

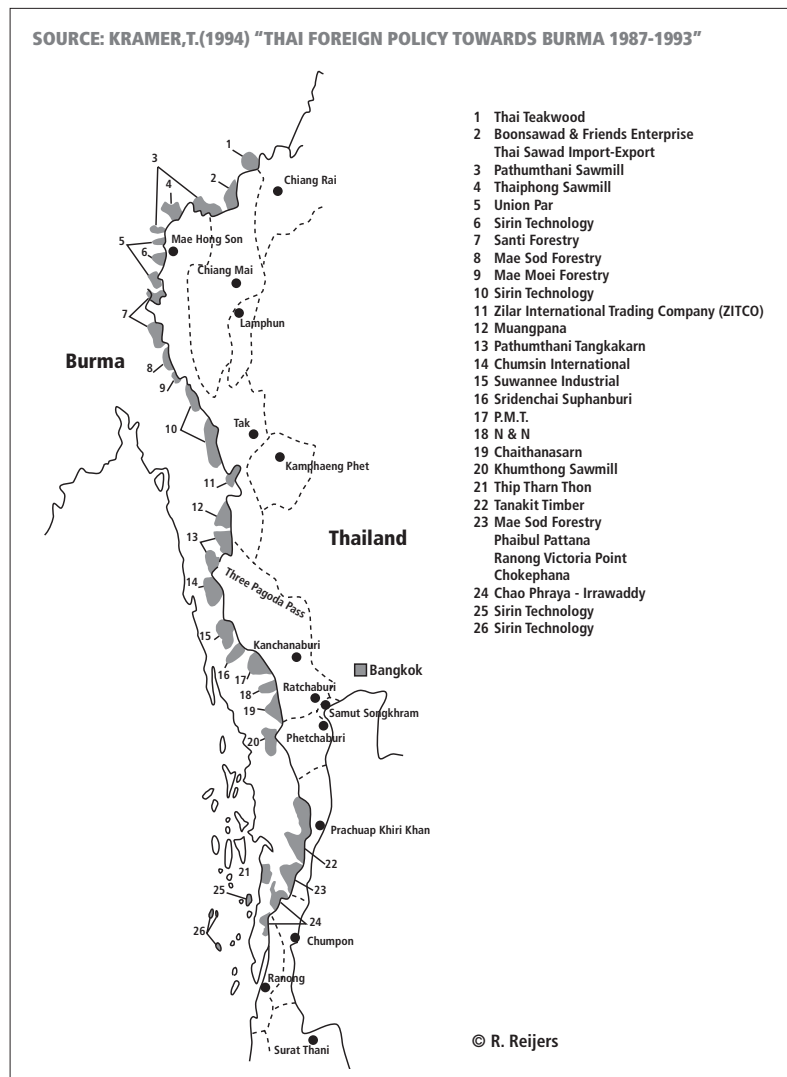
Burma's natural resources. To these interests, Burma became a place to get rich quick, and accordingly, many political fortunes in Thailand have rested on wealth from Burma's natural resources.

Economic cooperation between the two countries has been formalised with the formation of the Thai-Burmese Cultural and Economic Cooperation Association co-Chaired by Thai Deputy Prime Minister Chavalit Yongchaiyudh and Air Marshal Kyaw Than of Burma. In late November 2002 the go-ahead was announced for four huge projects in Burma to be carried out by Thai companies, including a hydroelectric dam on the Salween River in Shan State and a large coalmine in Tenasserim Division opposite Prachuap Khiri Khan. Following a meeting of the association, which is coordinating the projects, Deputy Prime Minister Chavalit, an established beneficiary of Burma's natural resources, is quoted in the Bangkok Post as saying, *"Joint development will make border areas more open and help eliminate bad people, minority people and bad things hidden along the border and ensure greater security."* He went on to say, *"I am certain that Thailand and Burma will be best friends forever. From now on, we will have no conflicts or problems stemming from different viewpoints."*<sup>195</sup>

### 17.3 Thais prioritise logging interests over support for ethnic insurgents

Before 1988, relatively small-scale logging was already an important source of income for insurgent groups on the Thai-Burma border. However, normalisation of the overland trade in timber between Burma and Thailand began in 1988 when the SLORC gave four Thai companies logging concessions in insurgent areas. Thai customs subsequently opened at least 10 border passes to logging traffic.<sup>131</sup>

Later in 1988 on 14 December, General Chavalit, the then Commander in Chief of the Thai armed forces, visited Rangoon with an entourage of over 80 military officers, businessmen and journalists. The visit, coming shortly after the 1988 democratic uprising had great political significance. As General Saw Maung, the SLORC Chairman at the time, commented, General Chavalit became *"the first foreign dignitary to visit us after the new situation developed in Burma."*<sup>131</sup> General Saw Maung promised that Burma would give *"about two-thirds of trade and investment projects to Thailand because it has proven [to be] a true friend"*.<sup>131</sup> This visit resulted in 35 Thai companies being given 47 logging concessions and heralded the start of large-scale logging on the border.<sup>131</sup>



In January 1989 after a series of natural disasters attributed to logging,<sup>196</sup> which resulted in over 350 deaths, the Thai Prime Minister, Chatichai Choonhavan, announced a domestic logging ban. Soon after, the Thai government stated that it would seek ways to increase the import of logs from Burma and Laos to make up the shortfall.<sup>131</sup>

In May 1989 Lieutenant-General Than Shwe, the commander of the Burmese Army, visited Thailand and told Deputy Prime Minister Prapath Limphapandu that Burma wanted to clear the border area as soon as possible for *'security reasons and for the mutual benefit of bilateral trade.'*<sup>197</sup> Now that the personal interests of the Thai elite were subject to continued cooperation with the SLORC, Than Shwe could rely on a more sympathetic hearing for the SLORC's counterinsurgency operations.

Soon afterwards, in a succession of night time manoeuvres, Burmese troops crossed into Thailand, with the tacit approval of elements within the Thai government, to attack Karen and other insurgent troops from behind.<sup>17</sup> At this time the border between Tak Province in Thailand and Burma was controlled by Thai Army's new Task Force 34, which had been set up by General Chavalit.<sup>17</sup>

## 17.4 The timber business and conflict on the Thai-Burma border

*"Systematic and unsustainable felling was carried out in areas largely under the control of insurgent groups such as the Karen National Army and the Mong Tai Army; both of which, paradoxically, have been amongst the most outspoken in their denunciations of environmental destruction caused by the SLORC."*<sup>17</sup> Martin Smith, 1999

Logging along the Thai-Burmese border could not have taken place without the various ethnic insurgents being 'compensated' by the Thai logging companies. This led to informal four-way trade agreements between the Thai government, the Burmese government, Thai businessmen and insurgent groups.

Whilst Rangoon granted concessions, the logging companies had to negotiate with one or more insurgent groups and with other logging companies to operate unhindered on the ground. Insurgent groups taxed the companies demanding 'passage fees' in exchange for safety guarantees. Soon after the concessions were granted it was reported that of the 60 companies operating in insurgent-held territory, only half of them actually held concessions granted by the SLORC.<sup>198</sup>

Between 1988 and 1993, Thai companies paid between \$200 and \$240 per m<sup>3</sup> of timber from the border concessions. The regime itself earned \$80 per cubic metre, whereas insurgent groups, such as the KNU, are estimated to have been paid between \$40 and \$80. Other costs included \$20 to the original logging company, \$12 to Thai Customs, \$24 labour for felling and \$24 for transportation.<sup>9, 199</sup>

The logging companies initially paid the KNPP transport fees of 1500 baht (\$60) per tang (1.6 tons), which at the time they had little option but to accept. However, the KNPP later renegotiated this to 3000 baht (\$120) in November 1989.<sup>x</sup> In addition the group earned a great deal of money from illegal logging in forests outside the concession areas.<sup>128</sup> Mon insurgents were reported to charge 3,000 baht (\$120) in 1989 but by 1990 they were charging 5,000 baht (\$200) per ton of wood for passage fees. At the Three Pagodas Pass passage fees were paid to both the KNU and the NMSP.<sup>200, 201</sup>

According to the state-run newspaper The New Light of Myanmar about 150,000 tons of teak were smuggled out of Papun, Mela (Mae La) and Wawle (Wale) regions annually between 1986 and 1994. The article also claims that 200,000 tons of "pyingadoc" (Ironwood), "in" and "kanyin" (Keruing) were smuggled

annually across the border from Phayathonzu to Taninthayi. The SPDC say that the KNU earned 400 million baht, over \$16 million, from this timber 'smuggling' business; 65 million baht, over \$2.6 million, from teak extraction in 1993 alone.<sup>187</sup> It is not known how accurate these figures are. However, the article appears to be blaming the Thai military, police and businesses for the forest destruction rather than the insurgents. It goes on to say that the Thai companies paid the KNU just \$120 for each ton of teak, when the market price ranged from \$500 to \$800 per ton, for ordinary class, and from \$2000 to \$3000 per ton for special quality teak.<sup>187</sup> *"Myanmar suffered much. But for Yodayas [Thais], they have gained more profits like the merchants who buy stolen goods at low prices."*<sup>187</sup>

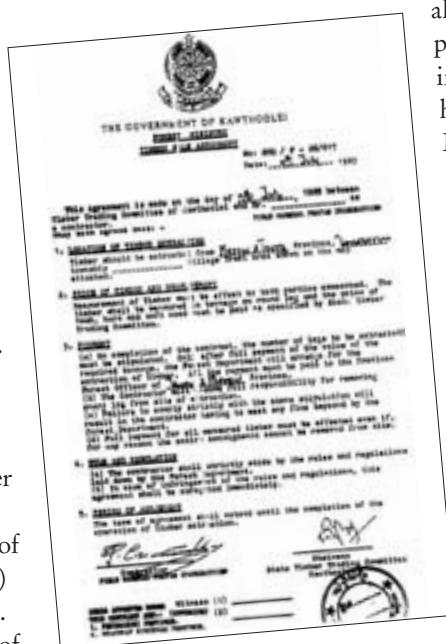
Insurgent groups claimed that they did not have enough manpower to check whether logging companies were cutting in their concession areas or to check how much they were cutting, and logging appeared to be out of control.

## 17.5 Thai Logging in Karen National Union territory

*"The taking and retaking of ground in the thinly-populated area often has less to do with the Karen fight for autonomy than with the struggle for control over the region's lucrative logging business."*<sup>202</sup> The Nation, May 1993

The Karen were prominent in the colonial forestry service created in 1856, although they were barred from senior positions. In 1950, just one year after taking up arms, the KNU established a Forestry Ministry that used Karen foresters trained under the

British. The ministry was established along colonial lines with a hierarchy of posts ranging from guards and rangers in the field, through district and headquarters conservators, to the Minister. The forests of Kawthoolei (the Karen name for Karen State) were divided into districts, within which reserved forests were created, notably where teak was abundant. The importance of the Forestry Ministry grew according to the increasing importance of the timber trade compared with other forms of income such as taxing border trade and mining. By the 1980s there were 463 forestry officials working in Kawthoolei's forestry districts with additional staff in Mannerplaw, whose main task was to administer teak extraction. They were also responsible for reforestation and wildlife



Timber sale agreement between the Government of Kawthoolei (KNU) and Thai Field Marshall; July 1989.

<sup>x</sup> Conversion rates for 1989 \$1=25 baht

protection. In the early 1990s 5,000 teak logs were said to have been extracted from Kawthoolei, mainly from Papun district.<sup>203</sup> In the early 1990s, 80% of the KNU's income was derived from logging.<sup>203</sup> The strength of the Ministry was reflected by the power of the Forestry Minister Padoh Aung San second only to General Bo Mya the KNU leader. The minister was a close advisor to the general.

In February 1989, General Bo Mya declared that the Thai logging companies, with SLORC concessions, would not be permitted to log in KNU-held areas unless the agreements with the SLORC were repudiated and new deals agreed with the KNU. The KNU wanted to assert control over natural resources in areas under its control, but was also concerned that the logging companies, that had contracts with the SLORC, would inform on the movements of its forces. According to a former KNU forestry officer, the KNU also deliberately granted concessions to overlap concessions granted by the SLORC.<sup>204</sup> By controlling access to the forest the KNU could engineer conflict between the Thai logging companies, some of which were linked to Thai politicians who seemed to be vying to undermine the KNU and other Thai border based insurgents.<sup>204</sup>

At one point the KNU threatened to stop all logging in a particular area but were warned by Thailand not to interfere. General Chavalit stated that, *"it may not be right for the minority group to obstruct things that are beneficial to the Thais."*<sup>205</sup> Thailand also threatened to close the border, which would have cut off the KNU's source of income and supplies. This was a reminder to the KNU that their future was inextricably linked to the political and commercial interests of others, beyond their control.<sup>203</sup>

In April 1989 the KNU announced that it had granted logging concessions, in areas under its control, to five logging companies making it clear that none of these companies had been given concessions from the SLORC. However the KNU also made it known that it would permit these companies to sell timber to companies that did have SLORC contracts. Thai logging companies with SLORC concessions had to subcontract to companies already operating in KNU territory, or other Thai firms without contracts from the SLORC.<sup>131</sup>

Padoh Aung San defected from the KNU in 1998 when he surrendered to the SPDC. This happened in the wake of the Salween Scandal, and amid allegations of corruption. A lot of the money that was earned by the KNU from logging was misappropriated and when the money was most needed large amounts that the KNU expected to call upon could not be accounted for. A source quoted in the Bangkok Post at the time claimed *"He (P.Aung San) had a house in Mae Sot and Chiang Mai and many shares with Thai Businesses... He had close links with former Thai military personnel, influential people and businessmen along the Thai border."*<sup>206</sup>

## 17.6 The end of SLORC logging concessions on the Thai border

In early 1993 the SLORC announced that Thai logging concessions would be cancelled at the end of that year. The SLORC claimed that the main reason for this decision was concern about the adverse impact on the environment that these uncontrollable logging operations were having; the logging was a source of embarrassment to the regime that claimed it would *"never exhaust the resources without thinking for the future."*<sup>207</sup> However, it was also clear that insurgents were capturing substantial income from the timber trade and that some logging companies were providing arms and supplies to insurgent groups.<sup>137, 128</sup>

Former Forests Minister, Chit Swe, said that granting the concessions on the Thai-Burmese border had been *"a foolish mistake"* that *"produced no tangible benefit to the government."*<sup>208</sup> This might have been the view inside the Forest Department, but the logging concessions had produced political, economic and strategic benefits for the SLORC when they most needed it. However, since 1988 conditions had changed and the regime could afford to cancel the concessions. The desperate state of the SLORC's finances and the civil unrest it faced in 1988 had improved and the SLORC was less willing to accept the trading terms and conditions that the 1988 concessions entailed. The Thai logging companies had been taking advantage of the SLORC's relative lack of control, and general chaos on the border to break the terms of their concession agreements and essentially log wherever they wanted taking as much timber as they could. Thai press speculated that Burma was using its control over the lucrative concessions to manipulate Thai politics. The suggestion was that if businessmen lost out because of Thai government backing of the minority groups, public opinion would turn against the elected government of Chuan Leekpai; the SLORC favoured a military government in Thailand.<sup>199</sup>

## 17.7 The Salween Scandal in Thailand

*"Everyone knew what was going on – the scheme has been well-documented in the press – and everyone knew who was behind it. But it was allowed to continue because the authorities who had the power to stop it either did not care or were reaping the benefits of such illegal activities. Meanwhile, lesser officials who might have blown the whistle were either murdered or threatened into remaining silent."*<sup>209</sup> The Nation, February, 1998

Since the early 1990s the Thai logging company STB, owned by Som Changkrajang, had exclusive concessions in several KNU-controlled areas. Both the company and the company's owner are known by other names: Sahavanakit (2499) Co. and Por Liang Som respectively. The rise in STB logging interests in KNU areas is unclear, but it is thought that the KNU Central Committee wanted to reassert its control over finances





Illegally logged timber on the Salween River, possibly from the Salween Wildlife Sanctuary; 1998.

as earlier arrangements involving a number of companies had resulted in money generated from these deals failing to arrive at the centre. Moreover STB was prepared to pay the KNU in advance for the logs. The SLORC has claimed that STB also supplied the KNU with arms, ammunition and food.<sup>137</sup> Interviews conducted with former KNU officials suggest that some of the companies on the original KNU contracts resisted the takeover by STB resulting in two of these companies' employees being murdered on the orders of the STB Company.<sup>204</sup>

Successful SLORC offensives throughout the early 1990s reduced the territory previously controlled by the KNU. As a result of these offensives STB was increasingly limited to where it could operate in Burma and lost thousands of teak logs. This loss was compounded by the fact that the logs had been paid for in advance. STB's response was to begin logging in Thai forests adjacent to areas they had worked in Burma, including the Salween Wildlife Sanctuary in Mae Hong Son Province. This rampant illegal logging in the wildlife sanctuary took place between 1996 and 1998.

