



global witness



# A Choice for China

Ending the destruction of Burma's northern frontier forests



## 1 RECOMMENDATIONS

### THE INTERNATIONAL COMMUNITY

The international community bears a responsibility for guaranteeing the fundamental rights of all the people of Burma.<sup>a</sup> It is essential therefore, that the international community supports moves towards a more democratic and inclusive Burma and the end of military rule. The international community should also encourage the development of civil society through its participation in the decision making process and promote transparency and freedom of information at all levels.

The international community must ensure that its demand for timber and timber products does not provide funding to a regime that represses people who oppose it. It should also ensure that this demand does not lead to an increase in poverty amongst Burma's rural poor or to large-scale destruction of Burma's northern frontier forests, the focus of this report.

#### The International Community should:

- Adopt legislation to prohibit the importation and sale of timber, which has been harvested, transported, bought or sold in violation of national laws.<sup>b</sup> This should include timber imported either directly from the country where the timber was logged or via intermediate countries.
- Establish a working group with representatives from the State Peace and Development Council (SPDC), ceasefire groups, civil society, United Nations (UN) agencies and the Chinese authorities to facilitate measures to combat illegal logging in northern Burma and support initiatives to promote sustainable development in Kachin State.
- Support independent assessments of the extent of illegal logging and forest loss, and the extent and composition of the forest resource base, in Kachin State through a combination of satellite imagery and photography, aerial photography and ground-truthing.
- Facilitate a forest value assessment for Kachin State, under the auspices of the

working group referred to above, to be followed by participatory forest zoning (see 'Box 7: Forest values', page 28).

- Help rebuild society at a local level in northern Burma through the promotion of educational projects including environmental awareness, encourage the continuation of sustainable resource use and protection, and support grassroots environmental initiatives.
- Support Thai proposals for the creation of a new '*Southeast Asian Regional Law Enforcement Network to Combat Nature Crimes*', including measures to tackle the illegal trans-boundary timber trade.<sup>c</sup>

#### Timber importing companies should not:

- Import timber, or processed timber products, that have been produced from wood illegally exported from northern Burma to China.

### THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA

The Chinese authorities at a national, provincial and local level should ensure that economic development in China, particularly in Yunnan Province, is not detrimental to Burma's peoples.

#### In relation to the management of Burma's forests the government of the People's Republic of China should:

- Suspend the importation of logs and processed timber across the China-Burma border pending a review of the legality of all logging operations in Kachin State.
- Make data relating to the importation of timber from Burma publicly available. This should include timber volume, value, legal provenance and details of the contracting parties.
- Help the ceasefire groups carry out Environmental and Social Impact Assessments (ESIAs) for all current and future development projects and for any commercial activities concerning the exploitation of natural resources that involve

<sup>a</sup> The military government renamed Burma as Myanmar in 1989 and this name is used by the United Nations. In this report, however, Global Witness will use Burma, and Myanmar will only be used where it is quoted by name.

<sup>b</sup> It is currently entirely legal to import and market timber and timber products, produced in breach of the laws of the country of origin, into all timber importing countries including China. China should lead the way in rectifying this anomaly.

<sup>c</sup> In his address at the opening ceremony of the 13th Meeting of the Conference of the Parties to CITES on 2 October 2004, Prime Minister Thaksin Shinawatra proposed that Thailand take the lead in the formation of such a network and to host a meeting in 2005 to work out the details for creating this network.

Chinese companies operating in areas under their control. Such a process should include meaningful public consultation.

- Abide by international environmental commitments including the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), and end the illegal importation of Himalayan Yew trees from northern Burma.

**The government of the People's Republic of China, in accordance with its commitments made in the September 2001 East Asia Forest Law Enforcement and Governance (FLEG) Declaration<sup>1</sup>, should:**

- Take immediate action to strengthen bilateral cooperation with the Burmese Forestry Department, and establish a dialogue with relevant officials within ceasefire group administrations, to address the issue of illegal logging in northern Burma, the illegal timber trade with China and corruption linked to this timber.
- Play a more proactive role in the Regional Taskforce on Forest Law Enforcement and Governance, which was established to advance the objectives of the FLEG Declaration.
- Develop mechanisms for the effective exchange of experience relating to forest protection and forestry, and information including log and timber import data.
- Encourage the participation of the Burmese Forestry Department, relevant officials within ceasefire group administrations, and civil society in the FLEG initiative (see '13 Appendix I', page 89-91).

**THE STATE PEACE AND DEVELOPMENT COUNCIL**

In order to bring about an equitable, long-term solution to the conflicts, natural resource management and effect a transition to civilian rule the SPDC must enter into a meaningful and inclusive dialogue with all political parties and the armed opposition groups.

The SPDC's failure to stop illegal timber exports to China in particular has resulted in widespread forest destruction, and a corresponding increase in concern amongst local people in Kachin State. A minority, many of them soldiers under the control of the SPDC Northern

Command, have enriched themselves at the expense of the majority.

**In relation to the management of forests in Burma the SPDC should:**

- Stop the illegal and unsustainable logging facilitated by SPDC troops in Kachin State, and end the illegal cross-border timber trade with China.
- Ensure that natural resources, including forests, are managed in an equitable, sustainable and transparent manner.
- Increase aid and development to the ceasefire areas, and other impoverished border regions, and ensure that the local economies are not reliant on unsustainable natural resource exploitation.

**THE CEASEFIRE GROUPS IN KACHIN STATE**

Widespread forest loss is leading to serious environmental and social problems, and is ultimately undermining development in the ceasefire areas and beyond. The ceasefire groups bear a responsibility for helping to end this illegal and destructive trade, particularly logging operations in areas under their control and timber exports that pass through their territory.

**The Ceasefire Groups in Kachin State should:**

- Notify the relevant authorities in both Burma and China of all illegal timber transportation as and when it passes through areas under their control and prior to its export to China. This information should also be made available to the international community, particularly to members of the East Asia FLEG Regional Taskforce, and to the public.
- Suspend logging activities, development projects and commercial operations that are unsustainable or are of questionable economic and social value.
- Ensure the equitable distribution of the benefits of any development project, or commercial activity involving the exploitation of natural resources in ceasefire areas.
- Give full support and access to grassroots initiatives that aim to protect the environment and to other sustainable development activities at a community level.

## 2 TABLE OF CONTENTS

1 RECOMMENDATIONS	1-2	9.2.2 Gudong	44
2 TABLE OF CONTENTS	3	9.2.3 Guyong	44
3 PREFACE	5-6	9.2.4 Houqiao	44-45
4 INTRODUCTION	7-8	9.2.5 Dian Tan	45-46
5 EXECUTIVE SUMMARY	9-10	9.2.6 Tze Tze	46
Box 1: Key Findings	9	9.3 Dehong Dai Jingpo Autonomous Prefecture	47-49
<b>PART ONE: THE CASE FOR CHANGE</b>	<b>11-36</b>	9.3.1 Ruili	47-48
6 REGIONAL STABILITY AND TRADE	11-19	9.3.2 Zhangfeng	48
Box 2: Khin Nyunt's fall from power	13	9.3.3 Ban Li	48
6.1 Chinese government leadership:		9.3.4 Yingjiang	49
the key to conflict-resolution in Burma?	14	9.3.5 Car Zan	49
Box 3: Chinese foreign policy and conflict in Burma	15	9.3.6 Sudien	49
6.2 Unsustainable logging, conflict and instability		9.3.7 Longling	49
on the China-Burma border	16	10 KACHIN STATE	50-69
6.3 The spread of HIV/AIDS	16-18	10.1 A brief history of conflict in Kachin State	50-51
6.4 Opium, drug abuse and logging	18-19	10.2 The nature of the ceasefire deals	51-52
7 THE ILLEGAL BURMA-CHINA TIMBER TRADE	19-28	10.3 Kachin nationalist movement in turmoil	53-54
7.1 Chinese demand and illegal logging	20	Box 9: Logging and the new constitution	54
7.2 China's international commitment to end		10.4 Logging in Kachin State	55-69
illegal logging and associated trade	21	10.4.1 Territorial control and logging	
Box 4: EU Action to combat illegal logging in Burma	21	within Kachin State	56
7.3 Illegal timber exports from Burma to China		10.4.2 The KIO and logging in Kachin State	57-58
– a statistical analysis	21-23	Box 10: Power stations in exchange	
7.4 The illegal nature of the Burma-China		for logging rights	59
timber trade (Chinese law)	23-25	10.4.3 The NDA(K) and logging	
7.4.1 Illegal importation of CITES-listed		in Kachin State	60
Himalayan Yew trees from Burma		10.4.4 The expansion of KIO and NDA(K)	
to China	25	logging interests	61-62
Box 5: Logging and the Beijing Olympics	26	10.4.4.1 The Southern Triangle	61-62
7.5 The illegal nature of the Burma-China		10.4.4.2 NDA(K) expansion into	
timber trade (Burmese law)	27	KIO-controlled areas south	
Box 6: Forest law enforcement in Burma	28	of Gongshan	62
8 THE ENVIRONMENTAL AND SOCIAL IMPACTS		10.4.5 The SPDC and logging in Kachin State	63-65
OF DESTRUCTIVE LOGGING IN NORTHERN BURMA	28-36	10.4.6 The N'Mai Hku (Headwaters) Project	66-67
Box 7: Forest Values	28	10.4.7 Kachin-run logging companies	
8.1 China's environmental commitments		operating in Kachin State	68-69
in the Greater Mekong Sub-Region (GMS)	29-30	11 WA STATE	70-71
8.2 The ecological importance of Burma's		12 CONCLUSION	72
frontier forests	30-31	<b>APPENDICES: BACKGROUND</b>	<b>73-94</b>
8.3 Environmental impacts in northern Burma	32-34	13 APPENDIX I: CONFLICT AND POLITICS IN BURMA	73-78
8.3.1 Flooding	33-34	Box 11: Power and control in Burma	75
8.4 Impacts on development in northern Burma	34-36	13.1 Recent developments	76-78
Box 8: A personal account of the impacts		13.1.1 Recent internal political developments	76-78
of logging	35	13.1.2 External relations	78
8.4.1 Hollow promises of development	36	14 APPENDIX II: FORESTS AND FORESTRY IN BURMA	79-88
<b>PART TWO: GLOBAL WITNESS RESEARCH</b>	<b>37-72</b>	14.1 The economic importance of the timber trade	81-83
<b>AND INVESTIGATIONS</b>		Box 12: Buying timber from Burma	81
9 THE TIMBER TRADE ON THE CHINA-BURMA BORDER	37-49	14.2 The scale of world timber imports from Burma	84
9.1 Nujiang Lisu Autonomous Prefecture	39-42	14.3 The scale of timber exports	
9.1.1 Liuku	39	from Burma worldwide	85
9.1.2 Pian Ma	40	14.4 Illegal timber exports from	
9.1.3 Fugong	41	Burma worldwide – a statistical analysis	87-88
9.1.4 Gongshan	42	15 APPENDIX III: FOREST LAW ENFORCEMENT	
9.2 Baoshan Prefecture	43-46	AND GOVERNANCE (FLEG): EAST ASIA FLEG	
9.2.1 Tengchong	43-44	MINISTERIAL DECLARATION	89-91
		16 APPENDIX IV: THE G8 IN 2005: PRIORITIES FOR ACTION	
		ON ILLEGAL LOGGING (JOINT NGO STATEMENT)	92-94
		17 GLOBAL WITNESS' PREVIOUS PUBLICATIONS	95
		18 REFERENCES	96-98



### 3 PREFACE

This report makes the case for ending the illegal logging in Burma's northern forests. Although the management of Burma's forests is primarily the responsibility of the relevant authorities in Burma, the vast majority of the timber cut in northern Burma is subsequently exported illegally to China. The Chinese authorities are, therefore, ideally placed to help the Burmese end the illicit trade. It is also in China's long-term self-interest to end destructive logging in northern Burma (see 'Part One: The Case for Change', pages 11-36).

