”*<sup>21</sup> 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.<sup>a8</sup> 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,<sup>22</sup> 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,<sup>8</sup> 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,<sup>8</sup> 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).<sup>a9</sup> 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,<sup>23</sup> in accordance with the Vientiane Action Programme 2004-2010.<sup>b1,24</sup>

#### 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.

<sup>a8</sup> Recommendations relating to Burma are, in several cases, relevant to other countries where the Chinese authorities and industries have dealings.

<sup>a9</sup> 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](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.<sup>b2</sup>
- 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.<sup>b3</sup>
- 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.<sup>25</sup> Information relating to Member States' use of the United Nations Convention against Transnational Organized Crime (2003)<sup>26</sup> and the United Nations Convention against Corruption (2005)<sup>27</sup> 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.

<sup>b1</sup> 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>

<sup>b2</sup> Although this report focuses on Kachin State, recommendations relating to Kachin State could be applied usefully to other states and divisions throughout Burma.

<sup>b3</sup> 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)
AOSIQ	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	KSP	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

## PART A: GLOBAL WITNESS RESEARCH AND INVESTIGATIONS IN CHINA 2006-09

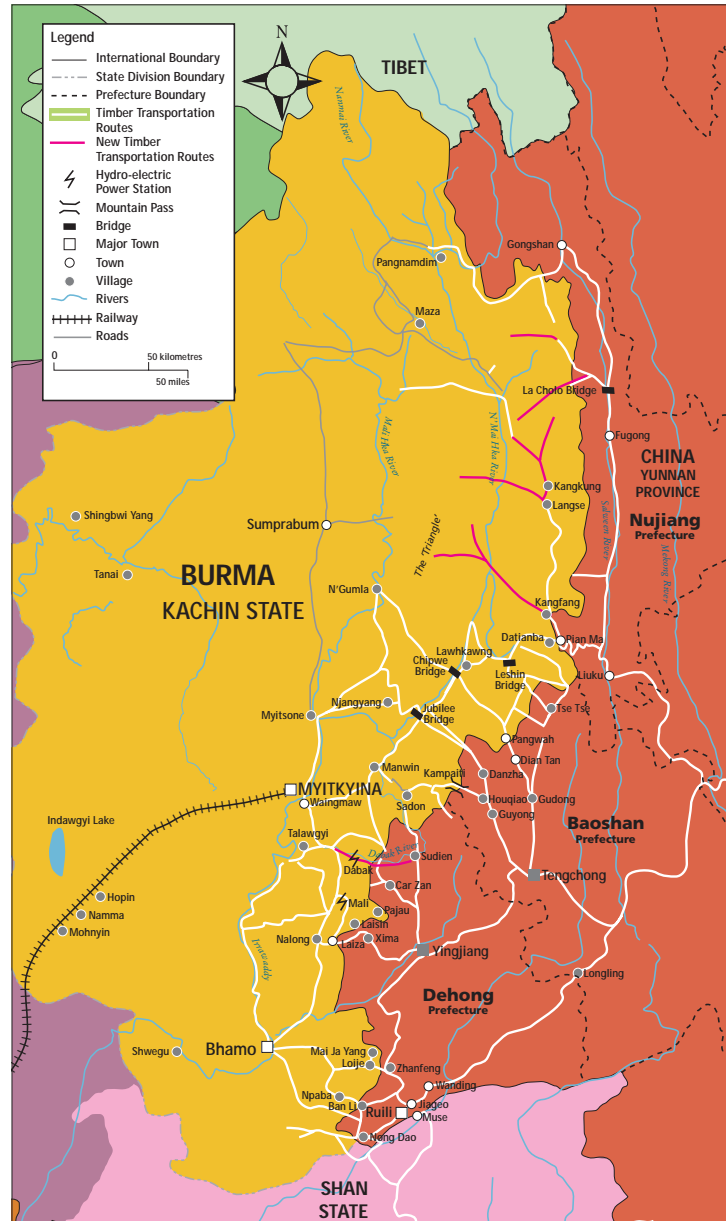
### 6 THE BURMA-CHINA TIMBER TRADE

*"I am most afraid of getting caught by the Burmese military government army. [...] We avoid them by having many scouts working around the military camps. Every big logging company has a walkie-talkie system to pass on information and news between the logging workers and to tell them what to do, to stay or to move out, or to hide somewhere – it all depends on the movements of the military"* Logger, Nabang, Dehong Prefecture, May 2006

Broadly speaking, timber from Burma enters China by two routes: government-sanctioned exports from Rangoon shipped by sea to China, and exports across the land border between the two countries, the majority of which is currently illegal according to Burmese law. Global Witness' October 2005 report *'A Choice for China'* focused mainly on the illegal timber trade across the land border. The report was initially met by denials from the Burmese and Chinese authorities, followed, after a few weeks, by acceptance on both sides that there was a problem, and action to address the illegal cross-border timber trade.