Since the logging was taking place in a wildlife sanctuary and there was in any case a logging ban in Thailand at the time it was essential that the source of the timber be concealed; this was done in a number of ways. The logs were laundered either by transporting them across the Salween River into Burma and then re-exported back to Thailand, or by simply obtaining the necessary paperwork. The imports into Thailand were facilitated by the Royal Thai Forest Department (RTFD) and labour came from the local refugee camps, some of which was organised by the KNU Forest Department.<sup>210</sup>

The scandal was not broken through any desire to see due process or applying the rule of law; it was eventually exposed primarily because of a power struggle in Thailand, which had brought unwanted attention to the logging. In addition a bribery attempt,

intended to discourage further investigation, backfired. The deputy Forestry Department chief, Prawat Thanadkha, took a 5 million (\$122,000) bribe from the STB logging company, and tried to hand the money over to the then Thai Prime Minister Chuan Leekpai. The Prime Minister refused the money and initiated an investigation. It is generally believed that this investigation would not have been carried out under previous Thai administrations.

The result of the investigations was that six senior Royal Thai Forest Department employees were dismissed and several others were transferred to different offices. The deputy forestry Chief and an STB timber trader were prosecuted on bribery charges.<sup>211</sup> The

RFD director general, Sahit Sawintara chose to be transferred. In an interview he was quoted as saying:

*"There are many vested interests in the logging business and the RFD chief must deal with...poorly equipped and disillusioned staff who are coerced into collaborating with unscrupulous loggers; corrupt RFD officials who care little about the country's natural heritage; and dark influences that reap the benefits from this situation."*<sup>212</sup>

Sahit went on to say that "A forestry official was killed" because he stood in the way of these "dark influences."<sup>212</sup>

The scandal had reverberations along the border with the KNU Forest Minister, Padoh Aung San defecting to the SPDC rather than facing corruption charges from the KNU.<sup>210</sup> It is also possible he feared being murdered by Thai mafia involved in the deal.<sup>204</sup> Typically, disproportionate blame fell on the weakest groups such as the refugees in Thailand. However, the *jao por* such as Som Changkrajang, government officials and politicians remained relatively untouched. The 15,000 Karen refugees that had taken refuge in the Salween Wildlife Sanctuary became the scapegoats for the scandal and were forced to relocate to Mae Ra Ma Luang and Mae Khong Kha camps.<sup>210</sup>

Research carried out in 2001 has since shown that the presence of refugee camps may actually contribute to the protection of the forest from illegal loggers who prefer to work unobserved.<sup>210</sup> In the Thung Yai Naresuan Wildlife Sanctuary, in Kanchanaburi and Tak Provinces, observers of forced evictions have stated that the eviction of Thai-Karen villagers from forest reserves is not done to protect the forests but so that logging activities can continue without hindrance and with fewer witnesses.<sup>213</sup> Many of the high-ranking officials and businessmen involved in the Salween Scandal are still involved in illegal logging on the Thai-Burmese border.

### 17.8 Recent Logging on the Thai-Burma border

*"The has been something of a pattern in Thailand's logging history over the past three decades or so. An unexpected scandal sets off profound anxiety that the nations forests are under threat, and public concern is manifested in what seems to be a national consensus: no more illegal logging. Then with three or four years, the same rituals return."*

Bangkok Post April 19th, 1998



The illegal logging and the cross border trade in Tak described below have parallels to the 'Salween Scandal'. The current cross border trade is also used to conceal illegal logging in Thailand and today's trade involves many of the same individuals. Residents on the border consider that illegal logging in Thailand is as much a cause for concern as the drug trade<sup>214</sup> but to date the trade continues unabated.

Illegal logging in the forests of Tak, Mae Hong Son and Kanchanaburi is widespread with the timber often being laundered through Burma (see *Salween Scandal*, page 62). To combat this problem the Thais introduced a log import ban in 1998 and the RTFD and the army signed a cooperation agreement to protect Thailand's forests. Under the agreement the army was given far-reaching powers as well as financial support<sup>215</sup> but Thai businessmen either carried on as before, or simply established new sawmills and furniture factories in Burma, near the border with Thailand, and the army has continued to facilitate the illegal imports. The factories use both Burmese timber, principally derived from DKBA and KNU controlled areas, and illegally felled Thai timber. It is difficult to determine how much timber is from Thailand, but local sources have told Global Witness that laundered Thai timber accounts for about 10% of the timber imported from Burma<sup>216</sup> although this figure is almost impossible to verify.

Most of Thailand's legal imports of Burmese timber arrive by sea. The residual cross-border imports consist of finished or semi-finished products, such as furniture, doors, window frames and parquet flooring. This trade is concentrated in the Thai provinces of Tak and Kanchanaburi. The greatest volume of processed timber enters Tak Province, with Mae Sot, and the surrounding area the principal point of import.

The furniture trade between Burma and Thailand has existed since the 1970s.<sup>217</sup> Moves were taken to legalise it in 1999, following protests by timber importers in Tak Province, by allowing the import of 'rare' wooden furniture across 15 border passes.<sup>224</sup> The Thai Forest Department claimed that this was a bid to



According to locals the sawmill had been closed for 4 years. Upon closer inspection it was found to be storing over 100m<sup>3</sup> of processed teak, Mae Hong Son Province, Thailand; 2001.





Export of furniture from KNU controlled village opposite Mae Ramat during the import ban imposed by Thai authorities in 2001.

stop the smuggling of wooden products<sup>217</sup> but it has simply served to facilitate the smuggling of all timber species in processed form.

This cross-border trade is problematic for Thailand in two respects. First it exacerbates the problem of illegal logging in Thai forests and second it has a direct and adverse impact on border stability. Senior officials in the Thai military have said that the trade is a direct threat to Thai national security, in particular because of the involvement of the DKBA.<sup>214, 218</sup>

#### 17.8.1 The value of the cross-border timber trade

In 2000 the Thailand press reported that there were approximately 100 sawmills along the Moei River across the border in Burma, but it is not known how accurate this figure is.<sup>219</sup> These mills are producing processed products for a trade that members of the Tak Chamber of Commerce estimate is worth between \$70,000 and \$115,000 a day<sup>216</sup> whilst businessmen involved in the trade claim that it is worth \$115,000 a day.<sup>220</sup>

It has also been reported that the furniture trade accounted for more than \$3.6 million in customs receipts in Tak Province for the year 2000.<sup>221</sup> However, it is difficult to determine the true value of the trade because much of it goes unrecorded and many people have a vested interest in either underestimating or overestimating its importance to the provincial economy.

#### 17.8.2 The Furniture Import Ban

In December 2001, the Thai army chief, General Surayud Chulanont is reported as saying that logs, processed wood and wooden furniture imported by Thai businessmen did not have certificates of origin issued by Burmese authorities and were therefore illegal.<sup>222</sup> He went on to say that the Thai authorities must be careful not to allow such practices to continue or risk future border conflicts with Burma.<sup>222</sup> It is not surprising that there were no certificates as most of the timber supplying this trade comes from DKBA or KNU controlled areas.

On 7 November 2001 Thailand banned the import of furniture into Tak Province.<sup>223</sup> The Third Army, working together with the RTFD, suspended furniture imports from four districts: Phop Phra, Tha Song Yang, Mae Ramat and Mae Sot. The crackdown included the seizure, by Regional Police Bureau 6, of 2,500 teak windows and 3,000 teak doors imported from Burma by a Thai businessman. As a result 200 furniture importers blocked Mae Sot, Tak Highway at Huay Ya Ou checkpoint in protest.<sup>224</sup> However, in December 2001 Global Witness saw that checkpoints manned by soldiers in the Mae Ramat District, Tak Province, were still facilitating the trade.<sup>216</sup> In effect the crackdown presented corrupt officials with more opportunities to increase the unofficial taxes they imposed on Thai traders.

Illegal wood processing also takes place in Thailand. Following the November 2001 furniture import ban Plodprasop Suraswadi, the then Director General of the RTFD, led raids on illegal sawmills on the border in Thailand (Plodprasop was later moved from the RTFD to become the Permanent Secretary of the Natural Resources and Environment Ministry in late 2002). He accused local officials of being negligent in suppressing illegal sawmills and furniture factories.<sup>225</sup> Commenting on one of the factories involved, he stated “*It was the biggest factory I’ve seen...it is located in the centre of the district so it is impossible that the local police did not know about it.*”



DKBA-owned furniture factory in Kawkareik township, Pa’an district, Karen State; 2001.



A piece of furniture, made in Burma opposite Mae Ramat District awaiting collection during the 2001 ban on cross border imports of furniture from Burma.

The sawmill is operated by the wife of a local policeman<sup>225</sup> and had been raided by forestry officials in July 2000 when 10,000 items of processed timber and furniture were discovered. The provincial authorities suspended the operating licence of Thong Thara sawmill for illegal processing of timber and illegal logging.<sup>226</sup> The factory was raided again in August 2000 when the RTFD discovered it to be owned by Mrs Patcharee, wife of Lt-General Mongkol Boonserm a former officer attached to the Supreme Command.<sup>226</sup>

The Forest Industries Organisation (FIO) also contributes to the perpetuation of illegal logging in Thailand. The FIO is responsible for auctioning illegal timber but it is an open secret that the seizure of illegal timber is frequently a charade: trees are logged illegally, local people are blamed, forestry officials confiscate the timber and the FIO auctions it off cheaply to the *jao por* and illegal loggers.<sup>227</sup>

Being involved in illegal logging has far more serious consequences for those who are not protected by their status. At the beginning of April 2002, for instance, a Thai military patrol shot and killed two hill tribe villagers in Tak's Tha Song Yang district. The army claimed that the two men were shot after they opened fire on soldiers that were on the look out for log poachers. Villagers claimed that the group was not carrying firearms and were equipped only with saws and old knives and were cutting wood for household use.<sup>228</sup>

It is not only the Thai military that are armed. In late 2002 weapons previously held by Thai forestry department personnel were transferred along with staff to the new National Park Department. This transfer included 7,000 people, reducing the forest department to 1,000, and 13,000 rifles and pistols.<sup>229</sup>

### 17.8.3 Sia Hook

Logging activities and the cross border trade in timber around the Moei River in Tak Province is largely controlled by leading figures in the provincial administration, Thai politicians and in particular by Sunthorn Ratsameeruekset, otherwise known as Sia Hook.

Not only has Sia Hook been involved in illegal logging<sup>230</sup> and illegal encroachment into reserved forests<sup>230</sup> in Thailand but his employees have been linked to the supplying of drug precursors to groups allegedly including the 'Red Wa' (UWSA – former communists) in Burma close to the Thai border.<sup>231</sup> Most recently, in June 2002, he came under scrutiny in relation to a politically motivated murder in Kanchanaburi, where his son, Rangsan is the municipal mayor.<sup>232</sup> Around the same time a school bus was attacked by gunmen in Ratchaburi province, south of Kanchanaburi, killing two students and injuring 13 others. The suspected gunmen were thought to be hiding at a rubber plantation owned by Rangsan.<sup>233</sup> The Thai press reported that incident occurred because the bus driver had failed to settle a debt of 100,000 baht (\$2,350) to Karen combatants in Burma that related to illegal cross border timber trade including timber.<sup>234, 235</sup>

On the business side Sia Hook has been linked to Choon Tangkakarn (Sia Choon) and his son Boonkiat, owners of Pathumthani Tangkakarn and representatives of Thai Teakwood Veneer logging companies, through Sia Hook's association with Pathumthani Sawmill. The Thai Teakwood Company is part of a group of logging companies including Thai Pong Sawmills, Pathumthani Sawmills, and Pathumthani Tangkakarn. Thai Teakwood Veneer Co. Ltd, Pathumthani Sawmill Co. Ltd, and Pathumthani Tangkakarn Co. Ltd share the same telex numbers and it is possible they are one in the same company.<sup>236, 237</sup>

Both Thai Teakwood Veneer and Pathumthani Tangkakarn were awarded logging concessions by the SLORC in areas controlled by opium warlord Khun Sa and his Mong Tai Army. Both these concessions, and Pathumthani Sawmill itself are linked to Kyaw Win, founder and Chairman of the Myanmar Mayflower Bank.<sup>238</sup> Kyaw Win and Choon Tangkakarn are known to have been business partners.<sup>171</sup> Kyaw Win is thought to be chairman of both Pathumthani Sawmill Company and Chin-Su Mayflower Plywood Industry.<sup>238</sup> According to press reports then SLORC army commander of Shan State, Major General Maung Aye was also in on the deal; Maung Aye has since been made commander of the entire Burmese army.<sup>171</sup>

Mayflower Bank has been associated with drug trafficking and it is reported that Kyaw Win is on a watch list of the US Drug Enforcement Agency.<sup>239</sup> The bank also holds the zinc mining concession in Mawkhi Town opposite Thailand's Tak Province.<sup>240</sup>

It is clear that Sia Hook is a very powerful individual. In April 1991, for instance, Thai authorities





One of Sia Hook's log trucks, KNU 4th Brigade area; mid 1990s.

in Sangkhlaburi Province stopped the delivery of all food and medicine to more than 10,000 Mon refugees following the destruction of a log truck belonging to Pathumthani Company, by Mon forces the previous February. The driver, who was killed, had apparently entered Mon territory. Deliveries to the five refugee camps only resumed after the NMSP had agreed to pay a fine of 800,000 baht (\$32,000) in logs to Pathumthani.<sup>131</sup>

Historically, Sia Hook's influence has been strongest in Kanchanaburi Province. He operated a near monopoly on logging in areas under the control of the KNU's 4th Brigade, opposite Kanchanaburi and Ratchaburi province between 1989 and 1997 and possibly before the SLORC granted logging concessions.<sup>241</sup> However as a result of the SLORC's

1997 dry season offensive against the 4th Brigade it is thought that he lost substantial amounts of timber and access to forests previously controlled by the KNU. A source close to the KNU has claimed that Sia Hook once offered himself as a mediator in the ceasefire talks between the KNU and the regime.<sup>242</sup> The joke at the time was that the KNU thought that there was not enough timber in the whole of Karen State to pay for Sia Hook's services.<sup>242</sup>

Sia Hook's logging trucks had been used to transport Karen refugees fleeing the SLORC advance. However, when they arrived in Thailand male and female Karen refugees were separated and trucked to areas close to the border that were not safe from SLORC attack. In one recorded case in 1997 Thai Border Patrol Police screened refugees and refused entry to 500 boys and men between the ages of 15 and 55 years.<sup>243</sup>

It should be noted that he has close links to all sides in the conflict. Mon insurgents claim that Sia Hook collaborated with SLORC to transport troops into battle against the MNLA in the 1990 battle for Three Pagodas Pass. He also had excellent relations to General Sit Maung, once a frontline commander at the Three Pagodas Pass who went on to become the regional commander of the South East Command until he died in a helicopter crash in 2001.