For these reasons this report is aimed largely at the Chinese authorities, both in Yunnan Province and in Beijing. In particular the report is aimed at the

Chinese Ministry of Commerce, which is responsible for trade, and the Ministry of Foreign Affairs. The General Administration of Customs, and the Administration of Quality Supervision Inspection and Quarantine (AQSIQ), also have a role to play in stopping the illegal importation of Burmese timber into China (see '7.4 The illegal nature of the Burma-China timber trade (Chinese law)', pages 23-25). The Chinese State Forest Administration (SFA), on the other hand, has no power to halt the illicit cross-border trade – except in relation to enforcement of CITES (see '7.4.1 Illegal importation of CITES-listed Himalayan Yew trees from Burma to China', page 25) but it could advise the armed ethnic opposition groups about good forest management.

#### ABBREVIATIONS

AAC	Annual Allowable Cut
ADB	Asian Development Bank
AFPFL	Anti-Fascist People's Freedom League
AIDS	Acquired Immune Deficiency Syndrome
APEC	Asia-Pacific Economic Cooperation
ATS	Amphetamine Type Stimulants
AQSIQ	Administration of Quality Supervision Inspection and Quarantine
ASEAN	Association of Southeast Asian Nations
ASEM	Asia-Europe Meeting
BOCOG	Beijing Organizing Committee for the Games of the XXIX Olympiad
BSPP	Burma Socialist Programme Party
CEP	Core Environment Program
CPB	Communist Party of Burma
CPC	Communist Party of China
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
DDSI	Directorate of Defence Services Intelligence
DZGD	Dry Zone Greening Department
EIU	Economist Intelligence Unit
ESIA	Environmental and Social Impact Assessment
FLEG	Forest Law Enforcement and Governance
FSC	Forest Stewardship Council
GDP	Gross Domestic Product
GMS	Greater Mekong Sub-region
HIV	Human Immunodeficiency Virus
IFI	International Finance Institution
IFM	Independent Forest Monitoring
ITTO	International Tropical Timber Organization
KDA	Kachin Defence Army
KIA	Kachin Independence Army (The armed wing of the KIO)

KIO	Kachin Independence Organisation
KNA	Karen National Association
KNCA	Kachin Nationals' Consultative Assembly
KNU	Karen National Union
KSC	Kachin Solidarity Council
MCSO	Myanmar Central Statistical Office
MEC	Myanmar Economic Corporation
MoF	Ministry of Forestry
MI	Military Intelligence
MTE	Myanmar Timber Enterprise
NATALA	Ministry for the Development of Border Areas and National Races
NCFP	Natural Forest Conservation Programme
NCGUB	National Coalition Government Union of Burma
NDA(K)	New Democratic Army (Kachin)
NDF	National Democratic Front
NGO	Non-Governmental Organisation
NLD	National League for Democracy
OSS	Office of Strategic Studies
PRC	People's Republic of China
RWE	Round Wood Equivalent
SFA	Chinese State Forest Administration
SLORC	State Law and Order Restoration Council
SPDC	State Peace and Development Council
SSA(S)	Shan State Army (South)
SSNA	Shan State National Army
UMEHL	Union of Myanmar Economic Holdings Limited
UNAIDS	United Nations Programme on HIV/AIDS
UNDCP	United Nations International Drug Control Program
USDA	Union Solidarity & Development Association
UNODC	United Nations Office of Drugs and Crime
UWSA/P	United Wa State Army/Party
WHO	World Health Organization



**A note on methodology:**

Global Witness conducted primary research along the China-Burma border in 2004 and 2005 and interviewed people from many different backgrounds. To the best of our knowledge, this report reflects the reality of timber trade in these border areas.

**A note on sources:**

Not all of the information contained in this report was witnessed at first hand by Global Witness. Global Witness has also relied on media reports from trusted sources and interviews with individuals familiar with logging in Burma. Where possible the identity of these sources has been made clear, although many of these individuals remain anonymous to maintain their safety. It should be noted that accounts of natural resource exploitation in Burma might be politically biased. Global Witness has therefore treated such information with caution, and has attempted to convey this in the text. Furthermore, the opinions expressed by some of the interviewees do not necessarily reflect the opinions of Global Witness.

**A note on statistics:**

Where appropriate, to facilitate comparison between timber statistics, wood volume data has been converted to Round Wood Equivalent (RWE) volume. This has been done by multiplying wood

volume by standard conversion factors, such as 1 for logs, 1.8 for sawn wood, and 2.3 for plywood.<sup>2</sup>

Various sources of such data were consulted. The data selected for analysis are those that we regard as being from the most representative source. It should be noted however, that there appears to be little correlation between a number of these sources. In addition it is often unclear which products have or have not been included in a given dataset, or indeed which units of measure are being used. Consequently, the analysis presented in this report should be considered as indicative rather than precise.

A lack of clear, reliable and disaggregated data is another sign that Burma is not in a position to manage its forests sustainably. Unfortunately, the provision of incomplete, inaccurate, contradictory and confused data is a global problem.

**A note on conversion rates:**

Unless otherwise stated, the conversion rate of the Myanmar kyat and the Chinese yuan, to the United States dollar is based on the unofficial 2004 exchange rate of US\$ 1 = 900 kyat or 8.4 yuan. All currencies are stated to two significant figures.

Burma uses the unusual measurements of Cubic Ton and Hoppus Ton to measure timber volumes. 1 Cubic ton = 50 cubic feet = 1.416 cubic metres. For logs, 1 Hoppus Ton is equal to 1.8027 cubic metres.<sup>2</sup>



Burmese logs in Yunnan Province, China; 2004

## 4 INTRODUCTION

*“The earth, water, mountain forests and climate are the basic resources of a country. If the mountain forests are destroyed, the earth and water will be degraded. This in turn will lead to climate deterioration. Hence forest destruction must be prevented and looked at with caution. Amongst all our basic resources, forests are the most important.”*<sup>3</sup> Senior General, Than Shwe, October 1993

Burma is made up of temperate and tropical landscapes that range from the Himalayas in the north and east to the lowland forest, mangroves and coral reefs in the south. Rugged mountain ranges form a horseshoe surrounding the fertile plains of the Irrawaddy River in the centre, whilst in the west the Arakan Yoma mountain range extends almost to the Irrawaddy Delta creating a barrier between Burma, India, and Bangladesh. In the east, the Shan Plateau and the Bilaukaung mountain range comprise part of the border with Thailand. In the far north, the border with China follows the line of the Gaoligongshan Mountains.

Part of Burma’s global conservation significance derives from the fact that it contains ecotypes, such as lowland peninsular rainforest, that are already depleted in neighbouring countries. The forests of this region are unusually rich in plants and animals, and as such are protected in China. In northern Burma however, these frontier forests are under threat from illegal, unsustainable and destructive logging. The vast majority of the resultant timber is illegally exported to China.

Burma’s Kachin State, sandwiched between China and India, has been described as some of the most valuable real estate in the world, due in large part to its forests, but also its jade, gold and mineral reserves. The forests of Kachin State form part of an area said to be “*very possibly the most bio-diverse,*



rich, temperate area on earth;”<sup>4</sup> they also suffer from the highest rate of deforestation in Burma.

This report, based largely on investigations carried out in China and Burma during 2004 and 2005, details both the mechanics and scale of logging in Kachin State and the associated illegal cross-border timber trade with China. It also looks at the impact that the logging is having on the livelihoods of forest-dependent communities, and how it is undermining the prospect for future sustainable development in Burma’s northern border areas.

Readers familiar with the issues contained in ‘*A Conflict of Interests - the uncertain future of Burma’s forests*’, published in October 2003, will find ‘*Part One: The Case for Change*’ of particular interest. The Case for Change argues that bringing about an end to the illegal logging in Kachin State is ultimately in the best interests of the Chinese authorities in both Yunnan Province and in Beijing. Not only will ending this destructive trade benefit the Chinese authorities directly, it will also improve their international standing, their relationship with the people of Burma, with other countries in the region and beyond.

This report builds on the information contained in ‘*A Conflict of Interests*’, in particular the role that the Chinese authorities have played in the destruction of Burma’s frontier forests (see ‘*Part Two: Global Witness Research and Investigations*’, pages 37-72). For those readers who have not read Global Witness’ earlier report, some of the information contained in ‘*A Conflict of Interests*’ is summarised in the current text: useful material, that serves to put the present China-Burma timber trade into context, can be found in ‘*Appendices: Background*’ (pages 73-88). Updated information relating to Burma’s forest industry, including an analysis of international timber trade statistics, can also be found in ‘*Appendices: Background*’.



## 5 EXECUTIVE SUMMARY

*“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 .... In fact, Myanmar is playing the leading role in compensating for the short-fall in the consumed volume of forest of Yunnan.”<sup>5</sup>*

Chenwen Xu, academic, 1993

### BOX 1: KEY FINDINGS

- In 2003-04, timber was the SPDC’s third most important source of legal foreign exchange amounting to about US\$377 million.
- By 2004-05, forest products were the SPDC’s second most important source of legal foreign exchange, amounting to US\$427.81 million and 15% of the total.
- In 2003-04, a minimum 1.3 million m<sup>3</sup> RWE of timber exports, almost two-thirds of the total, were illegal according to Burmese law.
- The vast majority of timber illegally exported from Burma is destined for China.
- The value of the timber illegally exported from Burma is equivalent *pro rata* to an import value of roughly US\$300 million.
- In 2003, 96% of China’s imports of logs and sawn wood from Burma entered China’s Kunming customs district overland.
- In the same year, China recorded imports of 1.3 million m<sup>3</sup> RWE of timber from Burma; about 98% of this trade was illegal.
- The illegal cross-border timber trade has increased by almost 60% between 2001 and 2004.
- Large parts of forest along the China-Burma border have been destroyed, forcing the logging companies to move even deeper into Burma’s forests in their search for timber.
- The destructive logging and illegal timber trade take place with the full knowledge and complicity of the SPDC, the Chinese authorities and ceasefire groups.