On 18 October 2005, in response to *'A Choice for China'*, China's foreign ministry claimed that it contained a lot of, *"untruthful information"*. According to press reports, the ministry went on to say that China does not allow its citizens, *"to conduct illegal deforestation activities and trade across the border"*.<sup>28</sup> A day later, The London Embassy of the Government of Myanmar issued a press release denying that any illegal timber trade took place between the two countries.<sup>29</sup> Subsequently, the Minister for Information, Brigadier General Kyaw Hsan, took a similar position at a press conference held in Rangoon on 24 October. He said, amongst other things, *"Meanwhile some foreign broadcasting stations broadcast instigations and fabrications in various forms and ways profusely. False accusations were made to the effect that there was deforestation in Myanmar due to illegal timber trade at border areas."*<sup>30</sup>

According to the New Light of Myanmar, *"On 21 November, Minister Brig-Gen Thein Aung [Minister for Forestry] met with Chinese Minister of Forestry Mr Zhou Shengxian. On 24 November, Minister Brig-Gen Thein Aung met with Governor of Yunnan Province Mr Xu Rangkai, Vice-Governor Mr Lin Ping and departmental heads, and discussed combating of illegal timber trade at the border of the two countries, matters related to normal trade, cooperation in prevention of forest fires, exchange of*



*forest technology between the two countries and investment in timber and bamboo based industries in Myanmar. On 22 and 23 November, the minister toured wood-based factories in Yunnan Province."*

The minister was accompanied on his trip by Director-General U Than Swe of the Planning and Statistics Department and the Managing Director of the Myanmar Timber Enterprise (MTE), U Win Tun.<sup>b4, 31</sup>

<sup>b4</sup> This sequence of events was later confirmed, on 10 February 2006, at a meeting held between Global Witness and senior officials from the Myanmar Ministry of Forestry and the MTE.

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.<sup>32</sup> 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.*”<sup>b5, 33, 34</sup>

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*”.<sup>35</sup> In a separate communiqué a spokesperson from the Chinese government stated that it will, “*firmly crack down on illegal deforestation and illegal imports*”.<sup>36</sup> 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].*”<sup>37</sup>

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*”.<sup>38</sup> On 27 March, the Yunnan Public Security Border Defence Brigade (YPSBDB)<sup>b6</sup> 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.<sup>39</sup>

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.<sup>40</sup> 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.<sup>41</sup> 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.<sup>42</sup>

<sup>b5</sup> 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 m<sup>3</sup> 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 m<sup>3</sup>. Almost all of these exports were illegal.

<sup>b6</sup> 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 m<sup>3</sup> of teak and 1.12 million m<sup>3</sup> 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.<sup>5</sup>

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 m<sup>3</sup> 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 m<sup>3</sup> 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*).<sup>b7</sup>

The overall trend in Chinese imports and Burmese exports of timber, 'not directly overland',<sup>b8</sup> 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,<sup>b9</sup> 'not directly overland', at 219,000 m<sup>3</sup> RWE, were just under 30% greater than that recorded as exports by Burma (an average of 172,000 m<sup>3</sup> 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

<sup>b7</sup> 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.

<sup>b8</sup> Burma's timber exports 'not directly overland' could enter China via other countries or by sea from Rangoon.

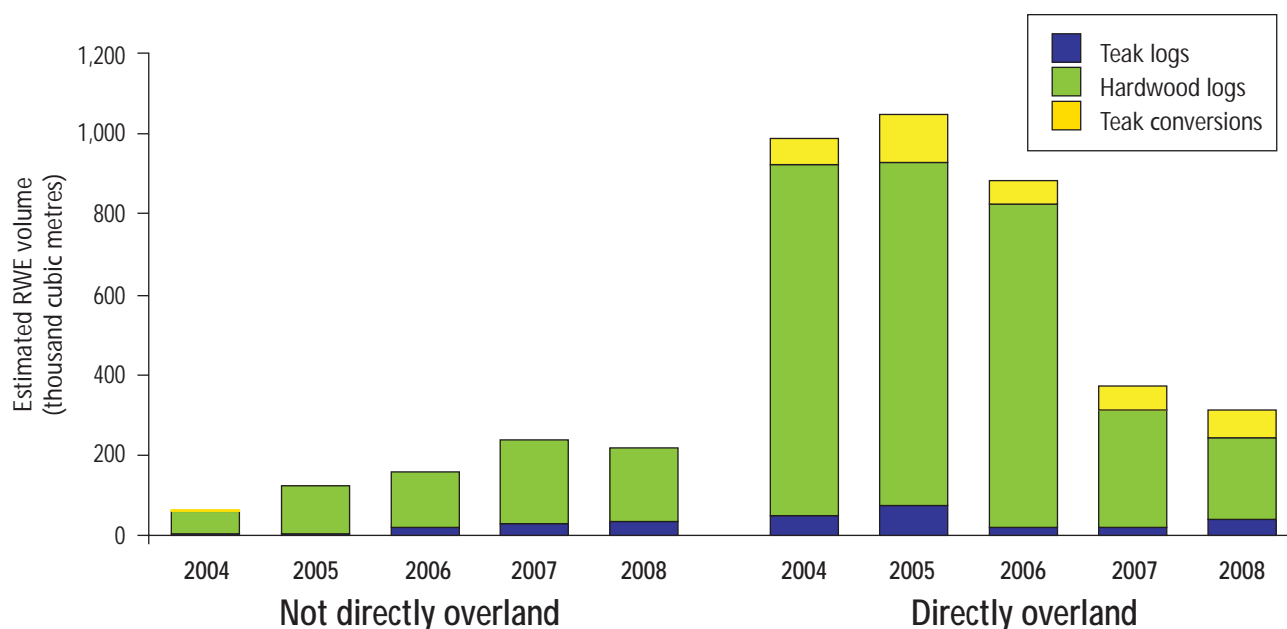
<sup>b9</sup> These categories of timber represent most, but not all, of the trade between Burma and China. The Myanmar Ministry of Forestry did not supply data by volume for other categories such as softwood and processed hardwood.