In the late 1990s, following the Salween Scandal (see page 62) and losses in KNU controlled forests he is thought to have extended his field of influence into Tak Province. Sources in Tak claimed that Sia Hook used the disruption of the scandal and his connection to the STB Company to establish himself in Tak whilst STB proprietor, Por Liang Som avoided attention. Opinion is divided as to whether or not he still deals with the KNU: Global Witness has been told by sources

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Karen National Liberation Army soldiers at the Headquarters of 7th Brigade. The four principles of the KNU's founder Saw Ba U Gyi are on the notice board. The KNU is the largest insurgent army not to have signed a ceasefire with the Burmese government.





The gates of one of Sia Hook's sawmills near Kanchanaburi, Tak Province, Thailand; 2001.

close to the KNU that no such link remains, others suggest that he is still involved in logging in KNU-controlled areas opposite Tak.<sup>241</sup> It is also thought that Sia Hook has made several attempts, within the last few years, to use Karen refugee labour to work inside Burma opposite Ratchaburi province where old logs are stranded.<sup>244</sup>

Despite Thailand's logging ban, Sia Hook has two large and prominent sawmills in Kanchanaburi province<sup>241</sup> and in 2001 and 2002 his log trucks were especially active in and around Tak, near the Burma border.<sup>295</sup> Global Witness has been told that Sia Hook has MTE logging concessions in Burma and is possibly operating under the name Kanchanaburi Sawmill Company. He is also involved in furniture import through the Three Pagodas Pass, and in log export from the Burmese ports of Ye, Tavoy and Mergui.<sup>241</sup> Over the years, Sia Hook appears to have maintained good relations with the SPDC.

An anonymous report written by western aid workers claimed: *"The push to repatriate the refugees in this area of the Thai-Burma border [KNU 4th Brigade*

*Area, opposite Kanchanaburi and Ratchaburi] as quickly as possible is perhaps related to massive business interests involving logging, road construction and the development of Tavoy as a deep sea port for Thai exports."*<sup>243</sup> Sia Hook has business interests in all of these and he is an adviser to the Kanchanaburi Industrial Council.<sup>245</sup> The council is involved in the \$28 million Kanchanaburi-Tavoy Road.<sup>241</sup> The contract to build this road was given to the Kanchanaburi-Tavoy Development Co. Ltd, which according to project documents<sup>246</sup> was to begin logging, clearing forest and building the road in March 2001.

General Chettha Thanajaro, the former Supreme Commander of the Thai Army, has been described as a 'consultant' for the Kanchanaburi Industrial Council.<sup>246</sup> When General Chettha Thanajaro was Commander of the First Region, he was integral to the opening up the logging trade on the Thai-Cambodian border. At the time he was quoted as saying: *"We should start logging in Cambodia, the price should be very cheap. Let it be truly Khmer timber, don't let them cut ours."*<sup>247</sup> General Chettha is currently a Thai-Rak-Thai MP.



Another of Sia Hooks log trucks travelling on the Mae Sot – Tak highway; 2001.

#### 17.8.4 The problem of 'Old Logs'

The issue of importing old logs from Burma emerged in about 1996. Old logs come in two forms: those that have been cut for some time and those that have yet to be cut. The former type of old logs, in the Thai/Burma context, are those that companies with SLORC-era logging concessions were forced to abandon because of fighting, or logs that have been seized from insurgent groups by the SPDC.<sup>248</sup> In the latter case a request to collect and/or import 'old logs' is used as an excuse for renewed cutting and the logs in question do not in fact exist at the time the request was made.

Undoubtedly there have been genuine old logs on the Thai/Burma border but their true volume is not clear. In February 2000 1,400 Karen refugees were moved from a temporary camp in Ratchaburi district and this appears to have been related to the presence of 70,000 logs left across the border.<sup>249</sup> People are often moved not because they are really causing environmental damage to the area, but because their presence makes illegal activities less viable. Many old logs have already been moved or destroyed. In 2001 the Karenni National Peoples Liberation Front (KNPLF), an SPDC-allied ceasefire group, rebuilt a road near the Thai border and removed logs that were previously cut by the Pathumthani and STB companies during the era of official logging concessions. Karenni sources state that the SPDC allowed the KNPLF to remove the logs because it was unable to remove the logs itself, but also to create tensions between the KNPLF and the KNPP.<sup>250</sup> In May 2001, the Polpanna Company was reported to have lost 1,000 logs in a 'bushfire'.<sup>251</sup>

In March 1999 Thai log importers threatened to sue government agencies if they prevented the companies from bringing in 1.41 million m<sup>3</sup> of timber, worth more than 30 billion baht (\$810 million),<sup>y</sup> from Burma.<sup>252</sup> In July 1999 the Bangkok Post reported that the Polpana, B&F Goodrich, SA Pharmaceutical, and Songkhrao Sahai Ruam Rop Kaolee (Thai-Korean War Veterans Welfare Co.) companies had asked permission to import up to 1.5 million Burmese logs.<sup>253</sup> It is not clear if this article was referring to the same logs, but this is likely. Some logs were exported but not in such large quantities. In any event it is Global Witness' view that the majority of the logs never actually existed. Permission was sought to import 60,000 m<sup>3</sup> from Burma through Mae Hong Son Province again in 2000. The four Thai firms involved in this case were Polpana, B&F Goodrich, SA Pharmaceutical and Thai-Korean War Veterans Welfare Co.<sup>254</sup>

Global Witness first came across SA Pharmaceutical in 1996 when it was involved in a similar scam to import 'old logs' from Cambodia. Log exports from Cambodia had continued until January 1995 when the Royal Government of Cambodia (RGC) imposed a complete log and sawn timber export ban. This ban was breached on numerous occasions because Thai logging companies, using the pretext that the ban had stranded logs that had already been cut, successfully lobbied for 'exceptions'. These exceptions took the form of a special permission issued by the RGC allowing the companies to export 'old felled' logs. The loggers would, in fact, enter Cambodia and fell new logs. Typically a few months



The Kayah Pu Logging Company's Hpasawang logging area.

© Karenni Evergreen

<sup>y</sup> \$1 = 37 baht in 1999.



later the loggers would call for another exception, export more logs, and so on. As can be seen above, the pattern was later to repeat itself in relation to companies operating in Burma; some of which had previously been logging in Cambodia.

In April 1996 Global Witness obtained documents authorising the export of 1.1 million m<sup>3</sup> of logs from Cambodia to Thailand. The 'Million Metre Deal' consisted of three letters signed by Cambodia's co-Prime Ministers to the Thai Prime Minister, Banharn Silpha Archa. Further to a meeting between Cambodia's Minister of Agriculture Tao Seng Huor and Thai Deputy Prime Minister Chavalit, Cambodia had agreed to export 1.1 million m<sup>3</sup> of 'old felled' logs to Thailand. All the logs were in Khmer Rouge (KR) held territory, making verification of their existence impossible. Global Witness' investigations, however, showed that the loggers were in fact cutting to order and paying the KR between \$35-90 per m<sup>3</sup>. SA Pharmaceutical had been formed specifically to take advantage of this quota-based deal and was in reality the same company as Pipat Forestry. In 2001 Pipat was seeking logging deals with Wa ceasefire groups in the Kengtung area of eastern Shan State<sup>241</sup>, but it is not known whether or not these deals were ever sealed.

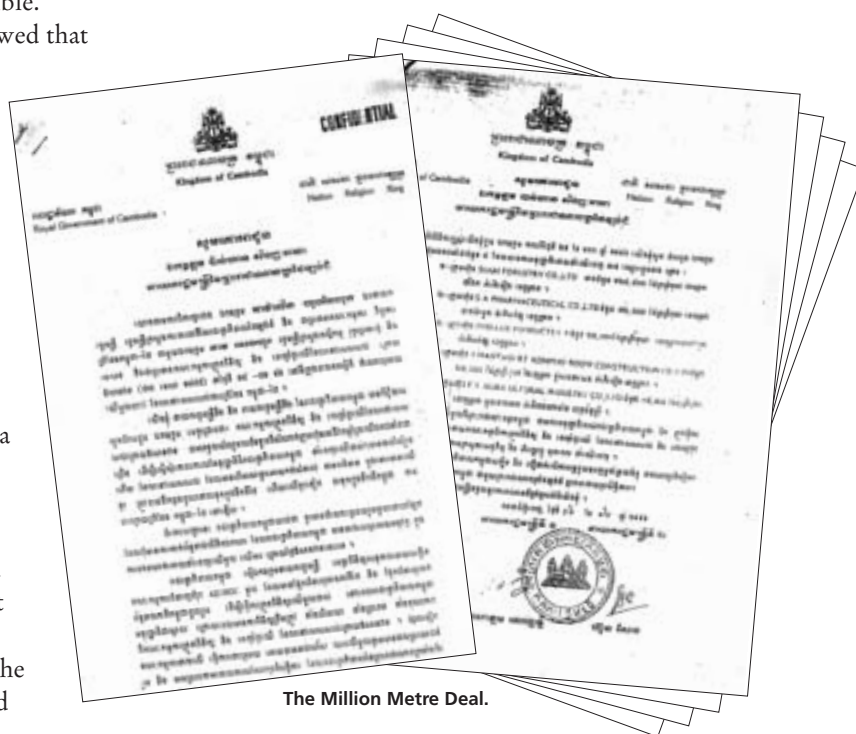
Whether or not companies are permitted to import 'old logs' from Burma has become a highly charged political issue in Thailand. When Plodprasop Suraswadi, the Director-General of the RTFD, investigated logging companies' 'old logs' claims in 1999 he found serious discrepancies, which led him to doubt that all the timber was from Burma.<sup>255</sup> The logging companies, for their part, claim that the import ban is causing them to lose money and that they have paid the SPDC more than 20 million baht (\$463,000) over the years in concession renewal fees and other expenses.<sup>248</sup>

In February 2000, the Director-General claimed to have received death threats from logging companies frustrated by his department's stringent import controls on 'old' Burmese logs. The RTFD was reluctant to allow the import of these logs as it was again concerned that the logs came from Thailand's forests. Reports in the Thai press at the time claimed that an assassination attempt on Plodprasop Suraswadi was planned to occur on his visit to inspect the logs in Burma.<sup>256</sup> This attempt would be covered up as a clash between the Burmese military and ethnic insurgents.<sup>257</sup> The press reports also claimed senior politicians were involved in the plot but did not elaborate.<sup>257</sup>

Later, attempts were made to transfer Plodprasop Suraswadi from the RTFD to the Ministry of Agriculture; to an 'inactive' post of Deputy Permanent Secretary for Agriculture.<sup>258</sup> According to the Director-General this was linked to the RTFD's Burmese log

import ban,<sup>259</sup> his firm stance against the smuggling of logs from Burma and the related crackdown in Tak Province. The Deputy Agriculture Minister, Praphat Panyacharttrak denied that Plodprasop's transfer was related to log imports<sup>260</sup> but the Director-General's planned replacement, Dhamrong Prakorbboon, who denied having links with the logging industry,<sup>261</sup> has stated that he would open up the Salween Wildlife Sanctuary for the transport of logs from Burma.<sup>261</sup> In April 2003 it was reported that there were plans to haul 2,000 teak logs from the Salween Wildlife Sanctuary that had been impounded in 1997.<sup>262</sup>

There is also speculation Plodprasop's planned move was connected to his ongoing investigation into the



The Million Metre Deal.

activities of Chuchart Harnsawat, the brother of the Agriculture Minister, for alleged encroachment into a national park in Kanchanaburi Province.<sup>263</sup> Global Witness is not aware of the outcome of this investigation. However in April 2002, following a period of intense lobbying, Plodprasop was allowed to stay as the Director General until October 2002.<sup>264</sup> He subsequently became the Permanent Secretary of the Ministry of Natural Resources and Environment and was eventually replaced by Verapan Sriboonlue.

Logging companies claim that there are currently a significant number of logs opposite Mae Hong Son Province and Ratchaburi Province. Four of these companies, the Korean War Veteran Association, S.A. Pharmaceutical, B&F Goodrich and Polpana Company,<sup>265</sup> are trying to import over 50,000 m<sup>3</sup> of timber from Burma. By March 2002 two of the companies were in negotiations with the MTE.<sup>248</sup>



## 18 KAREN STATE

*“The government of Burma also has forest acts. But the Burmese military regime has in its plan a strategy to eliminate the Karen people and so it uses logging concessions as a strategic tactic. The SPDC has given permission to the DKBA, private enterprise and its own units in those areas saying ‘We can reforest after deforestation, but it would be difficult to reform a government after its fall’”*<sup>127</sup>

Karen Environmental and Social Action Network (KESAN), 2001

The Karen are the largest ethnic family in Southeast Asia that have not gained recognition as an independent nation state.<sup>4</sup> Karen identity was significantly shaped during the colonial era when many joined the colonial army and large numbers converted to Christianity. It has been argued that the identification by many Karen with social and political advances under the British administration was the beginning of a dangerous ethnic polarisation between Karen and Burman communities that has continued to the present.<sup>4</sup> A series of violent events during and shortly after the Second World War, when government militias killed several thousand Karen, deepened the level of mistrust between the Karen and the dominant Burman majority.