In 1984 there were four logging companies based in the Chinese border town of Pian Ma. There are now over 100, despite the imposition of a logging ban in Yunnan Province in 1996 and a nationwide Chinese ban in 1998. The rapid expansion of the timber industry in Pian Ma, and many other towns along the China-Burma border, has been largely sustained by logging in Kachin State: a comparatively undeveloped region across the border in Burma. In this context, the conflict in northern Burma was undermining the potential for development in China’s border provinces, both by limiting the trade in natural resources from Burma and by blocking access to a large market for goods manufactured in China.

It is not known for certain what role the Chinese authorities had in the ceasefire agreements between the armed ethnic opposition groups and the military regime in Rangoon. However, a number of Kachin people, spoken to by Global Witness, claim that the Kachin Independence Army/Organisation (KIA/O), for example, was put under pressure by the Chinese to agree a deal. It is interesting to note that although the current phase of logging in Kachin State dates back to around 1987, it did not really take off until after the New Democratic Army (Kachin) (NDA(K)) ceasefire in 1989. China had, by this time, signed an official border trade agreement with Burma in late 1988. Having supported armed ethnic opposition groups in the past, the Chinese government became a major ally of the regime.

The ceasefire deals do not address underlying political grievances of the armed ethnic opposition groups or natural resource management: this includes forest management – the Ministry of Forestry (MoF) plays little or no part in the management of forests in Kachin State. As a result, these forests are vulnerable to uncontrolled exploitation and destructive logging is widespread.

From the outside logging in Kachin State appears chaotic, in part because it is controlled by several groups including the SPDC Northern Command *Tatmadaw* (armed forces) units, the NDA(K), and the KIA/O. Chinese companies and others have taken advantage of the forest management vacuum, and are logging high conservation value forests in northern Burma.

The cross-border timber trade is almost entirely illegal according to Burmese law (*see ‘7 The Illegal Burma-China timber trade’, pages 19-28*). Global Witness researchers have seen timber being trucked into China at numerous locations, from Gongshan in the north to Ruili further south, despite the fact that there is only one legal export point on the border. Vast quantities of timber were seen stockpiled in towns all along the border, in particular Pian Ma and Houqiao. Indeed, Chinese customs data indicate that between



800,000 m<sup>3</sup> and 1,000,000 m<sup>3</sup> of timber was crossing this border annually throughout the same period; almost all of this multi-million dollar trade is illegal. The importation of this timber is also illegal according to Chinese customs and quarantine laws. The illegal nature of the logging operations run by Chinese companies in Burma and official Chinese support for the trade is having an adverse impact on China's standing in the international community.

Most of the logging is illegal, according to Burmese law. The logging is also often highly destructive and it is not sustainable. The destruction of forests in northern Burma will undermine the potential for sustainable development<sup>d</sup> in this part of Burma and as the forests are depleted this may lead to the disintegration of the timber processing industry on the Yunnan-Burma border and unemployment in this and other parts of China. Destructive logging in Burma, close to the China-Burma border is likely to have adverse environmental impacts, and may lead to forest management problems in China, including threats to the internationally renowned Nuijiang and Gaoligongshan reserves, for example through a potential increase in the incidence of forest fires.

Despite the clear economic advantages for China in the short term, however the nature of the ceasefire processes and logging in northern Burma might be storing up serious problems for both the SPDC and the Chinese authorities; not to mention the armed opposition groups and local people. Marginalisation of the Kachin people, in particular the lack of socio-economic development, and the inequitable distribution of the benefits of resource extraction in Kachin State, was in part responsible for the insurgency. However, the indigenous ethnic population of Burma's border areas still derive little if any benefit from the logging and more often than not are left poorer as a result. In addition, the presence of many migrant workers in Kachin State and Yunnan Province has led to an increase in prostitution, HIV/AIDS, drug abuse, and gambling.

Lack of political progress together with gross mismanagement of the forest areas has also reduced rank and file support for the leadership of the armed opposition groups. This has already led to widespread discontent and renewed instability on the border with China, as these groups seek to regain popular support and struggle for control of the valuable forest areas that remain. The spread of HIV/AIDS and increased drug dependency also has serious security implications for China.

Once the natural wealth of these border areas has been exhausted, any real prospect for sustainable development in northern Burma will have vanished. The destruction of Burma's forests could also lead to the collapse of the timber industry, and increased unemployment in Yunnan Province and other Chinese provinces such as Sichuan, from where many of the loggers originate; precisely the opposite of initial Chinese intentions.



*"Visiting Chinese President Jiang Zemin planted a tree in the People's Square Thursday morning in Yangon to mark the 'pawkpaw' (fraternal) friendship between the two peoples of China and Myanmar. This is the first tree ever planted in Myanmar by a Chinese leader." (China Peoples Daily Online, 14th December 2001). The New Light of Myanmar; 14 December 2001*

<sup>d</sup> According to the World Commission on Environment and Development, sustainable development is: "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

## PART ONE: THE CASE FOR CHANGE

Left unchecked, the destructive logging by Chinese companies in northern Burma, and the associated illegal cross-border timber trade, will ultimately undermine long-term economic development on both sides of the China-Burma border. Logging of this nature also poses a significant threat to the fragile stability of these sensitive border areas. Ensuring the legality and sustainability of timber supplies should, therefore, be a strategic industrial policy priority for Chinese central government and the authorities in Yunnan Province.

By taking action, the government of the People's Republic of China (PRC) can demonstrate that it takes its responsibility as a regional and global power seriously, and provide leadership for other timber importing countries, most importantly the G8<sup>c</sup>, in relation to environmental protection, sustainable development and the fight against illegal logging. This section of the report outlines the main arguments underlining 'the Case for Change': why the Chinese government should take immediate and effective action to end the damaging trade acting in its own self interest and also in the best interest of the people of Burma.

## 6 REGIONAL STABILITY AND TRADE

*"We helped the Chinese people at the time of war, whereas the Chinese hesitated to support the Kachin people in times of crisis, instead they exploit our natural resources."*<sup>45</sup>

Community leader, Kachin State, 2004

Burma provides the Chinese with trading outlets to the Indian Ocean for the landlocked provinces of Yunnan and Sichuan, via the railway at Myitkyina and Lashio as well as the Irrawaddy River. Burma also provides China with natural resources and a market for Chinese goods. Officially bilateral trade, including border trade, exceeded US\$1 billion in 2003, with Burmese exports to China amounting to about US\$170 million and imports from China roughly US\$900 million.<sup>6</sup> In 2004, the total trade represented US\$1.1 billion, up 6.3% from 2003.<sup>7</sup>

The increase in trade between the two countries is no accident. Over the years, ties between the State Law and Order Restoration Council (SLORC)/SPDC and the government of the PRC have been strengthened by numerous visits, to both Rangoon and to Beijing, by high ranking politicians and officials.

In 1988, Burma signed comprehensive cross-border trade agreements with China. The following year, in December, He Ziqiang, then governor of



<sup>c</sup> The G8 comprises: Canada, France, Germany, Italy, Japan, Russia, the United Kingdom and the United States.



Yunnan Province, led a delegation to Burma and signed a further 11 trade agreements, including timber deals. In 1991, a SLORC delegation visited Yunnan Province to discuss, amongst other things, cooperation on forestry. This reciprocal visit took place prior to the KIA/O ceasefire but after the NDA(K) ceasefire. In December 2001, Jiang Zemin, the then Chinese President, paid a state visit to Burma. During this visit, seven documents on bilateral cooperation, including the exploitation of natural resources, were signed.<sup>8</sup> Three years later, in March 2004, Chinese Deputy Prime Minister, Wu Yi, visited Burma, to further push the development of China-Burma economic and trade ties;<sup>6</sup> 21 new agreements were signed.<sup>9</sup> Yet more trade deals were signed in Kunming on 4 July 2005; in this most recent case the deals were worth US\$290 million. The two countries also agreed to raise the bilateral trade volume to US\$1.50 billion by the end of 2005.<sup>10</sup>

For its part, the SPDC values the support afforded to it by the Chinese government. Significantly, the regime's two leading generals, Senior General Than Shwe and Vice Senior General Maung Aye have both visited China, most recently in January<sup>6</sup> and August 2003<sup>11</sup> respectively. In July 2004, during an eight day visit to China by former Prime Minister Khin Nyunt, Burma and China signed 11 economic and technological agreements. Khin Nyunt's successor as Prime Minister, Soe Win's first foreign trip after taking office was a four day visit to China between 2 and 6 November 2004, to attend the 'China-Association of Southeast Asian Nations Business and Investment Summit' in Nanning, Guangxi Province.<sup>12, 31</sup> Prior to the visit the Minister of Commerce Brigadier-General Tin Naing Thein expressed Burma's interest in establishing expanded bilateral trade and economic cooperation with China, stating that: *"There exists strong mutual supplementation in trade ties between the two countries. Myanmar has rich natural resources, including mining, agricultural and forest products, while Myanmar consumers like Chinese goods"*.<sup>31</sup> Later, in November, China signed an accord with ASEAN aimed at creating the world's largest free trade area by 2010, at the group's annual summit in Laos. One of China's primary concerns was to secure the supply of raw materials to feed its growing economy.<sup>13</sup>

New Burmese Foreign Minister Nyan Win visited Beijing in late April 2005, where he met with the Chinese Foreign Minister Li Zhaoxing. Following the meeting, Minister Li Zhaoxing said



Ceremony marking the start of the construction of the new Tengchong-Myitkyina road in Washawng, close to the Kambiati Pass, Kachin State. Among the attendees were (former) SPDC Northern Regional Commander Maung Maung Swe (centre), NDA(K) leader Zakhung Ting Ying, and representatives from the Baoshan provincial authorities; 19 October 2004

that the Chinese government would expand cooperation in various sectors including the economy, trade and drug-control.<sup>14</sup>

The prime beneficiary of all these trade talks has been Yunnan Province. In 2004 trade between Yunnan Province and Burma amounted to US\$400 million, a 25% increase from 2003, according to Chinese statistics. Yunnan's exports to Burma totalled US\$240 million while its official imports from Burma amounted to US\$160 million.<sup>15, 16</sup> In April 2005, over 100 officials from Yunnan Province paid a three day visit to Kachin State *"to boost border trade and transportation projects implemented by Chinese companies"*. The entourage of Yunnan officials led by Mr Kon Ku Chung, Vice Chairman of Yunnan Provincial People's Congress, had been invited by then Northern Regional Commander Maung Maung Swe, but also met with the Kachin Independence Organisation (KIO), the NDA(K) and Kachin Defence Army (KDA).<sup>17</sup> A month later, in late May 2005, the Governor of Yunnan Province, Xu Rongkai, visited Rangoon and discussed *"boosting of normal and border trade"* with Lieutenant-General Thein Sein.<sup>18</sup>

This trade is likely to increase with the Chinese construction of two highways linking China and Burma: Tengchong-Myitkyina, to be finished at the end of 2005 at a cost of 180 million yuan (US\$21 million), and Zhangfeng-Bhamo to be completed in 2006 at a cost of 28 million yuan (US\$3 million). Bhamo is the northernmost point at which the Irrawaddy River is navigable by transport barge. According to a Yunnan Commerce Department official, reconstruction of the two highways will be, *"conducive to regional economic cooperation and exchange"*.<sup>19</sup> A stable and prosperous Burma is in China's national interest, in particular stability in the border regions.