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 m<sup>3</sup> of processed

teak, 292,000 m<sup>3</sup> of hardwood logs, and 20,000 m<sup>3</sup> of teak logs (a total of 372,000 m<sup>3</sup>) were imported from Burma into China in 2007. The Chinese figures for 2008 were 72,000 m<sup>3</sup>, 204,000 m<sup>3</sup>, and 39,000 m<sup>3</sup> respectively (a total of 315,000 m<sup>3</sup>). 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 m<sup>3</sup> of timber imports (teak logs, hardwood logs and processed teak) whereas Burma recorded exports of only 3,000 m<sup>3</sup> (all processed teak) in 2004-05 and 9,000 m<sup>3</sup> in total in 2005-06. At this time, less than 1% of the cross-border timber trade was considered legal by the Burmese authorities.

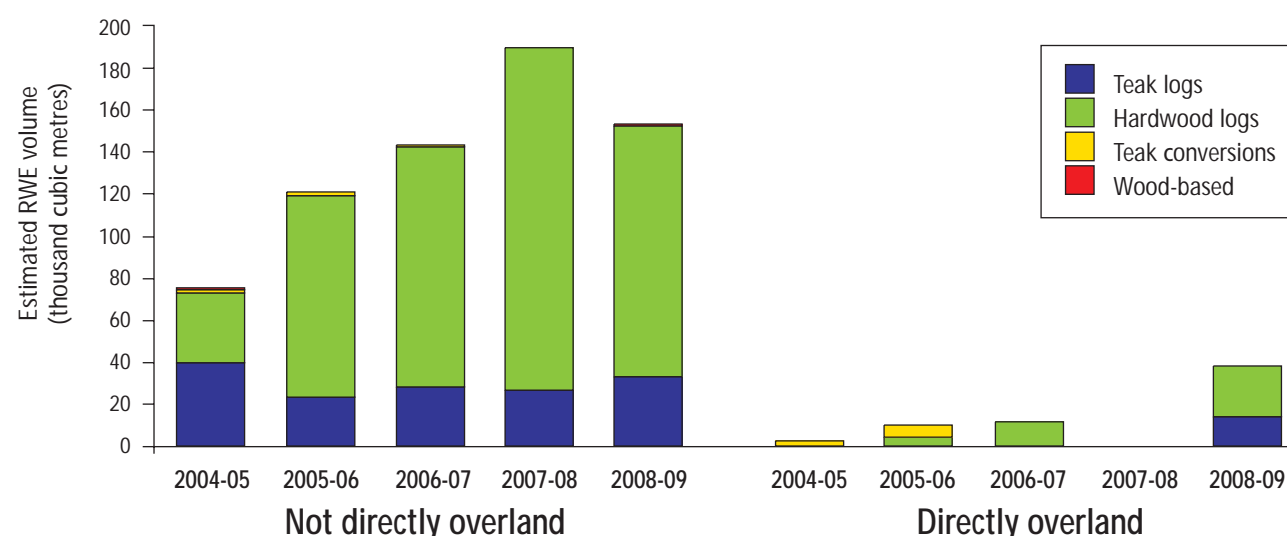
**CHART 1: CHINA'S IMPORTS OF SELECTED TIMBER PRODUCTS FROM BURMA.**

SOURCE: BASED ON CHINESE CUSTOMS DATA



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

SOURCE: MYANMAR MINISTRY OF FORESTRY DATA<sup>43</sup>



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.