### 18.1 The Nature of Conflict in Karen State

*“There’s no question, the Burmese are out to crush the Karen because of the goldmine they are sitting on.”*<sup>266</sup> Anon, diplomat, April 1989

The Karen have been calling for an independent Karen State since the 1930s. But this did not result in full-scale conflict, between Karen forces and the government, until January 1949 when the government outlawed the Karen National Union (KNU) and Karen units defected from the Burmese Army. The 1947 Constitution was “*riddled with anomalies*,”<sup>4</sup> Karen State had not been demarcated and there were serious disputes about where the boundaries should lie. In particular the Karen leadership was unhappy with a proposal that would give it control only over the portion of the eastern hills and no political representation in the Irrawaddy Delta area where a large number of Karens lived. But by June 1949 the KNU had established the Karen Free State of Kawthoolei, which included areas in the Irrawaddy Delta, Pegu Yomas, Tenasserim, and the town of Insein just outside Rangoon.

Many areas in Karen State continue to be beset by violent conflict, which is characterised by low-level guerrilla activity by armed opposition groups and offensives and forced depopulation by the SPDC. The main protagonists in the conflict, in addition to government forces, are the Democratic Karen Buddhist Army (DKBA) allied to the SPDC and the KNU. In addition there are several ceasefire groups that have split from the KNU. All of these groups are motivated, to varying degrees, by political ideologies and economic interests. The fight, in part at least, over natural resources has led directly to human rights abuses and environmental degradation.

### 18.2 The Karen National Union (KNU)

The KNU, formed in 1947, is the largest insurgent group in Burma not to have agreed a ceasefire. However after initial territorial gains it has gradually lost ground to government forces and has not held a town since the 1950s. The Four Cuts counter – insurgency campaign (*see page 19*) began in 1964 in the Irrawaddy Delta, spread to the Pegu Yomas Mountains and continues today. This campaign marked the beginning of widespread internal displacement in Karen State and led to the first wave of Karen refugees crossing to Thailand in the mid 1970s.

The KNU retreated towards the mountains near Thailand where it established a ‘liberated zone’ along a 400-mile stretch of the border. From 1974 to 1995, Mannerplaw near the confluence of the Salween and the Moei rivers was the headquarters of the KNU. After the DKBA split from the KNU, and the SLORC offensives between 1995 and 1997, the KNU stopped defending fixed positions and re-adopted guerrilla tactics.

The economy of the KNU was based on the border trade between Thailand and Burma upon which it levied a 5-10% tax. The trade consisted of value-added consumer goods being imported into Burma and raw materials, including teak, cattle, precious stones and minerals going to Thailand. The BSPP isolationist policies prohibited the legal import of these goods, so they were only available on the black market, mostly via the insurgent-controlled borders. The KNU established trade gates in 1964 through which between one and two million baht (\$40,000 and \$80,000 at an average exchange rate in the 80s of 25 baht to the dollar) of trade passed daily. Not only did this cross border trade finance the ethnic insurgencies, it also made many Thai businessmen and military officers rich.

At first sight the border trade would appear to have been disadvantageous to the BSPP/SLORC but it did have strategic military implications that would eventually undermine the KNU: it tied KNU forces to fixed positions that were easier to attack and meant that other areas were left largely undefended. It is also thought that there have been disputes within the KNU over control of the border trade and logging operations, and the proceeds which some thought were unfairly distributed (one of the factors that lead to the formation of the DKBA) (*see page 72*). From 1984 the BSPP/SLORC increasingly attacked the KNU’s border trade gates and by 1988 income from this trade was down by around 60% at several of the gates.<sup>267</sup>

Much of the border trade has been formalised but the smuggling of many goods still banned by the SPDC is now largely controlled by the DKBA who control jetties and warehouses near the border. The view of one prominent SPDC official is that the KNU and other insurgents along the Thai border are “*basically economical bandits, who are living off the people by intimidating them with acts of terror, while enjoying the support of the western democracies who are supposedly waging war on terrorism.*”<sup>268</sup>

### 18.3 The Democratic Karen Buddhist Army (DKBA)

*“Rangoon has promised that if we, the DKBA, can drive Karen refugees living in Thai camps back to Burma, it will reward us with vast border areas and the freedom to rule Karens. To help us become self-supporting, the Burmese government promised to open cross-border trade between Thailand and the DKBA.”*<sup>269</sup> To Hliang, DKBA commander, 1998

*“We are not fighting against Burma, but we will retaliate against the DKBA because Burma lets the DKBA administer that area, which is rich from logging, mining and drug producing,”*<sup>270</sup> Thai Army General Wattanachai Chaimuanwong, former commander of the 3rd Army region, May 2001

*“The [other] main motive for the attacks stems from the loss of lucrative profits from illegal business”.... “Thailand’s crackdown on illegal logging and untaxed goods along the border have enraged the DKBA and other interest groups, and so they are staging sabotage activities on Thai soil in an attempt to force Thai authorities to stop blocking their businesses.”*<sup>269</sup>

The DKBA was formed in 1995 as a breakaway group from the KNU under the leadership of U Thuzana, a Buddhist monk. The precise cause of the split is difficult to determine, but certainly is satisfaction amongst the, predominantly Buddhist, rank and file with the mainly Christian leadership and lack of progress towards peace played a part.<sup>271</sup> Many observers also believe the split was engineered by the SLORC.

The DKBA quickly established an alliance with SLORC, making requests not only for protection from the KNU but also for help in attacks against the KNU. The SLORC obliged and in return the DKBA acted as guides in successful SLORC offensives. DKBA support was instrumental in the attack that led to the downfall of the KNU’s Mannerplaw headquarters in 1995 and its general decline since.

The DKBA also gave the SLORC detailed information into the ways that Thailand assisted the KNU.<sup>204</sup> Although the SLORC knew much of this

already, specific details were used to further undermine the KNU position by applying selective pressure on Thailand, for example, by restricting border trade.

From 1995, with the apparent complicity of parts of the Thai government, led by General Chavalit Yongchaiyudh, the DKBA repeatedly attacked Karen refugee camps in Thailand. In 1997 Burmese troops guided by DKBA rebels burned three refugee camps near Mae Sot leaving 10,000 people homeless.<sup>272</sup> The SLORC and DKBA claimed the refugee camps were used by the KNU; other accounts report that families of DKBA troops were kept hostage in the camps.<sup>193</sup>

The DKBA largely became a proxy army of the SLORC but there is said to be a mutual lack of trust and respect between them. At the outset the SLORC supplied the DKBA with rations, money, weapons and ammunition. However, the SLORC stopped paying salaries in 1996 and also cut back on rations, so under its own initiative the DKBA has engaged in trade and established businesses, some legitimate and some illicit.

The majority of DKBA income comes from logging, cattle smuggling, black market goods, and trading stolen vehicles from Thailand. There is evidence to suggest that the DKBA is involved in the distribution of drugs, specifically amphetamines (*yaa baa*), that have a large market in Thailand.<sup>216, 293</sup> In 2001, a close observer of the border near Mae Sot explained that Burma had prohibited the import of 32 trade items from Thailand, and that these goods had since become a major source of income for the DKBA who supervised imports into Burma, with the tacit approval of the SPDC.<sup>216</sup> Like most other groups in Burma, the DKBA also establishes roadblocks and taxes villagers. Examples from logging suggest that many DKBA business activities rarely, if ever take place without partnership with various SPDC officials.

The DKBA is organised into four brigades: 333 based in Thaton, 555 in Northern Pa’an, 777 in Papun and 999 the largest brigade based at KoKo on the Moei



A village built on sawdust. There are hundreds of small sawmills in Wa Le town controlled by the DKBA.



River, north of Myawaddy, the Burmese border town adjacent to Mae Sot. The main centre of activity is around Khaw Thaw, on the Salween River upriver from Pa'an Town, but recent reports suggest it operates as far south as Southern Doooplaya District.<sup>250</sup>

The command structure of the DKBA is said to be very weak with small local DKBA groups acting on their own initiative or following the orders of SPDC officers.<sup>273</sup> The character of units depends on their leaders with some DKBA commanders said to act as warlords, whilst others apparently provide genuine protection for people in their areas.<sup>273</sup> Most accounts suggest that the DKBA has failed to deliver on earlier expectations and that there have been many defections of DKBA combatants back to the KNU or to civilian life, which has altered the constitution of the DKBA that originally comprised of KNLA combatants.

## 18.4 Logging in Karen State

*"A couple of weeks ago in [...] <sup>z</sup>, KNU and SLORC allowed a Thai trader to cut down trees for timber, window frames and furniture. They both get tax from him, about two million baht per month. So DKBA soldiers went to the Thai trader and asked for tax, but the Thai trader said, "I already pay SLORC and KNU, so I have no money to give you". Then the DKBA soldiers went to SLORC and SLORC said, "Why did you go and ask for tax?" So DKBA said, "You and KNU earn money, so DKBA should too", but SLORC said, "Don't do that." We were very angry with SLORC. Then SLORC sent a message to KNU saying, "If you see anyone going to bother the trader, we'd like you to attack and kill all of them". The KNU soldiers were very happy to hear that, and the next day when the DKBA soldiers were on their way to the sawmill the KNU soldiers were waiting for them halfway and shot at them. The DKBA soldiers called SLORC to support them with artillery, but SLORC were laughing and clapping their hands."*<sup>271</sup> DKBA Soldier, 1996

It cannot be said for certain how the KNU or DKBA administer their logging areas but wherever they work the Thai logging companies probably conduct the same kind of logging operations. The above quote highlights the involvement of all combatants and the chaos of logging in Karen State. It also shows that business interests can sometimes take precedence over battlefield allegiances, and the involvement of Thai logging companies at the heart of conflict. Although the statement was made in 1996 it is arguably still valid today.

### 18.4.1 The KNU and Logging in Karen State

*"SLORC troops are using the extensive network of logging roads, built by Thai logging companies with KNU concessions throughout the area, to move quickly."*<sup>274</sup> Karen Human Rights Group, March 1995

The KNU's guerrilla warfare depends on the forests for refuge, and they are quite aware that logging is being used for strategic reasons to undermine the insurgency.

The balance of power between the SPDC and the KNU with regards to logging has been described by the Karen Environmental and Social Action Network (KESAN): *"Even after a company has received legal permission from the Burmese forestry department they must still consult with the KNU forestry department. This KNU department has its rules and regulations to protect wildlife and to preserve forest and according to KNU law and the forest act no one can conduct any activity in the Forest. As the areas are also under the control of the SPDC, KNU authorities can't do anything, and have to allow the wishes of the companies and the MTE."*

It is likely that the trade itself is being conducted on SPDC terms rather than those of the KNU, but it should be remembered that it does provide the KNU with an important source of funding.



Loggers sawing a felled tree in Karen State. Mone Township, Nyaunglebin District, Karen State; 2001.

<sup>z</sup> The name of the village has been removed for safety reasons.



### 18.4.1.1 Villagers and logging in KNU territory

*“This region is where we live on fruit tree gardens such as durian, betel nut tree. But now due to logging practice we can see that rainfall decreased and the gardeners are facing difficulties. The business of logging does not prove much benefit to our villagers. If logging work is going on there will be no more tree left we will face difficulty in our future for our shelter.”*<sup>127</sup> Yu Lo, villager, 2001

Logging began in 1999 in an area close to Light Infantry Brigades 440 and 590 in Mone Township.<sup>127</sup> The logging is mostly administered locally, and conducted independently of larger logging companies. 50 Burmese villagers are involved in logging with SPDC permission and, reluctantly, the KNU.<sup>127</sup> It is said that the KNU is concerned that the logging undermines its security, but that it is unable to prohibit Burmese villagers because, as they have permission from the SPDC, the villagers feel that they have a right to continue.<sup>127</sup>

KNU authorities tried to ban logging in this area but they were not able to enforce the ban and now logging is taxed and administered by both the KNU and the SPDC. Villagers are obliged to negotiate advances with the KNU authorities and provide them with a list of workers and a list of tools used. The KNU authorities in turn give the loggers a list of KNU forest regulations.<sup>127</sup>

Villagers use simple tools in the logging process. Some are employed as ‘cutters’, ‘draggers’ and ‘floaters’, earning 300 – 700 kyat (\$0.5 – 1.0) per ton of timber. It is clear that villagers earn very little from the trade and that large profits are being made elsewhere; nevertheless this is an important source of income. The logging area runs alongside a river and floating the timber requires 35 pieces of bamboo for every ton of timber.<sup>127</sup>

**TABLE 5: TAXATION OF KNU GOVERNMENT FOR ONE CONCESSION**

SOURCE: KAREN ENVIRONMENTAL AND SOCIAL ACTION NETWORK (KESAN) REPORT 2001.

	Kyat	US Dollar Equivalent
Pass for one term	100	0.2
Pass for one elephant	1,200	1.9
License for one chain saw	3,000	4.8
License for a road construction vehicle	10,000	16.1
Log dragger	7,000	11.3
Log lifter	5,000	8.1
Log conveying truck 3 ton and above	3,000	4.8
Log conveying truck 7 ton and above	7,000	11.3
1 ton of iron wood (pyinkado)	4,000	6.5
1 ton of teak	5,000	8.1

In the first instance timber is taken from the logging concession on the banks of the Ple Lo Klo River to one of 11 small sawmills in Kyauk Kyi Pauk. The sawmills are two hours away by river or road. The price of timber is between 18,000 and 21,000 kyat (\$29–\$34) per ton.<sup>127</sup>

The villagers’ situation is difficult because they pay multiple taxes to all combatants and face SPDC and the DKBA demands for ‘voluntary labour’; the reality is that they have very little choice.<sup>127</sup> One farmer claimed he was forced to hand the SPDC 12 baskets of rice per acre of rice paddy.<sup>127</sup> Under these circumstances logging is an important source of income to offset the heavy demands of the combatants.

It is thought that a minority of the logging carried out by villagers is done in accordance with official regulations of either the SPDC or the KNU forest departments.<sup>127</sup> Villagers have expressed concern that the unregulated logging is destroying the forest and affecting the local climate. Forest fires have become more frequent and they are made worse by logs and branches left behind by the loggers. Frequent fires destroy smaller trees, animals and herbs and the reduced rainfall is affecting villagers’ fruit gardens where they grow betel nuts and durian.

### 18.4.2 Logging and Violence in Karen State

In Karen, and other states, logging concessions are given by opposing armed groups to distinct groups of civilians in strategically sensitive areas. From the SPDC perspective logging reduces forest cover and often means that it can gather intelligence about the activities of insurgent groups from those that work in the forest. These civilians frequently lack alternatives to logging and may need to raise funds to pay taxes levied on their crops. In addition they face serious risks as logging in the contested and highly militarised areas of Karen State can easily lead to violence and murder.