## BOX 2: KHIN NYUNT'S FALL FROM POWER

*"When an individual fails to discharge the duties assigned to him and acts contrary to the policies and rules and regulations of the State, his assignments must be revoked."*<sup>286</sup> SPDC communiqué: 'Complete explanation on the developments in the country', 24 October 2004

Until 19 October 2004, General Khin Nyunt was Prime Minister, head of the Directorate of Defence Services Intelligence (DDSI) (formerly Military Intelligence (MI)), and Chief of the Office of Strategic Studies (OSS) (the political wing of the *Tatmadaw*). He was instrumental in brokering ceasefire agreements with armed ethnic opposition groups, and took a lead in foreign relations; he was also close to the Chinese government.<sup>20</sup> Khin Nyunt was regarded as the main moderniser and supporter of incremental reforms.<sup>275</sup> He also sat on at least 15 working committees.<sup>20</sup>

However, on 19 October, General Khin Nyunt was removed from his post as Prime Minister and head of MI. State-run television announced that he "was permitted to retire" for health reasons and that he would be replaced, in his capacity as Prime Minister, by Lieutenant-General Soe Win.<sup>21</sup> Later, in a speech on 24 October, General Thura Shwe Mann<sup>f</sup> – now widely regarded as the third most powerful person within the SPDC<sup>22</sup> – stated that this reason had been given only "out of regard for his [General Khin Nyunt's] dignity and that of his family..." but "there were other reasons". First, General Khin Nyunt had "violated Tatmadaw discipline by his insubordination." Second, he was alleged to have been "involved in bribery and corruption."<sup>286</sup>

Hostility between Khin Nyunt and Senior General Than Shwe had resurfaced in early October, after the arrest of more than one hundred MI officers at Muse near the Chinese border on charges of corruption and gold smuggling.<sup>23</sup>

In the wake of his departure, the National Intelligence Bureau,<sup>g</sup> headed by Khin Nyunt and perceived to be supportive of him, was abolished by a decree signed by Than Shwe. Military intelligence officers around the country have been detained.<sup>24</sup> On 24 January 2005, the trials commenced in Rangoon for 300 people linked to the MI, including two of the former Prime Minister's sons.<sup>25</sup>

The new Prime Minister is considered to be a hardliner and thought to be close to Than Shwe. On 5 November 2004, it was reported that the home

and labour ministers had also been 'permitted to retire'. The pair who were seen as allies of the former Prime Minister were replaced by Major General Maung Oo and U Thaung; also hardliners loyal to Than Shwe.<sup>26</sup>

Khin Nyunt's departure has caused unease among the ethnic ceasefire groups, as he was their main point of contact with the regime. Interestingly a billboard showing a picture of the General holding hands with United Wa State Army (UWSA) Chairman Bao You Xiang at his Pangsan headquarters, has been reinstated on the Chairman's orders. It had earlier been removed following Khin Nyunt's fall from grace whilst Bao You Xiang was away in China. "We had been good friends" ... "His quarrel was with his own people, not with us," Bao You Xiang is quoted as saying at the time.<sup>27</sup>

Soe Win was quick to reassure the ceasefire groups of the SPDC's commitment to the ceasefires and visited several of the main groups within days of taking office. Between 20 and 21 October 2004, he travelled to Myitkyina where he met with leaders from the KIO and the NDA(K) at the regional commander's office. At the meeting the Kachin leaders were told to sever ties to the MI completely and to deal with the military units under the regional commander instead.<sup>28, 29</sup> The SPDC has also sought to reassure the international community that the change of leaders does not signal an end to its tentative democratic reforms.<sup>30, 31</sup>

Early 2005 has seen increased tension between the top leaders of the SPDC<sup>32</sup> with Vice Senior General Maung Aye rumoured to be on his way out.<sup>33</sup> In April 2005, it was reported that forty former associates of Khin Nyunt and members of his Military Intelligence (MI) were sentenced to prison terms ranging from 20 to more than 100 years.<sup>34</sup> The future fate of Khin Nyunt remains uncertain. Contrary to rumours that he was being held high up in the Kachin Hills in a remote military base near Putao, he was placed under house arrest in October 2004 at his villa in Rangoon.

On 5 July 2005, he was transferred to Insein Prison on the outskirts of Rangoon where, according to press reports, his trial began in the form of a secret tribunal. He was indicted on eight charges, including bribery, corruption and insubordination for which he received a 44-year suspended sentence on 22 July 2005.<sup>35, 36</sup> The tribunal sentenced his sons, Zaw Naing Oo and Ye Naing Win, to 68 years and 51 years imprisonment for offences including import-export violations, bribery and corruption. At the time of writing Khin Nyunt's wife was also facing trial but her fate remains unknown.<sup>37</sup>

<sup>f</sup> General Thura Shwe Mann has been tipped as a possible successor to both Maung Aye, as head of the army, and as a future Prime Minister.

<sup>g</sup> The National Intelligence Bureau comprised the Military Intelligence Service, the police Special Branch and the Criminal Investigation Department.



## 6.1 Chinese government leadership: the key to conflict-resolution in Burma?

*“As a neighbor and friend of Myanmar, China hopes that Myanmar will address the existing problems in a timely and appropriate manner so as to accelerate the process of political reconciliation and democratization in a real sense and embark on the road to unity, stability, peace and development at an early date.”*<sup>38</sup> Wen Jiabao, Premier of the State Council of the People’s Republic of China, July 2004

The most viable route to peace and prosperity is for there to be a transition to civilian rule, including demobilisation of the armed opposition and superfluous *Tatmadaw* troops, and an ethnic accommodation for all the minority groups within the Union of Burma. Not only would this lead to the lifting of trade and other sanctions, imposed on Burma by western nations, it would also result in increased foreign investment in the Burmese economy.

Unfortunately, for all parties concerned the process of national reconciliation has been very slow. In recent years this lack of political progress has translated into reduced support for the leadership of the ethnic groups. In Kachin State, this has been compounded by the fact that natural resources, including timber, have been rapidly exploited for the short-term profit of a few with no apparent long-term gain for the majority. This raises the worrying prospect of the disintegration of the ceasefires, and renewed instability on the border as the armed opposition groups seek to regain popular support. The success of the National Convention<sup>h</sup>, which at the time of writing was being attended by Kachin groups, is critical in this respect.

A good relationship with the Burmese is important to the Chinese government. According to the Chinese Ministry of Foreign Affairs, *“China and Myanmar are friendly neighbors, and the people of the two countries have enjoyed traditional long-standing friendship. Ever since the ancient times, they have affectionately called each other Paukphaw (meaning brothers).”*<sup>39</sup> This statement is even more apposite to the relationship between the peoples of Kachin State and Yunnan Province, many of whom share a common heritage and ethnic background.

Given the historic closeness of this relationship one would have thought Chinese diplomacy in Burma would be exercised to benefit not only the Chinese people but also the people of Burma. Indeed, it was on a visit to Burma over 50 years ago that the late Chinese Premier Zhou Enlai defined the ‘Five Principles of Peaceful Coexistence’; the bedrock of all Chinese foreign policy: *“mutual respect for sovereignty and territorial integrity,*

*mutual non-aggression, non-interference in each other’s internal affairs, equality and mutual benefit and peaceful coexistence.”*<sup>40</sup> In June 2004 Chinese Premier Wen Jiabao, commemorating the 50th Anniversary of these principles, said: *“China is not only a strong proponent but also a faithful practitioner of the Five Principles of Peaceful Coexistence. Enshrined in China’s Constitution, the Five Principles have long been held as the cornerstone of China’s independent foreign policy of peace.”*<sup>40</sup>

The following July, during Khin Nyunt’s visit to China, the Chinese government agreed to continue economic assistance to Burma and rescheduled US\$94 million of debt.<sup>41</sup> According to Wen Jiabao *“consolidating traditional friendship and deepening mutually beneficial cooperation is the common aspiration of the two peoples and a common goal of the two governments.”*<sup>42</sup> Further, the government of the PRC supported a “gradual” process of democratisation in Burma. Later the same year, General Ge Zhenfeng, Deputy Chief of Staff of the Chinese army, arrived in Burma on a goodwill visit, hosted by General Thura Shwe Mann, Burma’s Defence Services Chief of Staff. This visit culminated in a memorandum of understanding for the management of border defence.<sup>43</sup>

However, whereas these sentiments are no doubt sincerely meant, in practice China has not consistently adhered to them in its relations to Burma. Chinese government funding and support of various armed opposition groups in Burma for more than 20 years is one case in point (see ‘Box 3: Chinese foreign policy and conflict in Burma’, next page). China’s apparent prioritisation of economic expansion in Yunnan Province over freedom, democracy and sustainable development in Burma, to the specific detriment of the forests and people in the north, is another.

Because of Chinese closeness to both the regime and to the ethnic groups on the China-Burma border, the government of the PRC is uniquely placed to facilitate the process of national reconciliation, and to help the SPDC turn Burma into a *“modern, developed and democratic nation.”*<sup>44</sup> Indeed, some feel that the Chinese are indebted to the Kachin people because they *“helped the Chinese people in World War II, to liberate China from Japan.”*<sup>45</sup> How justified or widely held this view is, is open to debate, but the Chinese government does have a moral obligation to help resolve the political problems in Burma that it, albeit in a different incarnation, at one time helped both to create and to exacerbate. This would not amount to interfering in Burma’s internal affairs. On the contrary, such a position would be entirely consistent with the ‘Five Principles of Peaceful Coexistence’.

<sup>h</sup> The forum for drafting a new constitution.

### BOX 3: CHINESE FOREIGN POLICY AND CONFLICT IN BURMA

*“...bullying the small and the weak by dint of one’s size and power, and pursuing hegemony and power politics would not get anywhere. The affairs of a country should be decided by its own people...”*<sup>40</sup>

Wen Jiabao, Premier of the State Council of the People’s Republic of China, June 2004

The paramount concern of the military regime in Burma has been the preservation of the Union – an aim that in its view could only be realised through defeat of the armed ethnic opposition and the Communist Party of Burma (CPB) which is largely made up of ethnic troops. Not only does the government of the PRC have a history of interfering in Burma’s internal affairs but it funded both the CPB and through the CPB the armed ethnic opposition against the Burmese government and in direct contravention of all five of the ‘Principles of Peaceful Coexistence’.

The Chinese government could and should have encouraged the warring parties to reach a political accord through dialogue; instead it adopted a strategy that probably prolonged the conflict.

Soon after Independence from the British in 1948, the CPB led an armed rebellion against the government, determined to institute a communist state through armed revolution.<sup>46</sup> On 8 June 1950, China and Burma established diplomatic relations. However, in 1967, communist China broke off diplomatic ties, provoked amongst other things by US<sup>i</sup> and Soviet<sup>j</sup> interference in Burma and anti-Chinese riots in Rangoon. The Chinese Communist Party started openly backing the CPB, just over a decade after Zhou Enlai’s historic visit to Burma.

In the years that followed, the Chinese government helped the CPB establish its North East Command in areas along the China-Burma border. The CPB in turn offered the KIA/O Chinese arms and ammunition in return for accepting the CPB’s political leadership. The KIA/O refused, resulting in violent armed conflict between the KIA and the CPB, which lasted almost a decade until 1976. Troops, which later became the NDA(K), split from the KIA/O in 1968 and joined the CPB, becoming CPB 101 War Zone. The relationship between the NDA(K) and the KIA/O is still fraught with difficulty, sometimes leading to direct conflict (see ‘10.3 Kachin nationalist movement in turmoil’, pages 53-54).

*“China’s attitude to its neighbours (and the world) has fundamentally changed in the last two decades...whereas support for the CPB was about*



China’s Premier Wen Jiabao and (former) Burmese Prime Minister Khin Nyunt inspect troops in Beijing; July 2004

*exporting ideology, now it’s all about economics, stability, and natural resource/energy security.”*<sup>47</sup>

In August 1988, following the re-emergence of the military regime as the State Law and Order Restoration Council and its recognition by China, an official border trade agreement was signed. Continued lack of engagement by other nations led to an intensification of this relationship and it was China’s sustained support that gave the SLORC time to strengthen its domestic position; without this support the regime may well have collapsed.<sup>48, 49, 50</sup>

In December 1989, the CPB collapsed, at least in part because China had shifted its support away from the CPB, and the ethnic groups in Burma’s border regions, to the regime in Rangoon. By late 1991, the Chinese were helping to upgrade Burma’s road and rail networks. Chinese military advisers also arrived that year, the first foreign military personnel to be based in Burma since the 1950s. It has been estimated that China subsequently supplied Burma with US\$1.2 billion worth of arms during the 1990s, most at a discount, through barter deals or interest-free loans.<sup>51</sup>

Following the NDA(K) ceasefire in 1989, and later the KIA/O ceasefire in 1994, logging started on an industrial scale in the Burmese states bordering China. This became increasingly important to China, after the imposition of a logging ban in Yunnan Province in 1996, and a nationwide Chinese ban in 1998. Having supported armed opposition groups such as the CPB in the past, the Chinese government quickly became a major ally of the regime; at least in part driven by a desire for increased access to Burma’s natural resources, including timber. Since the late 1980s, this has led to the destruction of large parts of Burma’s northern forests.

<sup>i</sup> The CIA was backing Kuomintang (Chinese Nationalist) forces in Shan State.

<sup>j</sup> The Soviet Union had welcomed the 1962 Ne Win coup and the “Burmese way to socialism”.



## 6.2 Unsustainable logging, conflict and instability on the China-Burma border

Revenue generated from the cross-border timber trade with China has funded conflict in Kachin State, led to human rights abuse and to increased poverty. Competition over territory between armed opposition groups, business interests and others, seeking to control the trade is a proximate cause of violence, and a source of instability that has the potential to transcend the border. The trade has led to increased factionalism, corruption and cronyism. It has also intensified ethnic tensions between Kachin sub-groups, entrenched power structures and created conditions under which local warlords have thrived. This will make any attempt by the relevant authorities to manage the resource and subsequent revenue flows all the more difficult.

The disabling environment created by this industry, operated in such a destructive way, is not conducive to either stability on the border, development or political progress in Burma. Such a state of affairs supports a belief widely held in this part of Burma that, the ceasefire deals had more to do with the opening up of Kachin State for natural resource exploitation by China, than they had to do with addressing fundamental causes of the insurgency. This further erodes the trust between the SPDC and the ethnic communities on the border.

The 1998 logging ban added to China's unemployment problem. This, together with a general downsizing of the state-run forest industry and the withdrawal of forest sector subsidies led to

job losses of 63,000 in Yunnan alone; nationwide 1.2 million people were laid off. 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, in the main drawn from provinces beyond Yunnan. There are currently believed to be over 20,000 otherwise unemployed Chinese working as loggers and road builders in Kachin State.<sup>52</sup> But the logging of Burma's frontier forests is not sustainable. Tens, if not hundreds of thousands of Chinese workers currently employed in logging, transportation and road building in Kachin State, and in the timber processing industries of Yunnan Province and further afield, could soon lose their jobs unless the industry is put on a sustainable footing.

## 6.3 The spread of HIV/AIDS

*"...where it reaches epidemic proportions, HIV/AIDS can be so pervasive that it destroys the very fibre of what constitutes a nation: individuals, families and communities; economic and political institutions; military and police forces. It is likely then to have broader security consequences, both for the nations under assault and for their neighbours, trading partners, and allies."*<sup>53</sup>

International Crisis Group, 2001

UN agencies estimate that between 300,000 and 500,000 people in Burma have HIV, out of a total population of about 50 million. Burma's National AIDS Programme puts the figure at 338,000 people



Timber truck parked by hotel in Yingjiang, where local prostitutes cater for the truck drivers, Dehong Prefecture, Yunnan Province; 2004

infected by the end of 2004, a 91% increase since early 2002.<sup>54</sup> 2.2% of pregnant women are infected, more than twice the benchmark of 1% used by the Joint UN Programme on HIV/AIDS (UNAIDS) and the UN World Health Organization (WHO) to identify a generalised epidemic. This puts Burma, along with Cambodia and Thailand at the top of the regional list.<sup>55</sup> Kachin State has the highest rate of HIV/AIDS infections in Burma. In Myitkyina Township, 90% of male intravenous drug users have HIV/AIDS.<sup>56</sup> Shan State is also badly affected. In 1999, it was reported that 6.5% of anti-natal clinic pregnant women in Muse, Shan State, very close to the border with Kachin State and on the China-Burma border, were infected.<sup>57</sup>

Across the border, Yunnan Province has the highest rate of HIV/AIDS infections in China. Four-fifths of registered HIV infections and three-fifths of all registered AIDS cases in China are found in Yunnan Province.<sup>58</sup> From Yunnan, the infection is rapidly spreading to other provinces.<sup>59</sup> According to Yan Yan, director of China's first legal research centre on AIDS-related issues "*AIDS is accelerating its spread in China at a horrible speed of 30-40 percent every year. It is not only a medical issue but a serious social one.*"<sup>60</sup> A July 2005 report from the Council of Foreign Relations states that three of the four strains of HIV known in Asia can be tracked from Burma to China, via Dehong Prefecture. One of these can be found along a route from the forest regions of eastern Burma, spreading up into Yunnan.<sup>61</sup>

There is a strong correlation between the incidence of HIV/AIDS in Burma and the presence of extractive industries including logging and mining, particularly on the China-Burma border. There are serious health implications for China as well as Burma, as most of the labourers are migrant Chinese workers. In fact, China's HIV/AIDS epidemic started on the border in the town of Ruili, which boomed after the signing of border trade agreements between China and Burma in 1988 (see '9.3.1 Ruili', pages 47-48). The first HIV infection in Ruili was detected in 1989 and by 2000 one in every hundred people was HIV positive.<sup>59</sup> The speed and extent of HIV/AIDS spread throughout the Chinese population is compounded by the presence of truck drivers; timber and

other natural resources being transported hundreds of miles from Burma to Kunming and sometimes as far as Guangdong.

Working conditions can be severe and the men frequently use drugs as an escape from these hardships. Drugs are readily available and sadly drug use is on the increase, not only amongst the logging and mining communities, it has also become more prevalent in the local population. This further increases the risk of HIV/AIDS infection particularly through the sharing of dirty needles.

Seasonal migrant workers are particularly at risk of contracting HIV/AIDS. Working in the timber industry, and in the jade and ruby mining areas of Shan and Kachin States and Mandalay Division, these labourers are mostly young single men or married men living away from home. Commercial sex workers have





been attracted by the large pool of potential clients and have proliferated in these areas. This also increases the risk of infection. All the Chinese towns on the China-Burma border have large numbers of prostitutes servicing the logging industry. Alarming, an increasing number of young girls from Kachin State are reported to have been trafficked into China to work in the sex industry.<sup>62, 63</sup> Sex workers interviewed by Global Witness in towns such as Tengchong, Pian Ma and Dian Tan had a very poor understanding of how HIV/AIDS is contracted. They also claimed to move between towns every few months.

Addressing the way that the timber industry is controlled and managed and creating sustainable development opportunities in the region has the potential to reduce the spread of HIV/AIDS. Such initiatives must of course be combined with the necessary investment in HIV/AIDS prevention and treatment.

#### 6.4 Opium, drug abuse and logging

*“Most rural households are very poor and suffer a 4-8 month rice deficit. This is the main reason (why) they cultivate opium.”*<sup>64</sup> United Nations International Drug Control Programme (UNDCP) leaflet, undated

In the late 1980s, after the collapse of the CPB, the heroin trade, like the logging trade, expanded rapidly. Burma is today the world's second largest producer of opium after Afghanistan.<sup>65</sup>

The six countries of the Mekong sub-region: China, Burma, Thailand, Laos, Vietnam and Cambodia, signed a memorandum of understanding on drug control in 1993. This covered ways to reduce the demand for drugs, alternative development and law enforcement. On 19 May 2004, these countries met in southern Thailand, where they pledged to continue their cooperation in the fight against illegal drug production. According to a press release issued by the United Nations Office on Drugs and Crime (UNODC) the participants also signed a project document on regional collaboration on community-based alternative development to eliminate opium production in Southeast Asia.<sup>66</sup>

In Yunnan Province and in China generally, the official line is that as a consequence of deforestation: *“natural disasters such as landslides, droughts and floods occur, seriously restricting the social and economic development in the region.”*<sup>67</sup> However, in Burma logging is promoted by the Chinese as an alternative to opium production, as a means of revenue generation. Such an approach might have some merit if the logging was well managed and sustainable, but that is not the case. Destructive logging of the kind taking place in Burma, leads to a decrease in the amount of timber and non-timber forest products available to the rural population and an increased incidence of poverty. Forest loss also has an adverse impact on water supply and hence agricultural production. This results in food



security problems and poverty. Impoverished local communities are more likely to resort to poppy cultivation.

Not only can drug eradication schemes linked to logging have the opposite effect to the one desired, some schemes have been simply a guise for logging operations. For instance, the alternative development program of the Nujiang County to “*help the NDA(K) eradicate drugs*”<sup>68</sup> has been used to help legitimise the logging operations of Chinese companies, with the assistance of the county and provincial governments of Nujiang and Yunnan. Nujiang is opposite NDA(K) Special Region 1 and KIO Special Region 2. In 1999, Mr Yang Yu of the Office of Nujiang Prefecture Narcotics Control Committee described the ways that his County Party Committee helped to eradicate drugs in NDA(K) areas: “*Leaders of the county party did research time after time, and decided to open crossing points as an important way to prohibit drugs by developing border trade. They decided to open three international points, Pian Ma, Yaping and Danzhu ... And to construct more than 500 miles of roads...*”<sup>68</sup> Logging companies have built almost 700 kilometres of roads in NDA(K) territory,<sup>69</sup> and the justification for opening international border points in Yaping and Danzhu can only be to facilitate logging and mineral extraction as part of the N’Mai Hku Project (see ‘10.4.6 The N’Mai Hku (Headwaters) Project’, pages 66-67).