On 6 April 2001, for instance, The New Light of Myanmar reported that ten KNLA soldiers had murdered 24 woodcutters in Kyaukkyi Township, Nyaunglebin District, for ‘refusing to pay taxes.’ According to the SPDC, the KNLA (the armed wing of the KNU) “*arrested 27 villagers collecting firewood in the forest... and tied their hands behind their backs and took them. The insurgents slashed the villagers to death, using grubbing hoes and wood sticks at the hillside.*”<sup>275</sup>

The KNU denied the SPDC’s version and claimed that the murders were carried out by the SPDC’s Military Investigation Units ‘Sa Thon Lon Apweh.’<sup>276</sup> This notorious group operates independently of regular SPDC units, and has been operating in Nyaunglebin District (KNU Third Brigade) since 1998. According to the KNU, orders had been given by the Southern Command to local SPDC units to seize people and

machinery involved in stealing timber from the forest. The KNU claim that the MI, is under the direct control of the Southern Command. Furthermore, the KNU claim that the SPDC's reporting was *"politically motivated and with the intention of tarnishing the good image of the KNU."*<sup>276</sup>

In 2001 Global Witness interviewed a logging businessman who claimed that: *"Government troops, sent not from the Central Command, but from higher level, are the worst in Taungoo area. They are known as 'Short-trousers' by the locals being tortured by them. Nobody dares to talk about them. We've been told that they had opened up the stomach of a man leaving him to die in front of his villagers."*<sup>277</sup> Taungoo is just north of Nyaunglebin, and Pegu Division, where the interview took place, borders both these districts of Karen State.

A 1999 report by the Karen Human Rights Group (KHRG) refers to the possible arrival of 'Short Pants' soldiers in Pa'an District, and possibly in Thaton District, south of Nyaunglebin. According to the group the 'Short Pants' *"first appeared in Nyaunglebin District in September 1998 and began systematically executing all villagers who were suspected of even the slightest possible contact with Karen forces."* The report goes on to say in graphic terms *"They have already brutally executed dozens of villagers in Nyaunglebin District, often cutting their throats and beheading them as a warning to other villagers."*<sup>278</sup>

'Sa Thon Lon' or 'Three Ss' 'Sa Sa Sa' is the abbreviation for the DDSI (Directorate of Defence Services Intelligence), Burma's pervasive Military Intelligence headed by SPDC Secretary-1 Lt. Gen. Khin Nyunt. This group is often referred to as 'A'Htoo Ah Na Ya A'Pweh', meaning 'Special Authority Force'.<sup>279</sup> These soldiers, apparently under the direct control of Rangoon, have described themselves to some villagers in Karen State as 'Dam Byan Byaut Kya' or the 'Guerrilla Retaliation' unit. Villagers refer to the group as 'S'Ker Po', 'Short Skirts or Short Pants, a reference to their use of civilian clothes'.<sup>280</sup>

Global Witness has been unable to ascertain the veracity, or otherwise, of these accounts but what is not disputed is that 27 woodcutters were killed in cold blood, probably in the course of cutting timber for sale.

A similar incident took place more recently in Shan State. In January 2003 The New Light of Myanmar reported the murder of 12 workers at a timber extraction site on the 18 January.<sup>281</sup> The SPDC blamed the deaths on the SSA(S). However, in February 2003 a Shan Herald News Agency article reported that a key witness had retracted his statement saying that he had been coerced by the *Tatmadaw* to provide it, and that in fact it was the *Tatmadaw* that had carried out the killings.<sup>282</sup> It is far from clear who was actually responsible for these deaths.

#### 18.4.3 U Teza and the Htoo Trading Company

The Htoo Company is owned by U Teza a rich businessman who lives in a teak mansion in Kamayut Township in Rangoon. He maintains close relations with very senior figures in the SPDC including Than Shwe, as well as other national entrepreneurs and is widely suspected of being one of the regime's sources of arms and ammunition.<sup>283</sup> The company has business interests that include, road building,<sup>284</sup> tourism resort development and agribusiness.<sup>285</sup> U Teza is Vice Chairman of the Myanmar Billion Group Co Ltd<sup>286</sup> another national entrepreneur group involved in logging<sup>287</sup> and other natural resource based businesses.<sup>288, 289</sup>

Because of the national entrepreneur status the company can easily import heavy machinery such as tractors and heavy lifting equipment and can obtain fuel at a privileged rate.<sup>290</sup> The company is obliged to supply some logs to the MTE but it also exports teak and pyinkado.<sup>100, 127</sup> However, its privileged status appears to have led to a certain disregard for public opinion. For instance, in the process of constructing a timber jetty on the eastern bank of the Irrawaddy River in Katha Township, Sagaing Division, the company built roads across villagers' fields destroying cultivated land as well as the crops that were growing on it. According to an NLD statement there was no consultation and no compensation.<sup>291</sup>

Logging in Mone Township, Nyaunglebin District is carried out by several groups. These include the DKBA, which began logging in the area in 1998 and has established small sawmills and local SPDC units, which



Revenue certificate of a sub-contractor working for Htoo Company, 2000.

have granted villagers permission to log and to operate sawmills. However, most of the logging is carried out by the Htoo Trading Company, which works with the MTE throughout Burma, and its representatives or subcontractors. Logging in these areas is particularly profitable because of the proximity to Rangoon and the resultant low transportation costs.

Htoo Company has an operational office in Toungoo and a branch office in Mone Township where it has been working since 1997, when it replaced several smaller companies. The Mone Township office is used to oversee logging operations in Nyaunglebin. Before Htoo Company's arrival the logging operations were basic but it invested significant capital, building roads and using chainsaws and other modern equipment, which significantly speeded up the harvesting process.

In effect, the Htoo Company has been given permission to log in 'brown' areas (insecure zones), areas contested by the KNU. Htoo Company does not deal directly with the KNU, but its subcontractors are said to use a 'communication team' to negotiate at the Nyaunglebin District level, in Mone Township. The logging permits are provided by SPDC officers Brigadier General Tin Aye and his second officer Colonel Maung Ni.<sup>127</sup>

The Htoo Company has a logging quota from the MTE for Mone Township to extract on average 8,000 tons of timber a year.<sup>127</sup> In Nyaunglebin for the 2001/2002 period the Htoo Company has a contract to log 15,000 tons of pyinkado and 10,000 tons of teak per year.

Before commencing work in the Mone Padai reserve, Htoo Company's subcontractors pay a 'bond' to the KNU.<sup>127</sup> In other areas it is understood that Htoo Company representatives have made donations of ten million kyat to the KNU.<sup>292</sup> The representatives also need to pay off the SPDC battalions that operate in its concession in order to avoid clashes between KNLA and SPDC troops. In Mone Township this is the 440 and 590 Battalions, which are paid 20,000 kyat by each Htoo Company representative before they are allowed to start logging.<sup>127</sup> Despite the payments however, there is said to be no guarantee that fighting will not occur between the KNLA and SPDC.

Htoo Co's logging operations are conducted by subcontractors, which are often small locally based outfits. Personnel involved in logging operations are issued with movement passes which must be obtained from the village Peace and Development Councils



U Teza's house in Rangoon.

(PDCs), then township PDCs, and finally from the frontier military office Passes cost 3000 kyat (\$4.80) and are valid for one logging season.<sup>127</sup>

Subcontractors working for the Htoo Company do most of the hard work but appear to get relatively little reward. According to one subcontractor, *"This logging work is not so profitable as we have to pay various kinds of tax and contribution and we are able to enjoy only a very little amount left over. The major benefactors are companies and the MTE. They pay us quite low whereas they earn in US dollar on exporting. For us it is not favourable and even risky when we met with SPDC's front line moving soldiers."*<sup>127</sup> Htoo builds roads in the logging concessions and charges the subcontractors 100,000 kyat (\$161) each day to use them.<sup>127</sup> The subcontractors receive a fixed price from Htoo for logs: 15,000 kyat (\$24) for a ton of teak and 12,000 kyat (\$19) for a ton of pyinkado; this does not reflect the true value of the timber.<sup>127</sup> For instance, according to the Tropical Timber Market Report, teak logs of sawing quality were being sold for around \$1,200. They are also responsible for transporting the logs, sometimes 30 miles from the forest from where the Htoo Company picks them up.<sup>127</sup>

#### 18.4.4 The DKBA and logging in Karen State

*"In the beginning the logging took only the large trees, now they take the medium and small trees.... There is no replanting, there is no replanting when there is no peace."*<sup>293</sup> DKBA battalion commander (defector to KNU), 2001

According to a DKBA defector *"all the DKBA leaders are involved in logging and have become wealthy from it."*<sup>293</sup> The defector stated that the wealth of the leadership is a cause of dissatisfaction within the DKBA<sup>293</sup>; this is reminiscent of feelings within the KNU before the DKBA split away. Large areas of forest as well as sawmills, that were under KNU



control, were captured by the DKBA/SLORC during their mid 1990s offensives. The DKBA also inherited stockpiles of logs left in the forest, and in KNU camps such as Kawmoorah and Mannerplaw.

The DKBA also has nominal control over areas in Karen State, and logging operations on the border and further inland. Timber from the DKBA-controlled forests is exported to Thailand as well as via Burmese merchants into Burma and from there on to the international market. Much of the timber produced for direct export to Thailand is in processed or semi-processed form and enters via Tak Province (*see page 64*).

Logging in parts of Pa'an and Northern Dooplaya (opposite Tak province) reflects a potent mix of unchecked Thai logging interests and the short-term opportunism of the groups who participate. Most of the timber is exported to Thailand, rather than Burma, where profit margins are greatest. Many think that this particular area will become exhausted within the next few years and there is already a shortage of suitable leaves for roofing houses as teak and dipterocarps are becoming increasingly scarce.

According to a KNU officer interviewed by Global Witness, in the last six years huge areas of forest have been seriously degraded between the Moei River and the Dawna mountain range. Most of the remaining good forest is in the mountainous areas and, since the current Thai government under Prime Minister Thaksin Shinawatra came to power, there has been renewed pressure from Thai logging companies to open up these areas. The area controlled by the KNU's 7th Brigade, in Pa'an District, is mentioned in particular.<sup>294</sup>

According to a DKBA defector from 999 Brigade there are 'hundreds' of sawmills in Myawaddy District, mostly operated by Thais with many employing Thai workers.<sup>294</sup> In the defector's previous area of operation Thai businessmen initially negotiate with the DKBA leadership for logging concessions, after which they deal with the local units where their concessions are located. Sawmills owners are reported to pay the DKBA 10,000 baht (\$222) each month and 300 baht (\$7) for each day and 300 baht (\$7)<sup>aa</sup> for each night worked. The fact these sawmills are run 24 hours a day has been confirmed by villagers from Wa Le Town, Phop Phra District in Tak, just a short distance from Burma across the Moei River.

The defector claimed that when Burmese Forest Department Officials visited DKBA-controlled areas and ordered the DKBA to close sawmills, the requests were ignored.<sup>293</sup> It is thought that overall permission for the logging comes from the SPDC even though the Forest Department may have little control over specific operations and it is thought that there have been no official agreements. Global Witness has been told that the deals are struck at regional command level, in this instance the S. E. Regional Command, but this has not been confirmed.<sup>293</sup> Taxes are said to be shared between the Regional Command and the Military Intelligence.<sup>293</sup>

Some DKBA combatants work for the logging companies providing labour and security. As the area is still contested it is probable that DKBA security would protect the sawmills from KNU combatants demanding taxes.

In May 2003 it was reported in the media that a Buddhist leader and a colonel from DKBA Battalion No. 906 were involved in cutting teak near the Three Pagodas Pass border town. According to the news agency's source the DKBA sold 17 tons of teak in April 2003 at a price of 18,000 baht (\$430) per ton. Some of the teak is sold to local traders, made into furniture and exported to Thailand.<sup>296</sup>

#### 18.4.4.1 The DKBA and logging in Karen State away from the border

Although logging is heaviest near the border, the DKBA is also involved further into Burma where it deals directly with timber merchants and larger companies such as the Htoo Company. These companies have logging concessions granted either by the central government or by the S.E. Command, possibly both. Many DKBA-controlled areas are still actively contested by the KNU, and are deemed to be insecure zones. When a logging concession is granted in an insecure zone the DKBA arranges for the timber to be cut and transports it to 'handing over points' where it is passed to the company that has the logging concession.<sup>292</sup>

Timber from these concessions enters the Burmese timber market via the MTE and private timber merchants. The DKBA is reportedly paid 10,000 kyat (\$16) per ton of timber officially extracted from their areas, which appears to be an agreement between the DKBA and the SPDC.<sup>292</sup>

As with other ceasefire groups that are given permission to log for development or maintenance purposes, the DKBA has a 5,000-ton logging allowance per year for the upkeep of Myaing Gyi Ngu, the DKBA headquarters.<sup>292</sup> The Buddhist monk, U Khay Mi Ka, is responsible for dealing with the DKBA's official timber income. It is not certain if the 10,000 kyat payment, per ton mentioned above is limited to this 5,000-ton allowance that the DKBA has been given.

The DKBA derives further income by logging unofficially, for instance with SPDC army units or by charging private individuals who want to build sawmills on the edge of insecure zones where logging is conducted.<sup>292</sup> This is said to be particularly profitable for the local DKBA and SPDC units as most of the money is retained instead of being passed to higher levels of command.<sup>127, 292</sup>

The DKBA and individual DKBA officers own sawmills and furniture factories in Kawkaik and Myaing Gyi Ngu where the DKBA also has a timber jetty on the river. The DKBA sells teak to traders who come up from Moulmein. Timber traders also use the DKBA to transport illegal timber to Rangoon to avoid checkpoints.<sup>292</sup>

<sup>aa</sup> \$1 = 45 baht in 2001.

#### 18.4.4.2 DKBA/SPDC and logging in

##### Kyaukkyi and Shwegyin Townships

In Kyaukkyi and Shwegyin Townships there are no official concessions from either the SPDC or the KNU. Instead the logging in Kyaukkyi and Shwegyin is mainly controlled by SPDC and DKBA battalions based in the area. DKBA and SPDC officers own the majority of sawmills and their permission is required by any civilian wanting to run one.

There are 10 battalions of SPDC troops in Shwegyin Township. Each battalion has to send 50,000 kyat (\$80) each month to their division (*daign* in Burmese). In order to raise the money the battalions run many logging and gold mining businesses in the area. However despite the battalions' best efforts the money is not always passed up: *"All SPDC, DKBA and Burmese individuals worked on logging enjoyed the benefit by their own and nothing was benefit [sic] to their higher authorities."*<sup>127</sup> After milling, either pyinkyado or teak, a ton of sawn timber can be sold for 90,000 - 100,000 kyat (\$145-\$160).