Drug traffickers have invested heavily in logging businesses as a means of money laundering;<sup>70</sup> Lo Hsing-han is a case in point.<sup>71</sup> He started out as an opium-running militia leader but later joined the Shan rebel opposition to fight the government.<sup>71</sup> Following his arrest in the 1970s and ten years imprisonment he became an adviser on ethnic affairs to General Khin Nyunt and was instrumental in brokering a ceasefire deal with the CPB’s Kokang, Chinese-dominated Northern Bureau.<sup>71</sup> Together with his son, Steven Law (Htun Myint Naing), Lo Hsing-han now runs Asia World, one of Burma’s largest business conglomerates with interests in real estate, manufacturing, construction and logging.<sup>71</sup>

Drugs are also taken by loggers to provide an escape from harsh working conditions on the China-Burma border.<sup>72</sup> The Chinese authorities are well aware of the serious problem of drug abuse in Yunnan Province, its link to the spread of AIDS, and drug importation from Burma. In April 2004 the Chinese Vice-Minister of Public Security, Luo Feng, announced a five-month crackdown on drug trafficking, mainly targeting Yunnan Province.<sup>73</sup> The authorities are perhaps less aware of the links between logging and drugs, but these factors should be incorporated into any comprehensive drug control initiatives in the region.

## 7 THE ILLEGAL BURMA-CHINA TIMBER TRADE

*Illegal logging takes place when timber is harvested, transported, bought or sold in violation of national laws. The harvesting procedure itself may be illegal, including corrupt means to gain access to forests, extraction without permission or from a protected area, cutting of protected species or extraction of timber in excess of agreed limits. Illegalities may also occur during transport, including illegal processing and export, misdeclaration to customs, and avoidance of taxes and other charges.*

Royal Institute of International Affairs definition

- Between 2001-02 and 2003-04 over 800,000 m<sup>3</sup> (about 98%) of the timber imported annually to China across the China-Burma border was illegal. All cross-border teak exports throughout this period were illegal.
- The only legal point of export for timber across the China-Burma border is at Muse; many other routes are used illegally.
- The widespread cutting of softwood species in Kachin State and the associated cross border trade is illegal.
- The SPDC, and the ceasefire groups are all involved, to a greater or lesser extent, in the illegal logging in Burma and illicit cross-border trade to China.
- Timber cutting permits issued by the SPDC northern regional authorities, which allow logging ‘for local use only’, are routinely exceeded and the timber exported illegally to China with the full knowledge of the regional SPDC.
- The KIO acknowledges its part in the illegal export of timbers to China but would welcome any Chinese initiative to end the trade.

It is in China’s interest, from an environmental, security and economic point of view, to ensure that the logging in Burma is carefully controlled, legal and sustainable. This is also consistent with the 6 June 2000 China-Burma ‘Framework of Future Bilateral Relations and Cooperation’, which states: “*The two sides will boost bilateral cooperation in forestry and encourage cooperation in the prevention of forest fires in border areas, forest management, resources development, protection of wild animals, development of forestry industries, forestry product processing, forestry machinery, eco-tourism, and education and training in forestry.*”<sup>74</sup> Fortunately, given that the vast majority of companies involved are Chinese and that the authorities in Yunnan province control the border crossing points, the Chinese government is very well placed to help the SPDC and ceasefire groups to regulate the trade.



## 7.1 Chinese demand and illegal logging

*“It’s out of the question for China to satisfy its domestic demands by felling natural woods in the neighbouring countries – it never will.”*<sup>75</sup> Lei Jiafu, Vice Head of the Chinese State Forestry Administration, January 2005

- Half of China’s total timber imports are probably illegal.
- Of this, roughly one third is re-exported after processing.
- Most of China’s timber exports are destined for G8 markets.<sup>78</sup>

China’s economy currently stands at over US\$6.4 trillion, 31 times larger than it was in 1978<sup>76</sup> and it continues to grow at about 9% per year. This makes China the world’s second-largest economy after the US.<sup>77</sup> A growing economy, a reduction in domestic timber production and the progressive reduction in tariffs and non-tariff barriers to trade have all contributed to the increase in China’s timber imports.<sup>81</sup> In 2003, China imported 42 million m<sup>3</sup> RWE of timber; this excludes wood chips, pulp and paper. China is now the world’s second largest timber importer after Japan; both in total and of tropical timber (excluding Canadian exports to the US).<sup>78</sup>

Per capita consumption, although relatively low, is likely to rise as China’s economy expands and the wealth of her people continues to increase. The unit price of China’s timber imports is low by international standards, implying a strategic choice by importing companies to procure from low-cost suppliers with much of the timber being illegally cut and/or from poorly or completely unmanaged forests.<sup>78</sup> Total consumption will remain a large and ever increasing problem for the world’s forests, so long as Chinese companies import their timber from such illegal, unsustainable and destructive sources. In fact, most of China’s timber imports originate from countries where illegal logging is rife. It has been estimated that about 98% of Burma’s timber exports to China are illegal.<sup>k</sup> The percentage of illegal exports to China from other countries is also high: Brazil 80%, Cameroon 50%, Congo (Brazzaville) 90%, Equatorial Guinea 90%, Gabon 70%, Indonesia 90%, Malaysia 60%, Papua New Guinea 70%, Russia 80% and the Solomon Islands 70%.<sup>79</sup> In April 2005, ministers, meeting in Jakarta, failed to reach an agreement to prevent the illegal trade of forestry products from Indonesia to China. However, at the time

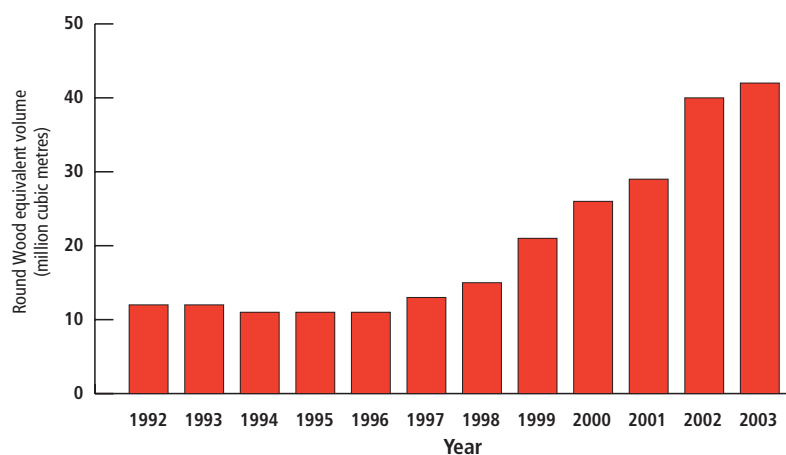
of writing, the Indonesian Minister of Forestry Malam Sambat Kaban remains optimistic.<sup>80</sup>

The problem is exacerbated by the fact China is also a major exporter of timber and timber products, including wooden furniture, wood chips and paper. China’s main timber export markets are Japan and the US, the US being the largest importer of Chinese wooden furniture.<sup>81</sup> In 2003, the import value of wood-based products exported by China to the US was in the order of US\$3 billion, mainly accounted for by wooden furniture imports.<sup>79</sup>

Unfortunately most importing countries, companies and individuals appear to care little about the source of their timber, or as one Chinese exporter put it: *“Our clients are concerned about the type and quality of wood that is used. But nobody has ever asked us if the source of the wood is legal or illegal.”*<sup>82</sup> Despite many recent international, regional and bilateral initiatives to combat illegal logging it is still legal to import timber, produced in breach of the laws of the country of origin, into timber consuming countries including the G8 nations and China. Indeed, once the timber has been ‘substantially transformed’ – for instance the production of wooden furniture from logs or processed timber – its designated country of origin becomes the country where the timber was processed, not where it was logged. Timber illegally logged in Burma, and subsequently made into furniture in China, could theoretically be legally exported to the US.

The internationally recognised definition of what amounts to ‘Country of Origin’ effectively legitimises the laundering of illegal timber in trade. Interestingly, wood sourced in Burma is often labelled as having a ‘southwest’ origin and appears to be treated by the Chinese in the same way as domestically-sourced timber.<sup>83</sup>

**CHART 1: IMPORTS OF TIMBER INTO CHINA FROM ALL COUNTRIES AND OF ALL CATEGORIES. SOURCE: CHINESE CUSTOMS DATA**



<sup>k</sup> Global Witness estimate.

## 7.2 China's international commitment to end illegal logging and associated trade

On 13 September 2001, China, together with other nations attending the Forest Law Enforcement and Governance (FLEG) East Asia Ministerial Conference in Bali (see '15 Appendix III', pages 89-91), declared that it would *"take immediate action to intensify national efforts, and to strengthen bilateral, regional and multilateral collaboration to address violations of forest law and forest crime, in particular illegal logging, associated illegal trade and corruption, and their negative effects on the rule of law"* and *"involve stakeholders, including local communities, in decision-making in the forestry sector, thereby promoting transparency, reducing the potential for corruption, ensuring greater equity, and minimizing the undue influence of privileged groups."* Those present at the Bali conference also declared that they would *"give priority to the most vulnerable trans-boundary areas, which require coordinated and responsible action."* However, the Chinese government and regional authorities in Yunnan Province have failed to prevent Chinese companies from importing timber that has been illegally exported across the border from Burma. Unsurprisingly therefore, the massive illegal cross-border timber trade continues unabated.

As signatory to the East Asian Ministerial Declaration, China understands *"that forest ecosystems support human, animal and plant life, and provide humanity with a rich endowment of natural, renewable resources"*. Further, China is deeply concerned *"with the serious global threat posed to this endowment by negative effects on the rule of law by violations of forest law and forest crime, in particular illegal logging and associated illegal trade."* China further recognises *"the resulting serious economic and social damage upon our nations, particularly on local communities, the poor and the disadvantaged"* and is convinced *"of the urgent need for, and importance of good governance to, a lasting solution to the problem of forest crime."* In addition China recognises that *"all countries, exporting and importing, have a role and responsibility in combating forest crime, in particular the elimination of illegal logging and associated illegal trade."*<sup>84</sup> Despite the rhetoric, the government of the PRC has also failed to take action against Chinese companies logging in Burma contrary to Burmese law.

### BOX 4: EU ACTION TO COMBAT ILLEGAL LOGGING IN BURMA

In contrast, the EU, which also attended the East Asian FLEG Ministerial meeting, has taken some, albeit limited, action. In September 2004, the EU member states requested that the EU Commission produce: *"specific proposals to address the issue of Burmese illegal logging, including opportunities for decreasing deforestation in and export of teak from Burma"*.<sup>85</sup> This was completed in March 2005. Ironically, given the EU Commission's encouragement for increased transparency in timber producing countries, this document has not yet been made public.

The EU October 2004 Common Position on Burma also included an exemption to its suspension of non-humanitarian aid and development programmes in Burma that related explicitly to projects in support of *"environmental protection, and in particular programmes addressing the problem of non-sustainable, excessive logging resulting in deforestation."*<sup>86</sup> As far as Global Witness is aware the EU has not yet implemented any programmes or projects to address the problem.

## 7.3 Illegal timber exports from Burma to China – a statistical analysis

*"Burma's ministry of forests will scrutinise illegal timber trading both for local use and exports."*<sup>87</sup> Burmese forestry minister, January 2005

Burmese figures for the financial year 2003-04 suggest that only about 18,000 m<sup>3</sup> were exported across the China-Burma border, with an additional 27,000 m<sup>3</sup> being exported via Rangoon.<sup>88</sup> Chinese data, however, tell a completely different story. Official trade figures indicate that between 800,000 m<sup>3</sup> and one million m<sup>3</sup> of timber were imported from Burma annually between 2001 and 2004.

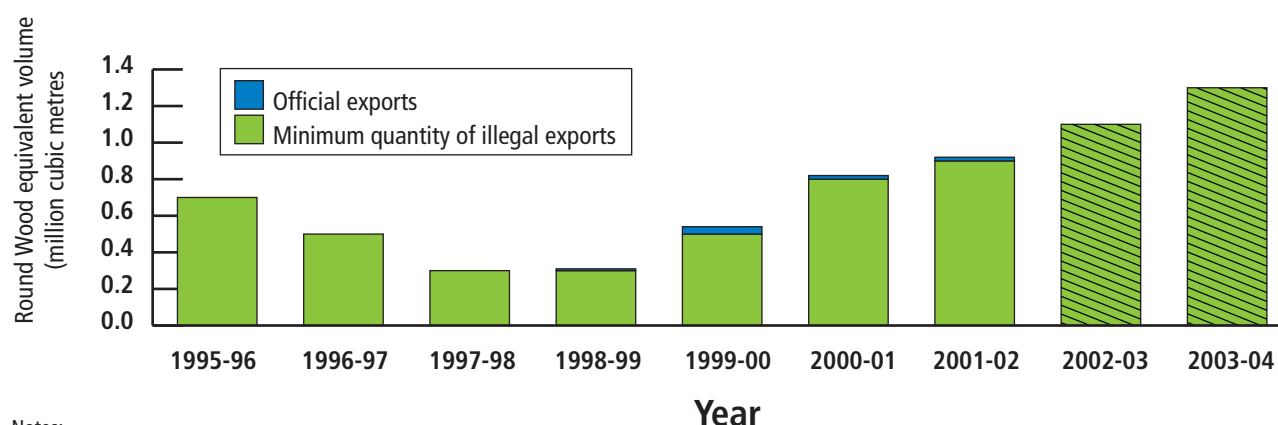
As Chart 2 opposite shows, in 2001-02, China recorded imports of just over 0.9 million m<sup>3</sup> RWE of Burmese timber. In the same fiscal year the Burmese recorded only 0.02 million m<sup>3</sup> RWE of timber exports to China. This represents a disparity of over 0.8 million m<sup>3</sup> RWE, suggesting that around 98% of timber exports from Burma to China were illegal. At US\$250 per cubic metre<sup>l</sup>, illegal exports in recent years would be worth over US\$200 million annually.<sup>m</sup> This represents a massive financial loss to the people of Burma.

According to SPDC figures, in the financial year 2001-02 timber exports to China actually

<sup>l</sup> This is only a very rough estimate. Many hardwood species, in particular teak, are worth considerably more. Note also that processed timber will command a higher price than logs.

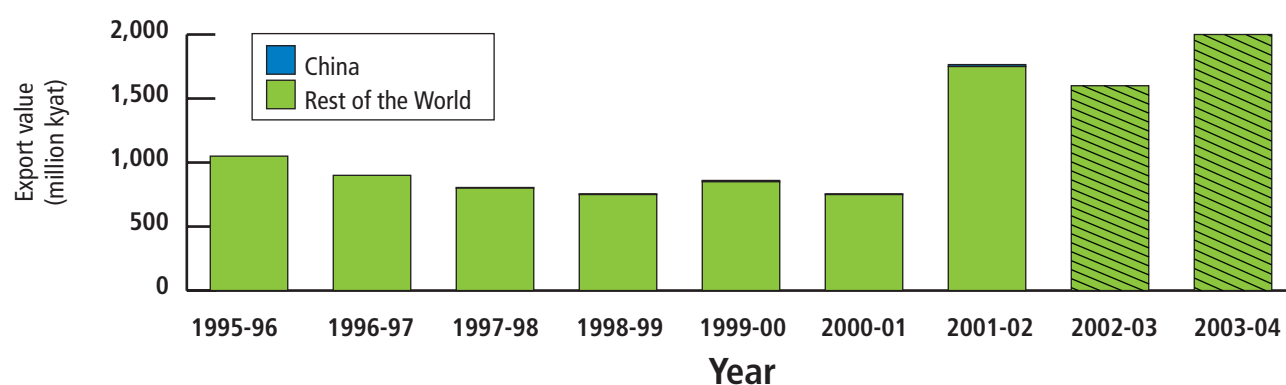
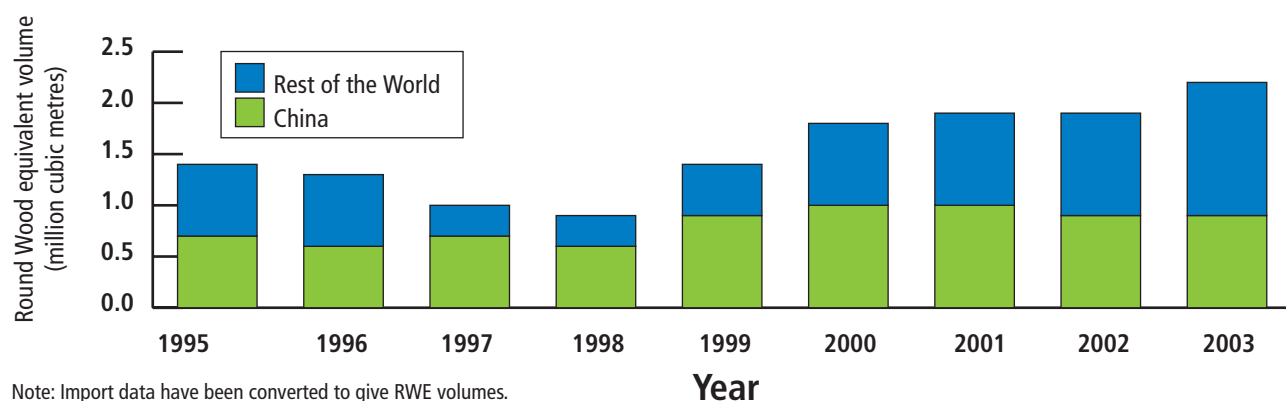
<sup>m</sup> The Chinese authorities recorded the import value for 2001 as US\$80 million.



**CHART 2: A COMPARISON OF BURMESE TIMBER EXPORTS TO CHINA AS REPORTED BY THE SLORC/SPDC AND BURMESE TIMBER IMPORTS AS REPORTED BY CHINA: MILLION M<sup>3</sup> RWE<sup>88, o</sup>**

Notes:

1. Import data have been converted to give RWE volumes.
2. Minimum quantity of illegal exports equals total imports of Burmese wood into China (according to China) minus total exports to China according to SLORC/SPDC.
3. The height of each column equals total imports of Burmese wood into China (according to China).

**CHART 3: CHINA'S SHARE IN BURMA'S EXPORTS OF LOGS AND SAWN WOOD BY KYAT VALUE.<sup>n, 323, 324, o</sup>****CHART 4: CHINA'S SHARE IN DECLARED WORLD IMPORTS OF TIMBER<sup>p</sup> FROM BURMA: MILLION M<sup>3</sup> RWE.<sup>ww</sup>**

Note: Import data have been converted to give RWE volumes.

<sup>n</sup> The Burmese authorities record export earnings in kyat. However, the timber is frequently paid for in a hard currency such as the US dollar. The official exchange rate is roughly 6 kyat = US\$1.

<sup>o</sup> Source data for Burma's exports to China in 2002-03 and 2003-04 has not been accessed (it does not appear to have been published yet); the two columns at the right hand side of the chart are hatched to reflect both this and the total value including China for those years.

<sup>p</sup> Excludes fuel wood and furniture.

<sup>ww</sup> This chart excludes wooden furniture, the RWE volume of which is small relative to Burma's other timber exports. It also excludes fuel wood.

contributed less than 3% of total timber export earnings (about 1,990 million kyat) (see 'Chart 3', *previous page*). This might in part be due to the type and quality of timber being exported to China. However, the main reason for the low percentage is that most of the trade with China is illegal, and as such does not feature in the Burmese statistics.

As Chinese imports of timber from Burma increase, both in real and in relative terms, so will the volumes of illegally exported timber. Importing country declarations indicate that China's timber imports from Burma are increasing not only in volume terms but also relative to the sum of all other countries' imports of Burmese timber (see 'Chart 4', *previous page*). In 'A Conflict of Interests' Global Witness reported that official statistics from China show that in 2000 China accounted for about 840,000 m<sup>3</sup> RWE of Burmese timber, equivalent to just under half of world imports. Incidentally, this exceeded the total volume of timber exports, to all countries, recorded by the MCSO for the same year. By 2003, this figure had risen to over 1.3 million m<sup>3</sup> RWE, an increase of almost 60% in three years, and accounting for almost 60% of recorded world imports of Burmese timber. Other nations for which Global Witness has data imported 820,000 m<sup>3</sup> RWE in 2003, slightly less than that recorded in 2000.

#### 7.4 The illegal nature of the Burma-China timber trade (Chinese law)

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

In 2003 the Chinese authorities recorded imports of 1.3 million m<sup>3</sup> RWE of timber from Burma. About 98% of this trade is illegal according to Burmese law. As such, it is inconceivable that the Burmese authorities would have supplied the documentation necessary to make the timber's import into China legal with respect to Chinese law.

Both Chinese customs, and the Administration of Quality Supervision Inspection and Quarantine (AQSIQ), require that timber imports are accompanied by a valid certificate of origin. In addition, the AQSIQ require a valid quarantine certificate, from the country of origin, without which they will not issue their own quarantine documentation. This in turn, is required by customs before the goods can be released. Either the timber importers on the China-Burma border are failing to supply the required documentation to customs and AQSIQ, providing false documentation, or avoiding inspection by these agencies entirely – such



Large timber trucks transporting Burmese timber from Pian Ma, Yunnan Province; 2004



behaviour is contrary to Chinese Law. Accordingly, proper implementation of Chinese law would result in an almost complete halt to Chinese imports of Burmese timber across the Kachin State-China border (see the relevant legal provisions below).

The 'Regulation of Goods Origin in China and ASEAN Free Trade Zone (January 2004)' was issued by Chinese Customs under the economic cooperation framework between China and ASEAN nations. As the title suggests, this regulation relates to the origin of goods traded within this free trade zone. Article 13 of the regulation requires consignees to supply certificates of origin issued by exporting countries. Article 21 states that importers that disobey the provisions of the regulation can be punished and may be charged under the criminal law.