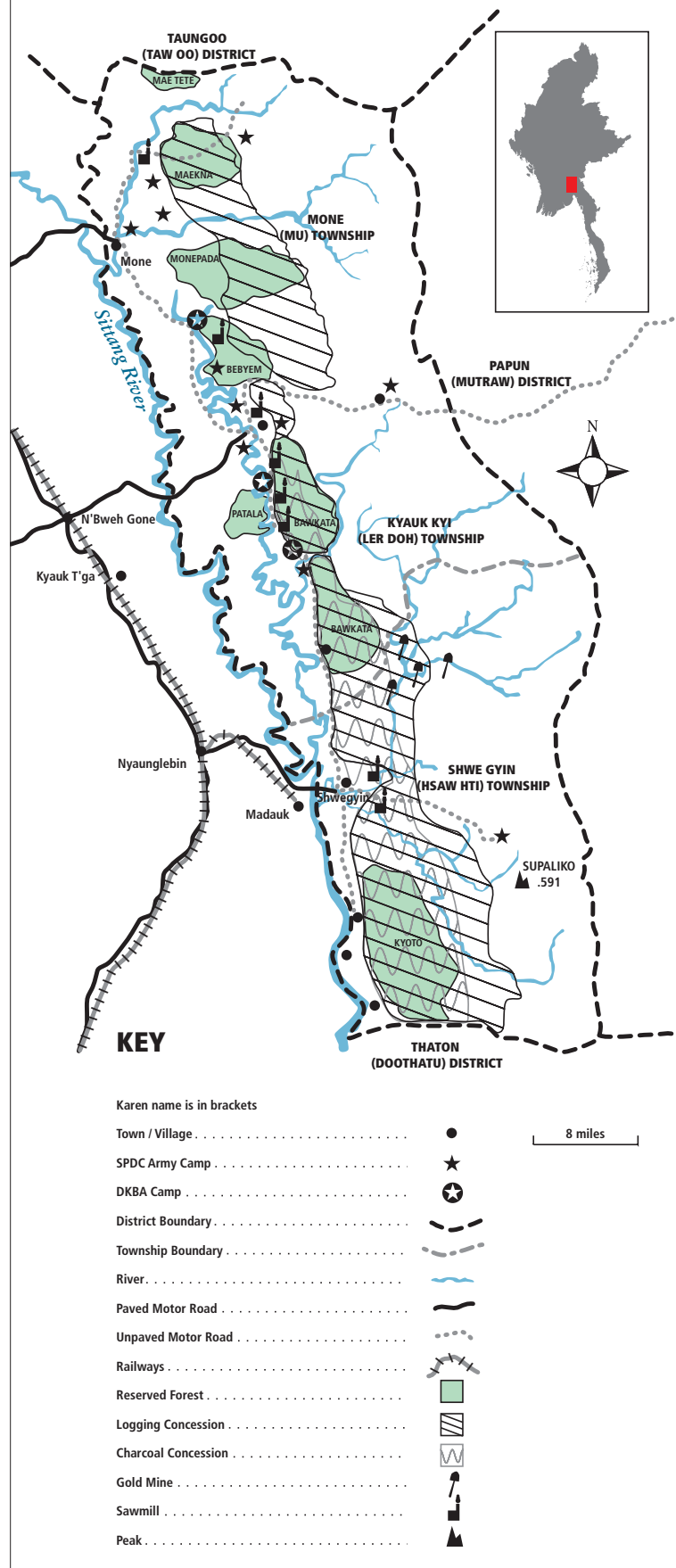
In Shwegyin part of the No. 66th Division, Light Infantry Brigade 4 commanded by Colonel 'Nyi Nyi', has operated logging operations in the Kyotu Forest Reserve.<sup>127</sup> Logs are floated down the Maw Dta Ma River to the Sittang River and onto Pegu.

SPDC soldiers also hire, and sometimes force, villagers to transport logs using oxcarts, to the river or to the Pegu Highway for 1,500 kyat (\$2.4) per ton. Here timber merchants from Rangoon and Mandalay purchase the logs for 15,000-20,000 kyat (\$24-\$32).<sup>127</sup> Soldiers also hire villagers to drag logs, using their buffaloes, from forest areas to sawmills owned by DKBA and SPDC officers. For example the DKBA operates two sawmills in P'yalaygone and three sawmills in Yangmyo Aung.<sup>127</sup> SPDC officers and Burmese civilians operate four sawmills in Yangkyi Aung and others in places such as Yangmyo Aung.<sup>127</sup>

Burmese villagers can apply for logging permits from SPDC military officers; the legal status of these permits is not known. In Kyaukkyi, Karen villagers are paid 30 kyat per plank on a four hour journey. In Shwegyin the SPDC units hire villagers for 400 kyat per day for cutting timber. As in Mone Township, the high level of taxation on villagers' crops means that employment in the logging industry is an important additional source of income.

#### NYAUNGLEBIN (KLER LWEE HTOO) DISTRICT, KAREN STATE, 2001.

SOURCE – KAREN ENVIRONMENTAL AND SOCIAL ACTION NETWORK (KESAN)



## 18.5 Logging and Landmines in Karen State

"The DKBA soldiers came to stay in my village. They are planting landmines to protect their logging...so we dared not stay."<sup>164</sup> Anon, Karen villager, 1999.

Mines are used by all sides in the conflict. They are most often deployed to obstruct enemy troop movements, to block supply lines, to seal escape routes, to defend positions and to deny villagers access to their land after they have been forcibly relocated. In Karen State there were more landmine casualties in 1999 than for the whole of Cambodia, one of the most heavily mined countries in the world.<sup>297</sup>

However the use of landmines is not restricted to military purposes. Defectors from the DKBA described to Global Witness, in November 2001, how they use landmines in their logging operations.<sup>293</sup> This has been corroborated by Nonviolence International (Southeast Asia)<sup>bb, 298</sup> through the collection of accounts from landmine victims from Burma, being treated in Thailand, for Landmine Monitor.<sup>cc</sup> Civilians inside Karen State have also described to Global Witness an incident of Burmese logging merchants paying the *Tatmadaw* to remove landmines, so that logging could commence. U Soe Myint, a wealthy timber merchant, has been allowed to extract 2,000 In – Kanyin (Keruing) and 500 Pyinkado (Ironwood) trees from an area three miles uphill from Daung-ya village in Bilin Township, Mon State. The permit was issued by the SPDC. In turn, U Soe Myint has given the *Tatmadaw* 60 lakhs (6 million kyat, or roughly \$9,700) to clear mines that they planted in this area.<sup>299</sup>

In DKBA-controlled territory within Karen State landmines are frequently used to control regions of forest that are going to be logged, particularly those controlled by the 999 Brigade in Pa'an district.<sup>293, 300</sup> Landmines are used to demarcate logging concessions, to stop loggers operating outside their concessions and to stop the KNU from taxing or disturbing the logging companies.<sup>293</sup> In some cases Thai businessmen hire former combatants to lay the mines.<sup>293, 297</sup> Active DKBA combatants also lay landmines in what appears to be part of a range of services, including protection and road building, that they provide the logging companies; their main source of income.<sup>293</sup> Thais are said to provide the explosives and detonators.<sup>293, 297</sup> Not only do these landmines kill and maim combatants and civilians but their presence also severely impacts on people's livelihoods through restricting access to forest resources and killing their livestock.

Ironically logging is sometimes carried out by SPDC units for welfare purposes in some cases to assist handicapped soldiers including mine victims, injured in a conflict that has much to do with control over logging.<sup>127</sup>

## 18.6 Charcoal Making in Nyaunglebin District

Charcoal making is a major cause of deforestation in Kyaukkyi and Shwegyin Townships, in Nyaunglebin District. The relationship between conflict and charcoal making is clear, as the trade is an important source of funds for both SPDC and DKBA units. Charcoal making is also taxed by the KNU but as it is relatively weak in this area it can tax only a small part of the trade. The SPDC and the DKBA each charge villagers 600 kyat (\$1) a month for a permit to operate a charcoal oven.<sup>127</sup> Where it can, the KNU taxes 5000 kyat per year. In some places villagers pay taxes to the SPDC, DKBA and the KNU.

The SPDC and the DKBA also operate charcoal ovens where villagers are forced to work.<sup>127</sup> The charcoal ovens are fired twice a month and produce 60-200, 50-kilogram sacks of charcoal each month. The cost of hiring a bullock cart to carry the charcoal to a collection point is 50 kyat per sack. The SPDC and the DKBA have charcoal collection points at Yangki Aung (DKBA), P'yalagone (SPDC and DKBA) and Yangmyo Aung (SPDC).

The price that charcoal makers receive, 350 kyat per sack, is controlled by the SPDC and the DKBA and is artificially low.<sup>127</sup> However, as the SPDC units squeeze villagers for resources, through forced labour, forced portage and tax on crops, charcoal burning has become an important means for villagers to make ends meet.

Many of the charcoal makers are Karen villagers who were relocated by the SPDC from hill areas to Kyaukkyi and Shwegyin townships on the sub plateau of the Sittang River plain. These villagers have complained that there is not enough cultivatable land here and that this is exacerbated by flooding. "Because of a huge number of people and no land for cultivating and raising animals, region people had their fields destroyed by flood, so they started to do charcoal business."<sup>127</sup>



<sup>bb</sup> An NGO that provides assistance to individuals, organisations and governments globally seeking nonviolent means to achieve their social and political goals.

<sup>cc</sup> Landmine Monitor is a civil society based reporting network to monitor systematically and document nations' compliance with the 1997 Mine Ban Treaty, established by the International Campaign to Ban Landmines.



## 19 THE CHINA-BURMA BORDER

*“We are surrounded by resource hungry nations that have been syphoning off our valuable resources, by fair means or foul.”* U Myat Thinn, SPDC employee, Chairman, Timber Certification Committee (Myanmar), January 2003

Resource rich, and hemmed in by the two most populous nations in the world, China and India, Kachin State has been described as one of the most valuable pieces of real estate in the world.<sup>301</sup> In a little over a decade Kachin State has been transformed from a marginalised, war-torn region of north east Burma, to a natural resource storehouse for development in China. In contrast the Chinese have already exhausted most of Shan State’s forest reserves. The transformation in Kachin State has taken place against the backdrop of ceasefire deals that removed many of the obstacles to rapid resource exploitation that existed during the insurgency period. The logging trade has boomed because of two prime factors: Chinese demand for timber and political instability in Kachin State.

### 19.1 Chinese-Burmese Relations

*“The Burmese leaders have repeatedly indicated their wish for us to be involved in the development of resources in northern Burma.”*<sup>302</sup> Peng Yongan, Chinese academic et al

*“Today, they have gained control over the whole of northern Burma. They control our resources, our markets. But what can we do?”*<sup>303</sup> Anon, local person, on the Burma-China border, 1991

In the aftermath of the violence of 1988 the military leaders of the SLORC faced ostracism by the international community. China was the first country to recognise the regime, and the continued lack of engagement by the majority of other nations lead to an intensification of this relationship. China’s sustained support gave the SLORC time to strengthen its domestic position; without this support the regime may well have collapsed.<sup>186, 304, 308</sup>

In 1988 the two countries signed expansive agreements on border trade. In December 1989 the then governor of Yunnan Province, He Ziqiang, led a delegation to Burma and signed 11 trade agreements, including forestry deals.<sup>302</sup> In 1991 the SLORC Minister of Finance and Planning, Brigadier-General David Abel, led a delegation to Yunnan during which the SLORC “extended

*a welcome to the Yunnan side to examine and discuss gold mining.... and carried out in-depth discussions on cooperation in jade and forestry.”*<sup>302</sup> This visit took place prior to the KIA ceasefire but after the NDA(K) ceasefire.

China has also facilitated the massive expansion of Burma’s armed forces through the supply of military hardware and the provision of training. Military sales from China to Burma between 1988 and 1998 are estimated at between one and two billion dollars. Most of this has been bought at discounted prices, through barter deals and interest-free loans.<sup>10, 305</sup>

Fundamentally China is expanding its economic space, contributing primarily to the border regions but also to the national economy as a whole. In the process, severe disparities in economic growth between the southern coastal regions and the landlocked inland provinces and the resultant threats to national security have been somewhat relieved. China needed Burma’s natural resources to fuel future economic growth in the border provinces and in this context the Burmese insurgencies became a hindrance to China’s development, by blocking access to natural resources, trade and communications.

It is not known for certain what role the Chinese had in the ceasefire agreements but it is highly likely they were involved in some way. For example it has been claimed by some Kachin that China applied significant pressure to the KIO to sign a ceasefire agreement with the Burmese regime, although this is officially denied by KIO. Other Kachin sources have gone further than this stating that China made it clear



Jinxin company log stock pile near Gudong, 2001.



Road building in China close to the Burma border. The truck is carrying timber from Kachin State.

to the KIA that they must sign a ceasefire.<sup>306</sup> Certainly, after the collapse of the Communist Party of Burma in 1989 and the signing of subsequent ceasefire agreements, border trade between the two countries increased, and border towns in Yunnan such as Ruili and Tengchong boomed from the trade in Burma's natural resources. China also secured access to the Burmese market, providing China's then failing industries with an outlet.

There has also been an influx of Chinese into northern Burma, including many businessmen, especially into Mandalay. Estimates vary from hundreds of thousands up to over one million people, and 30-40% of Mandalay's population of 1.2 million is said to be ethnic Chinese.<sup>307</sup> This has caused resentment amongst many in Burma who see this as an invasion by China; part of a plan to take over parts of the country. Many of the Chinese interests in Burma remain veiled in secrecy so the full extent of Chinese influence is difficult to gauge.

The SPDC is aware of the risks in depending too much on China. From its point of view Burma's admission to ASEAN in 1997 was a means of providing balance. The SPDC has also recently bought military hardware from countries other than China, most recently MiG fighter planes from Russia (see *Bartering* page 28). Burma has also strengthened its ties with India. These moves have irritated China. However, it will be difficult to reverse China's influence not least because of Burma's strategic and economic importance to a country that will not want this to happen.<sup>308</sup>

## 19.2 Chinese-Burmese relations and Natural Resource Colonialism

*"As for the exploitation of forest resources from Northern Myanmar for export to China, transportation is much easier, costs are low and it is convenient to bring Chinese labourers into Myanmar to cut trees ... Myanmar has made several requests to us for the exploitation of its forest resources jointly with China...."*

*Importing timber from Myanmar has many advantages. Firstly, there are many species of trees, in good quality, obtainable at a cheap price; secondly using timber from this source can support the increasing demands from China's domestic markets and reduce the amount of the forest cut in Southwest China, thus protecting our environment. Thirdly, we can develop our timber processing industries (cutting of teak, producing wood fibre, paper mills, furniture manufacturing), and assist local economic development ... Myanmar is the only country in which we do not have to pay foreign currency (we can pay directly in Chinese yuan), for imported timber ... In fact, Myanmar is playing the leading role in compensating for the short-fall in the consumed volume of forest of Yunnan."*<sup>309</sup>

Chenwen Xu, academic, 1993

China has four per cent of the world's forest cover, ranking it fifth in global terms. However, with 22% of the world's population China has one of the lowest forest area per capita figures at 0.11 ha, compared to the world average of 0.77 ha.<sup>310</sup> The situation is similar in terms of both farmland and mineral resources. This weak resource base contrasts sharply with China's increasing resource requirements in terms of its own growing and increasingly wealthy population and its increase in exports. China's economy now stands at over \$4.5 trillion,<sup>3</sup> 22 times larger than it was in 1978<sup>311</sup> and continues to grow at about 8% per year. In 1997 Yunnan's economy was 100 times larger than it was in 1987.

China needs Burma's natural resources and it is this need for timber, gold and other minerals that has helped shape China's policy towards the regime in Rangoon and the insurgent groups along the China/Burma border. Natural resource extraction in Burma has fuelled development in China's Yunnan Province and China's ability to import timber freely has been even more important since the imposition of its own logging ban (see page 83). It appears that in the minds of the Chinese policy makers the environment ends at the border, as they have shifted the ecological burden of Chinese development to the people of Burma, in particular those living in Kachin State.

It is also likely that a number of the deals are struck at a county or provincial level but it is not known to what extent these are influenced by the authorities in Beijing. The situation obviously has parallels with that



on the Thai/Burma border but in this instance, given the rapidly increasing demand in China, the implications for Burma's forests and people are even more serious.

It should be noted that despite China's high demand for timber, its average timber consumption is only 0.12 m<sup>3</sup> per person per year, less than one-fifth the global average.<sup>312</sup> Consumption in the UK is eight times this figure, and that of America 19 times making them the world's largest consumers of wood products per capita.

Nevertheless, China's population is growing at 0.88% per year<sup>3</sup> and consumption patterns are changing, especially for timber. In the larger cities consumption is believed to match the global average.<sup>312</sup> Houses have become larger and contain decorative features such as wood flooring and wooden doors. In Shanghai, over 200,000 new homes are built each year.<sup>313</sup> Each household consumes almost 2.5 m<sup>3</sup> of timber a year, totalling 500,000 m<sup>3</sup> per annum. By 1998 the import value of wood products to China ranked first, surpassing for the first time petroleum and steel products.

Despite the dire implications, the forest exploitation in northern Burma has been largely unreported. However, a report entitled *"Research on the Complementarities of Economic Development in the Chinese-Burmese Border Regions"*, part of a series dealing with the opening up of border trade and funded by the Chinese National Foundation of Natural Sciences, explains in great detail the need to develop trade, particularly in natural resources with Burma: *"With the surrounding undeveloped countries... Yunnan, which has developed its independent industrial structure... needs their*

*resources/raw materials to fill the needs of Yunnan's own industrial development"*<sup>302</sup>... *"In [our] border areas, because of the lack of resources, the people who live below the poverty line up till the present number in the millions. It is difficult to shake off the poverty ... Burma's land resources, forest resources, biological resources and mineral resources are very rich, and these are precisely the important resources that we urgently need"*<sup>302</sup>... *the forests have not been developed for use, maintained a primordial state, urgently beckoning people to develop and use them."*<sup>302</sup>

There is even a section entitled, *"Yielding Wonderful Ecological Benefits"*<sup>302</sup> within which it is explained how logging in Burma will *"lessen the level of extraction of our country's [China's] forest resources, bringing ecological benefits"*. The same section provides a graphic description of the terrible effects of logging in the Nujiang Valley, near the town of Fugong where many of the logs from the N'Mai Hku Project are destined (see page 104).

In relation to mineral resources the report goes on to say: *"Our country lacks raw minerals, and has a special demand for Burma's resources."* Although China ranks third in the world in terms as a source of mineral resources it is only 80th in terms of resources available per person, hence the huge demand.<sup>302</sup>

It is clear from these reports that China's sole consideration is the further development of China, especially Yunnan Province. Burma and in particular Kachin State is seen as part of the solution to China's resource needs. There is no mention of the people who live in these forest areas and the biological and cultural value of the forests has been ignored.



Pian Ma, Yunnan Province, China; 2001.

### 19.3 The impact of logging in China

*“Protection of natural forests is pressing work, and by delaying efforts by even one day, our losses will add up by one inch, and our Yellow and Yangtze rivers will not give us peaceful days.”*<sup>314</sup> Zhu Rongji, Chinese Premier, 1999

The development strategy of post revolution China had a serious impact on China’s environment, particularly its forests. Forest cover fell from 21% in 1949 to only 14% in 2003. However, it is now on the increase, as China makes efforts to reverse the deforestation of the past with extensive afforestation programmes, mainly through plantations. Afforestation and territory greening have been defined as a *“common duty of society.”*

In 1996 and 1997 floods cost Yunnan 3.2 billion yuan (\$402,500,000) and 4.5 billion yuan (\$542,170,000) respectively.<sup>315</sup> Severe flooding on the Yangtze River in 1998 affected one-fifth of China’s population in 29 provinces, killing more than 3,600 people and destroying about 5 million hectares of crops. Economic losses throughout China were estimated at over \$36 billion.<sup>316</sup> Soil erosion caused by logging in the watershed of the Jinshajiang River, which flows through north eastern Yunnan and western Sichuan, led to the river depositing 280 million tons of sediment into the Yangtze every year.<sup>315</sup> This was found to be a major contributory factor to the flooding.<sup>317</sup> These floods prompted China to recognise the importance of protecting its remaining natural forests, leading to the introduction of a nationwide logging ban in 1998.

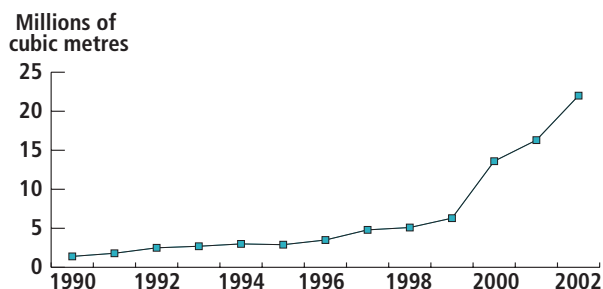
Yunnan also suffers from mudslides that kill hundreds of people each year. In Yingjiang County opposite Kachin State, in August 2000, a mudslide destroyed a hydroelectric power station with 45 people inside, killing at least 14 people.<sup>318</sup> The damage was estimated at \$2.4 million.<sup>319</sup> A similar event is reported to have happened in Kachin State recently with a KIO hydropower project.<sup>344</sup>



**Chinese slogan pillar, on the road from Luzhan to Pian Ma, China; 2001. Translation:** “Protecting the Gaoligong Mountains is protecting our own garden; Protecting the forestry resource is glorious; Damaging the ecological balance is shameful; Protecting the forest and maintaining ecology is an achievement in the present era; Profit in centuries; To set fire to the mountain forests, to poach, to steal and cut trees and deforest is strictly prohibited.” Propagated by the peoples government and the administrative bureau of the nature reserve of Lushui county.

### IMPORTS OF TIMBER INTO CHINA FROM ALL COUNTRIES AND OF ALL CATEGORIES

SOURCE: CHINESE CUSTOMS DATA



### 19.4 The impact of China’s logging ban

*“Logging in China is forbidden, it is a very serious offence, even to cut a small tree ... If you look around Tengchong, you can see that they are planting trees everywhere.”* Anon KIO officer, 2002.

Before the logging ban, Beijing had ordered some counties in Yunnan to stop logging, in part due to the fear of further mudslides. Following the 1996 logging ban in Yunnan major forest enterprises decreased their output by two thirds. But despite the ban smaller enterprises continued logging, taking the view that *“The sky is high, and the emperor is far away.”*

In 1998 China imposed a country wide logging ban on natural forests in specified regions of 18 provinces, approximately two-thirds of the country. China recognised that the deterioration of the ecological environment in major watersheds had become a limiting factor for its continued economic development.<sup>310</sup> Soon after the imposition of the ban on a visit to Yunnan the Chinese Premier, Zhu Rongji, said that the *“protection of forests should be viewed from the vantage of the entire nation’s economic and social development, and from the height as something that concerns the Chinese people’s long-term development.”*<sup>320</sup>

The Chinese authorities are making every effort to enforce their own logging ban. In Yunnan in 1999 *“forest police handled over 10,000 cases related to poaching wild animals and destroying forest resources. And 16, 000 people were dealt with according to the law;”*<sup>321</sup> or as one Chinese official, referring to the dismissal of bureaucrats caught permitting logging in Yunnan, put it *“the felling of one tree now costs one head to roll.”*<sup>315</sup> But this is ultimately at the expense of other timber producing countries as diverse as Indonesia and Liberia, and in the case of China’s near neighbours concern for the environment appears to end at the border.

This ban is part of the *“Natural Forest Conservation Programme”* (NFCP) that, amongst other things, aims to reduce log extraction in natural forests in China from



32 million m<sup>3</sup> in 1997 to 12 million m<sup>3</sup> in 2003. Timber import tariffs were also decreased on a national basis from 50% to about 5% to facilitate imports.<sup>322</sup> In Yunnan, which imports most of Burma's timber, the import tariffs may have been lower.

China is the world's only developing country that is a major net timber importer and is the world's fastest growing market for tropical timber products. In 2001 commercial timber consumption in China was about 95 million m<sup>3</sup> per annum.<sup>323</sup> Since the logging ban China's imports of logs have risen from less than 5 million m<sup>3</sup> in 1998, to over 10 million in 1999. In 2001 log imports stood at around 16 million m<sup>3</sup>.<sup>322</sup> According to recent Chinese customs data timber imports, comprising mainly logs and sawn wood grew significantly in 2002 as a result of strong GDP growth at 8% per annum and huge growth in investment. China imported 24.333 million m<sup>3</sup> of logs valued at \$2.138 billion during 2002, up 44.3% in volume terms and up 26.2% in value terms compared to the same period of the previous year. Imported sawn wood totalled 2.52 million m<sup>3</sup> worth \$ 550 million during the first half of the year, up 39.3% in volume and 22% in value respectively over the same period for 2001.<sup>324</sup> Coniferous log imports at 15.78 million m<sup>3</sup> represented 64.9% of the total, an increase of 72.6% compared to 2001. Hardwood log imports accounted for 8.553 million m<sup>3</sup> or 35.1% of the total, an increase of 10.8%. China imports both coniferous and hardwood species from Burma.<sup>325</sup>

But the NFCP has added to China's unemployment problem. In Yunnan alone, 63,000 loggers lost their jobs and nationwide 1.2 million people were laid off. As a result, China looks more than ever to Burma as a rich



Log trucks parked up in Yingjiang Town, China; 2001.

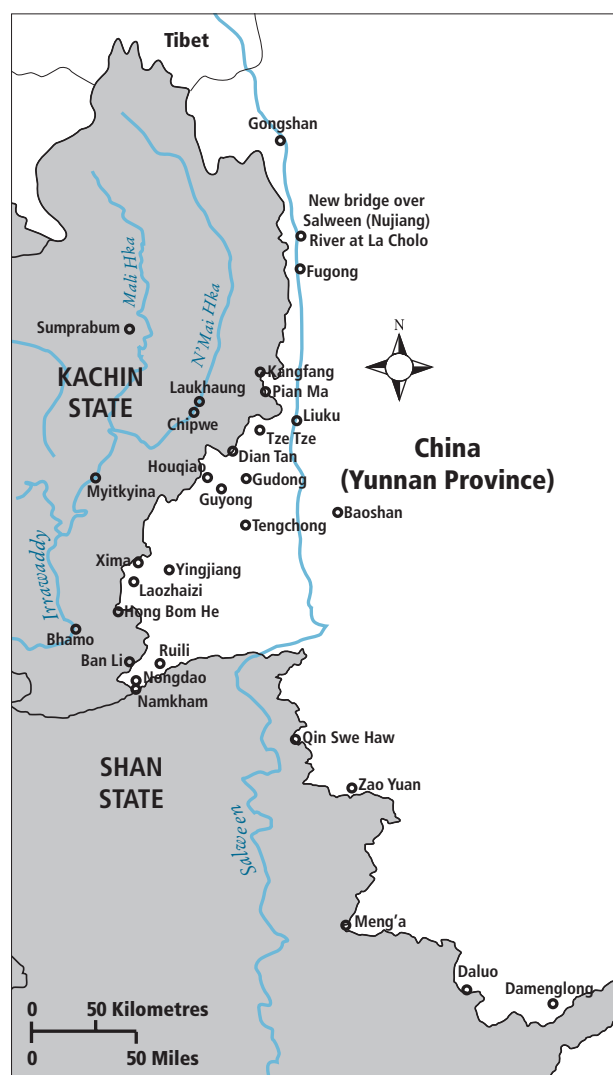
source of natural resources. As one KIO Officer put it, *"China has thanked the KIO several times, they said from Ruili to Tengchong, Yingjiang, Changkong, and up to Kunming, the whole province has profited from Kachin resources, jade, wood. The Chinese used to say because of your resources we have improved and developed our area, which is recorded in our history."*<sup>326</sup> Amongst China's politicians and security forces there is mounting concern that the growing ranks of the unemployed represent a pool of discontent and a potential source of social instability. Burma's forests are viewed, in this context, as an opportunity to find employment for some of these timber workers. There are currently believed to be over 20,000 otherwise unemployed Chinese working as loggers and road builders in Kachin State.<sup>327</sup>

The Chinese logging ban presented the SPDC with an ideal opportunity to increase its revenue from timber exports by raising the unit price. However, the unit price of timber being imported by China has remained steady at approximately \$90 per m<sup>3</sup> since the mid 1990s.<sup>328</sup> This is extraordinarily low and may represent the quid pro quo for the extensive financial, military and political support that China provides to the SPDC.



One of several multi-million dollar wood processing factories located near Tengchong Town, China. This factory makes doors and window frames for export.

## 19.5 The timber trade on the Chinese side of the border



The end of open fighting in Burma on the China border, in 1994, allowed the local Chinese authorities to implement the border trade plans that they had devised in the early 1980s. In 1985 for example they had drawn up “*Decisions Concerning Opening Up the Whole Prefecture as a Border Trade Area*”, even though at the time the border was not under the control of the Burmese government. In the same year the Beijing Review published an article “*Opening to the Southwest: An Expert Opinion*” which discussed finding an outlet to the sea through Burma.

Trade, particularly the timber trade boomed. In Dehong Prefecture there were 13 wood-processing factories in 1988, each with an annual output of approximately 10,000 yuan (\$1,200).<sup>329</sup> By 1996, this had risen to 74 factories, with an annual average output of more than 100,000 yuan (\$12,000), and a total of about 80 million yuan (\$10,000,000). China’s official trade figures, which are likely to be underestimates, show that 840,000 m<sup>3</sup> of timber were imported from Burma in 2000 (see *Timber Statistics* page 39).

Previous research in Yunnan, such as a detailed

timber trade and wood flow study, commissioned by the Mekong River Commission, highlighted several factors that hampered data collection including: “*inadequate access to forestry statistics*” and a “*lack of importance placed on accurate statistics*.”<sup>330</sup> This lack of available Yunnan import data meant that all foreign trade data had to be compiled from sources in the exporting countries. The scarcity of data is not because there is no data. In fact the collection of data by local, county, level governments on the border is extremely systematic. At almost every border crossing that Global Witness visited there were one or more checkpoints that taxed and registered log import as well as checkpoints to ensure that logs have come from Burma rather than Yunnan’s own protected forests. Notably, Yunnan authorities denied to timber trade researchers in 1999 that there are any significant wood imports to the province.<sup>330</sup>

Nujiang, Boshan and Dehong districts of Yunnan Province border Kachin State in Burma; Licang Simao and Xishuangbanna border, for the most part, Wa-controlled areas of Shan State.

### 19.5.1 Nujiang Lisu Autonomous Prefecture

#### 19.5.1.1 Pian Ma

Pian Ma (Burmese: Hpimaw) has been a major east-west trade route for centuries, and is home to around two thousand mainly ethnic minority people. This changed after the NDA(K) (see section on NDA(K) logging, page 94) was granted logging concessions as part of its ceasefire deal. Pian Ma now has a floating population of 20,000 people, mostly involved in logging but also mining in Kachin State. The town’s rapid development since 1989 has been largely sustained by the logging in Kachin State in areas about 70km from Pian Ma. In 1991, when the provincial government in Kunming designated Pian Ma as one of 12 Special Economic Zones, it became a “*provincial level Open Port*” for trade. Since then policies designed and enacted from national to county levels have created a business climate devoid of government interference.

Infrastructure to facilitate and administer border trade was put in place and supported by fiscal incentives embodied in a series of laws aimed at attracting investment. These included: “*Policies Regarding Preferential Treatment as a Means to Expand, Open and Attract Foreign Investment*” and “*Policies Regarding Steps Towards the Progress of Pian Ma Trade Port and its Rapid Expansion and Development*”.<sup>331</sup>

All these have been successful in attracting logging companies and Pian Ma went from having four companies in 1984 to over 150 in 2001. It is now one of the busiest border logging towns on the China-Burma border. To encourage logging companies elsewhere, the local government has opened what it has described as “*International Border Ports*”. Today these ports are simply logging roads. The corresponding town on the Kachin side of the border is Datianba in Kachin Special Region 1 (NDA(K)).





Log stockyard in Pian Ma.

In 2000, at least 150,000 m<sup>3</sup> of timber were imported into Pian Ma.<sup>327</sup> Some reports, based on interviews with loggers, have placed the volume as high as 350,000 m<sup>3</sup>.<sup>311</sup> Accurate data on the value of trade is not available but officials have said that it amounted to \$11 million in 2000.<sup>327</sup>

Pian Ma may soon become more important for mining in future as forests are becoming exhausted and rich mineral deposits have been found in the area. Companies are already having to work 70km from the border and are planning to move on within the next two or three years north to Fugong and Gongshan.<sup>327</sup> Further south, the Tengchong government appears to be trying to divert log traffic away from Nujiang County. By building roads to the north log traffic that may have gone to Pian Ma will be diverted to border towns such as Dian Tan. In this way Dian Tan can expand as logging starts in the Triangle area (*see page 101*).<sup>327</sup>

According to official figures there are over 100 private companies either logging or processing timber. In addition there are over 15 companies that have been given the right to 'manage border trade'. Although there are 80 sawmills in Pian Ma and despite the development, the town lacks adequate infrastructure, water and electricity supply, and storage space, so the bulk of the timber is transported to Dali and Kunming.<sup>327</sup>

There are three particularly large companies, with over 10 million yuan (\$ 1,250,000) of investment working in Pian Ma. These include the De Long Forest Resource Co. Ltd, Jinxin Co. [Pian Ma Enterprises Department] (one of several Jinxin depots along the border) and the Hong Sen Company. De Long and Hong Sen both process timber, whilst Jinxin uses Pian Ma as a log storage area. Jinxin claims that it is the biggest logging company working in Yunnan Province and has other log depots in Tengchong, Dian Tan, and Guyong.<sup>327</sup>

#### 19.5.1.2 The De Long Forest Resource Development Company

De Long Forest Resource Development Ltd, thought to be based in Xingjiang Province in North West China, is registered with 20 million yuan (\$2.5 million) of capital. Local people told Global Witness that the company is a joint venture between Taiwanese and Japanese companies. It appears to have a nationwide operation in natural resource extraction and is as interested in gold mining as it is in logging.<sup>327</sup>

De Long has operated in the Pian Ma area since 1998. Its 35,000 ha concession in alpine forest, granted by the NDA(K), allows the company to cut timber for 15 years, although it expects to have exhausted the area within 10 years.<sup>327</sup> However, the company appears to have good relations with all sides across the border in Burma and is confident of working in Kachin State "*whoever is in control*."<sup>327</sup> It has opened up large areas of forest north of Pian Ma where it has built a 150 km road network. According to company staff more than 50 workers, of a total workforce of 3000 running 150 trucks, have died in the road building and logging operations since 1998.<sup>327</sup> De Long is the largest company in the Pian Ma area accounting for around 80,000 m<sup>3</sup> of timber each year. This, amounts to over half of official imports for Pian Ma and is projected to rise significantly.<sup>327</sup>

The company has invested significantly in an hydroelectric power plant, kiln drying technology and machinery to produce export-quality wood flooring for the Chinese domestic and international markets.<sup>327</sup> In addition to carrying out logging itself, De Long sells concessions to smaller logging companies and in early 2001, the company was said to be selling two concessions for two and four million yuan (\$250,000 to \$500,000) respectively.<sup>327</sup>

### 19.5.1.3 Liuku

Liuku is the capital of Nujiang Lisu Autonomous Prefecture. Log traffic from the N'Mai Hku Project (see *N'Mai Hku Project*, page 104) and Pian Ma border port (see *Pian Ma*, page 85) comes to this town, before passing to Dali for transport, by rail or the recently upgraded road, to Kunming or elsewhere. In 2001 there were relatively few wood processing facilities or log stockpiles in Liuku though the town is an important banking and administrative centre for the logging industry and has prospered from it.<sup>327</sup>

There are less than 10 sawmills in Liuku, by far the largest of which is the Nu Jian Hong Ta Chang Quing wood factory, four kilometres from Liuku on the east bank of the Nu Jian River. The company claims to be the largest single investment along the border and is a joint venture between a Malaysian company (60%) and the Chinese state owned<sup>332</sup> Hong Ta Group (40%).<sup>327</sup> The company purchases most of its timber from the De Long company in Pian Ma (see *De Long Company*, page 86) and exports over 1,000 m<sup>3</sup> of processed timber each month. Much this goes to Korea in the form of doors and window frames.

### 19.5.1.4 Fugong

Fugong is the capital of Fugong County in Nujiang Lisu Autonomous Prefecture. The town is set to become a major log trading and processing centre akin to Pian Ma, as timber from the N'Mai Hku Project in Kachin State (see *N'Mai Hku*, page 104) continues to arrive. A new bridge over the Salween and Nujiang rivers was completed in late 2000/early 2001, approximately 28 km north of Fugong. The bridge leads to the Yaping and E'ga roads of the N'Mai Hku Project, which began carrying logging traffic in the middle of 2001.

Ironically, the Fugong area has suffered from severe environmental destruction following the loss of its

forests from commercial logging and agricultural conversion. Each square kilometre of sloping farmland loses between 5,000 and 15,000 tons of topsoil annually, and the area is subject to landslides and flash flooding.<sup>302</sup> As early as 1979 heavy rainfall caused flash floods and landslides killing 143 people, injuring 88 and destroying the livelihoods of 40,000 people.<sup>302</sup>

### 19.5.1.5 Gongshan

Gongshan Town, in Gongshan County, Nujiang Lisu Autonomous Prefecture is becoming increasingly involved in logging in Kachin State. A new 96 km road leading to the Burmese border at Dulongjiang was completed in 1999 and is, according to locals, one of the most expensive roads ever built in China, costing one million yuan (\$120,000) per mile.<sup>327, 333</sup> The, as yet, unfinished Danzhu Road, which is part of the N'Mai Hku Project (see *N'Mai Hku*, page 104) from Gongshan Town to the China-Burma border, was being used to carry small amounts of timber in 2001.<sup>327</sup> In addition, the road between Liuku and Gongshan has been widened and sealed with bitumen in the last few years, by the Ministry of Communications.<sup>334</sup> All three of these roads are central to the opening up of forest and mineral resources in Kachin State. In particular, there are important zinc and gold mines in the Dulong area, with the third most important zinc deposits in Yunnan Province.

There have been reports of at least one crackdown on forest crime in Yunnan. In early 2001, 13 Gongshan County government officials and company managers were jailed after investigations by the State Forestry Bureau, which found that leaders of the local government had illegally issued a 4,200 m<sup>3</sup> logging license to a Hong Kong businessman's company in 2000. The company illegally clear-cut forests and extracted more than 23,780 m<sup>3</sup> of timber in China.<sup>327, 335, 336</sup>



Nu Jian Hong Ta Logging company stockpile; 2001.





Log trucks entering China at Hoquiou border port from Burma; 2000.

### 19.5.2 Baoshan Prefecture

#### 19.5.2.1 Tengchong

Tengchong is a large town in Baoshan Prefecture that has built its economy on logging. Timber merchants told Global Witness that at the height of the logging, during the last 10 years, up to 400,000 m<sup>3</sup> of logs a year were imported into Tengchong through the border ports Dian Tan, Tze Tze, and Houqiao.<sup>327</sup> There are several large value added timber production facilities in the town.

In particular, the Jinxin Company, the largest logging company operating in Kachin State, which is also building the road from Myitkyina to Pangwah, is based here. Company representatives told Global Witness that they negotiated deals with the Myanmar consulate in Kunming, although this may be more due to their road building projects in Kachin State than their logging operations.<sup>327</sup> One businessman went so far as to say that the Tengchong government had negotiated with the Burmese Government to ensure that logs were transported to Tengchong, rather than seeing them go to places such as Pian Ma.<sup>327</sup>

Another large company operating in Tengchong, the Tengchong Border Trade Development Company appears to be state-run. Global Witness investigators were told by a company employee that it imports MTE-felled teak from Burma.<sup>327</sup>

#### 19.5.2.2 Dian Tan

Dian Tan in Baoshan Prefecture is opposite the Pangwah Pass, which is probably the busiest border pass between China and Burma. There are over 70 sawmills in the town and in 2001 Global Witness saw a constant stream of logging traffic.<sup>327</sup> According to local sources there are 5,000 loggers working from Dian Tan.<sup>327</sup>

Despite the fact that the areas close to the border are virtually logged out, in 2001 Dian Tan appeared to be

preparing for more log traffic as several companies are building factories on the outskirts of the town.<sup>327</sup> There is a 'township' checkpoint on the road between Dian Tan and Tengchong where all log trucks must stop so that the logs can be checked to ensure that they originate in Burma, rather than China.<sup>327</sup>

#### 19.5.2.3 Tze Tze

Tze Tze is north of Tengchong in Baoshan Prefecture and is only 15 km from the Burmese border. It has been involved in the logging trade for over a decade.<sup>327</sup> There are two roads from the town that lead to the border, at border posts seven and eight. In addition, the road from Gudong to Tze Tze was being upgraded in early 2001.<sup>327</sup> There are around 20 sawmills, but the majority of timber arriving in the town is transported on to Gudong without being processed. Log traffic was heavy. In 2001 Global Witness investigators saw on average 12 trucks an hour heading towards the town.

#### 19.5.2.4 Houqiao

Houqiao in Baoshan Prefecture is opposite the Kambaiti border pass, and is linked to Tengchong by a good road. The border port was in the process of being upgraded from provincial to national status, and is likely become the principle route to Myitkyina from China. Log truck drivers told Global Witness that the town is an official border crossing which deals with teak sourced from the Burmese government.<sup>327</sup> One log truck driver explained that he had transported his load of teak from Myitkyina, where it had arrived by rail from Rangoon.<sup>327</sup>

The Yunnan-Tengchong Company, one of the largest wood processing factories along the border, is based near Houqiao. The company employs more than 100 people, and is Malaysian owned. It makes wood flooring and furniture for export to Malaysia and Japan.<sup>327</sup>

### 19.5.2.5 Guyong

Guyong town is situated at the junction of the Tengchong to Houqiao road and the road to Tze Tze in Baoshan Prefecture. The town has been involved in logging, as a log storage area, since 1994 and as a processing centre since 1997. In 2001 there were approximately 100 sawmills in the town, including those in Minguang Township.<sup>327</sup> Most of the factories are very small and relatively crude.



Making wood flooring in a small workshop in Guyong.

### 19.5.3 Dehong Dai Jingpo Autonomous Prefecture

In late 2000 the official cost of teak was at least \$800 per m<sup>3</sup>, whereas the Chinese could get it, all costs included, for 3,000 yuan (\$361) per m<sup>3</sup> and sell the timber for 5000 yuan (\$602) per m<sup>3</sup> in China, according to one Sino-Burmese businessman interviewed by Global Witness. This represents an instant tax-free profit of almost \$250 for every cubic metre imported to China. According to the same source the Burmese Forest Department was very concerned because in places such as Hong Kong, Vietnam and Malaysia, Burmese timber could be bought at lower prices than in Rangoon, because of the illegal timber traffic across the Chinese border.<sup>337</sup>

The main destination for the timber was China's domestic market, with wood being transported from the border to cities such as Kun Ming, Guang Zhou, and Shang Hai. Some of the timber was destined for export; planks to Japan and flooring to Italy being mentioned by a number of businessmen.<sup>337</sup>

### 19.5.3.1 Ruili

The economies of Ruili and Wanding boomed immediately after the 1988 border trade agreements between Burma and China. Until then, insurgent groups controlled the border and Ruili was a supply centre for Chinese aid to the Communist Party of Burma (CPB). After 1988 natural resources poured out of Burma whilst cheap Chinese goods poured in. Ruili and nearby Wanding were also key border ports for the export of timber.

In 1993 one observer remarked that between 1,500 and 3,750 tonnes of wood, mostly teak, left Burma via Wanding six days in every week. *"It is possible to make a conservative estimate that at least 300 five-tonne trucks, and as many as 750, return across the border from Burma and back into China every working day and at least half of these, including covered trucks, carry mostly short cut logs, some milled timber and even parquet flooring."*<sup>338</sup>

Observers in 2000 also reported significant movements of log trucks; one account mentioned upwards of 70 log trucks coming across the border near Ruili each day.<sup>339</sup> Although in April 2001 relatively few log trucks were seen coming from Burma those that were seen were carry cargoes of teak and were larger than the regular Chinese five tonne trucks, that otherwise dominate the cross border logging trade. This suggests that these were official transports between Burma and China.<sup>327</sup>

A businessman interviewed in Ruili told Global Witness that there had been a serious decline in the timber trade since about 1998; there were once 100 timber companies operating in the area but by early 2001 only ten companies were left. The same person said that the crushing of the Mongkoe Defence Army in late 2000 had had a significant impact on the trade. According to the businessman, the Burmese government was firmly in control of the other side of the border. Chinese companies had been told by the *Tatmadaw* to leave the forests in Burma and anyone cutting hardwood trees would be shot.<sup>337</sup>

One company visited by Global Witness that had fixed assets in Ruili and could not therefore leave easily needed to get their timber from Meng'a further south along the border, adjacent to Wa-controlled areas. However, in comparison to the level of the logging trade adjacent to Kachin State, this was very small. Global Witness was also told that in November 2000 the SPDC had given orders that all logging and the smuggling of timber across the borders in northern Shan State, opposite Dehong Prefecture, was illegal, and that loggers were increasingly moving north, to areas fed by Kachin State, such as Pian Ma (*see page 85*) and Tengchong.

### 19.5.3.2 Yingjian

There are between 50 and 70 sawmills in Yingjian Town that are supplied by at least four feeder towns: Hong Bom He, Laozhaizi, Xima and Carzan.<sup>327</sup> The timber