The 'Quarantine Law governing the import or export of animals and plants in China (1 April 1992)', and its implementing regulations, apply to timber and timber products. Article 19 of the 1992 Law requires wood importers to present quarantine certificates, issued by agencies in the exporting country, to the local quarantine bureau and, as is the case with the China-ASEAN trade law (referred to above), certificates of origin. In the absence of such quarantine certificates the local quarantine bureau has the right to reject or destroy the goods; in practice this is their only option.<sup>90</sup> In any event, without an entry permit certificate issued by the AQSIQ, the timber should not pass through customs. Local customs offices also require the importer to supply them with a certificate of origin.<sup>90</sup>

Further, according to Article 62 of the regulation counterfeiting or changing quarantine documents is also an offence, punishable by fines of between 20,000 yuan (US\$2,400) and 50,000 yuan (US\$5,950). Falsifying documents is also a specific offence under the 'Chinese International Trade Law (1 July 2004)', as is evading inspection and quarantine (Chapter 3, clause 3).



Timber trucks carrying illegally exported logs from Burma at the Chinese check point in Gangfang, Nujiang Prefecture, Yunnan Province; 2004

Falsifying, changing or trading customs documents is also an offence under Article 84 of the 'Chinese Customs Law (1 January 2001)'. According to the same law it is an offence to not accept customs checks (Article 86). Breach of articles 84 and/or 86 can result in the confiscation of any illegal income and/or a fine. Disobeying customs law and relative laws and administrative regulations to escape customs monitoring, amongst other things, is considered as smuggling and as such is prohibited (Article 82).

Serious cases of smuggling can be dealt with under Chinese Criminal Law. Tax evasion for instance, in excess of 500,000 yuan (US\$59,500), can result in 10 years to life imprisonment, and fines of up to five times the tax evaded. Tax evasion in the region of 50,000 yuan could result in a three-year jail term.

Global Witness is not aware of any instance where the relevant laws and regulations have been used by the Chinese authorities to combat the illegal trade in Burmese timber.

#### 7.4.1 Illegal importation of CITES-listed Himalayan Yew trees from Burma to China

CITES is an international agreement between governments. Its aim is to ensure that international trade in specimens of wild animals and plants does not threaten their survival. China acceded to CITES in 1981, with Burma taking the same step in 1997. In China the SFA is the lead agency for the enforcement of CITES, both at the point of import and within the country; it can involve other agencies such as customs and the Public Security Bureau.

The Himalayan Yew (*Taxus wallichiana*) was included in CITES Appendix II in 1994, stimulated by concern that populations had declined, as a result of over-exploitation for the production of taxanes. Despite this, it is still regularly exported across the China-Burma border.<sup>152, 164</sup>



Chinese checkpoint

Chinese herbalists have used yew trees for centuries as a treatment for common ailments, and commercial harvesting in Yunnan Province has already decimated the local population. The bark and leaves of yews contain taxanes, in particular paclitaxel, which is used to produce drugs for the treatment of cancer.<sup>91</sup> In 2003, drug companies sold more than US\$4 billion worth of products containing taxanes.<sup>92</sup> Some Chinese companies are suspected by CITES of using a traditional method to extract paclitaxel, that involves cutting down 3,000 trees, and yields less than 0.225 kg paclitaxel.

Appendix II includes species not necessarily threatened with extinction, but where the trade must be controlled in order to avoid utilisation incompatible with their survival. An export permit is required, issued by the management authority of the state of export. This permit may be issued only if the specimen was legally obtained, and if the export will not be detrimental to the survival of the species.

In October 2004, at the CITES 'Thirteenth meeting of the Conference of the Parties' held in Bangkok, an amendment to this listing was adopted that included 'chemical derivatives.' The amendment, co-sponsored by the US and China, was devised to allow range states "to better monitor and control the export and import" of the species and to prevent unsustainable harvesting. Whereas Chinese support of this regulatory change is laudable, yew roots and entire trees are currently being shipped from Burma into China.<sup>93</sup> The cross-border trade with Burma has not been recorded on the CITES trade database and is therefore illegal.<sup>94</sup>

The Chinese State Forest Administration (SFA) is mandated by the Chinese government as the lead agency for enforcement of CITES within China – both at the point of import and within the country. Under this remit the SFA is responsible for coordinating with other relevant agencies, such as customs and the Public Security Bureau, to enforce CITES. This includes enforcement in relation to the illegal importation of the Himalayan Yew tree across the China-Burma border.



Yew tree table



## BOX 5: LOGGING AND THE BEIJING OLYMPICS

It is interesting to note that at least one Kachin community leader thinks that the SPDC is selling timber to the Chinese to be used in the construction of the 2008 Olympic village: *"The Chinese want to build the 2008 Olympic village, so they are getting a lot of resources to build this from the Burma forests. All this area is government controlled, but the KIO get some tax, they made some kind of understanding. All the timber merchants, they sell this wood and build beautiful buildings in Beijing, and they take this for granted. They are cutting tamalan wood; this is a kind of hardwood. It is done by private companies from China together with [kachin-owned] Jadeland Company. The forest in this area is almost cleared, there is not very much left there."*<sup>95</sup>

The stated policy of the Beijing Organizing Committee for the Games of the XXIX Olympiad (BOCOG) is that, *"All construction and decoration materials and finished products will be ... environment friendly."* Global Witness has been unable to verify that timber logged in Burma's forests is being used in preparations for the Beijing Olympics but is, at the time of writing, awaiting a response from the BOCOG.

Ironically, an Olympic Forest Park is planned as 'an environmental legacy for Beijing.' Since winning the bid in August 2001, the BOCOG has been busying itself planting millions of trees. On 22 March 2003, it was the turn of Mr. Liu Qi, Member of the Political Bureau of the Central Committee of the Communist Party of China (CPC), Secretary of Beijing Committee of the CPC, and BOCOG President. On 12 April, BOCOG leaders and staff members planted trees in the Capital Sculpture Garden. In all, 51,120,000 trees were planted throughout Beijing in 2003.

Green Olympics is one of the 'Three Themes of the Beijing 2008 Olympics', and one of the main concepts of the Green Olympics is *"to minimize the negative impact of Olympics on environment in line with the sustainable development ideas of protecting environment and resources, and ecological balance."*<sup>96</sup> These laudable aims will have been compromised if it is shown that timber logged unsustainably in Burma is being used in the construction of the Olympic village. Even if this is not the case the Chinese authorities should look seriously at the inconsistencies in their timber procurement policies; on the one hand promoting 'Green Games' on the other being complicit in the destruction of forests in Burma.



Burmese trucks carrying illegal cargo of tamalan to China; June 2004

## 7.5 The illegal nature of the Burma-China timber trade (Burmese law)

*“One thing for sure is, cross-border logging trade business is illegal, and it is done under the process of understanding between the authorities and the organizations. And majority of woods selling to China by cross border trade are not from legal concession.”*<sup>97</sup> Senior KIO official, 2004

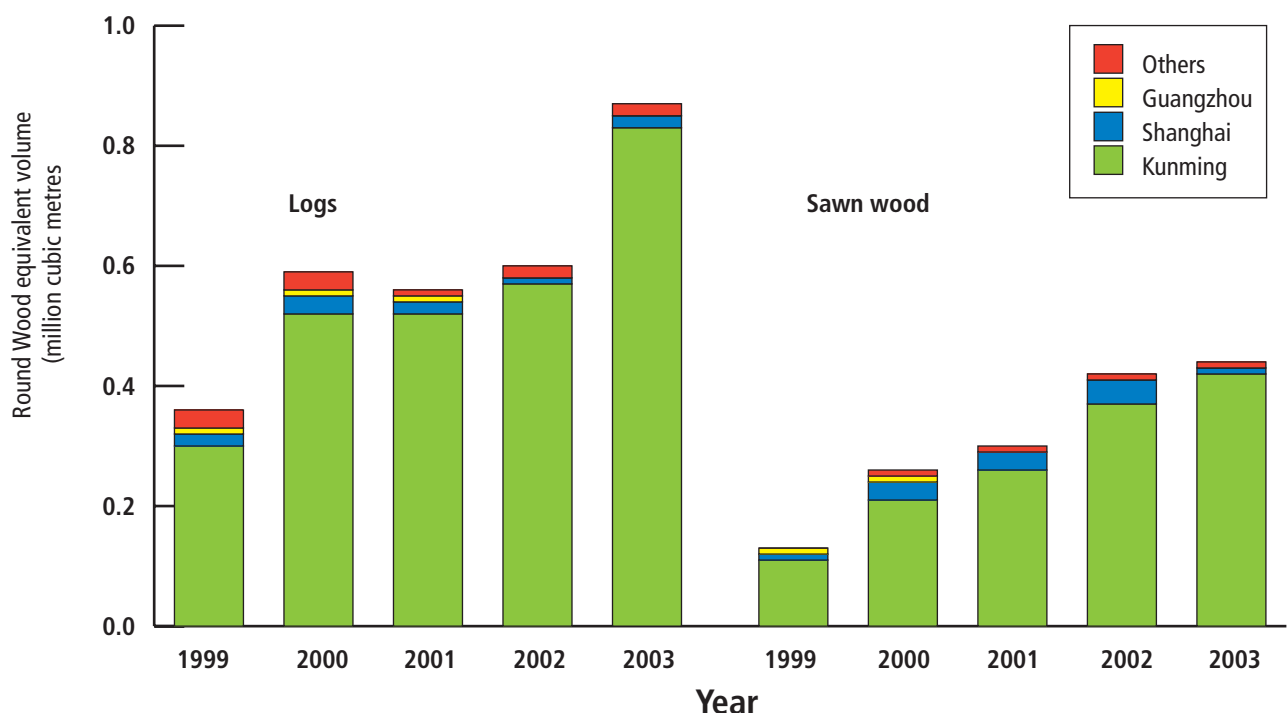
According to the Myanmar Ministry of Forestry there “was no export [of timber] to China across the border during 2001-02 and 2002-03.”<sup>99</sup> However, according to Chinese customs statistics, during 2003 96% of China’s imports of logs and sawn wood from Burma entered China’s Kunming customs district overland (see ‘Chart 5’, below).<sup>9</sup> The Chinese data are supported by Global Witness’ findings in the field along the China-Burma border. Unsurprisingly perhaps, neither the ceasefire groups, across whose territory most of this timber passes, nor the Chinese authorities, provide the Burmese Forest Ministry with “detailed records of the volume/value/composition of the cross border timber trade.”<sup>89</sup> In addition, the Burmese authorities have told Global Witness that the only legal border checkpoint for the export of timber on the China-Burma border, is situated at Muse. However, in reality, large quantities of timber are crossing into China via at least 19 other routes, including the border towns of Pian Ma, Houqiuo and Dian Tan. (see ‘9 The timber

trade on the China-Burma border’, pages 37-49).

It should also be noted that there is no Annual Allowable Cut (AAC) for softwood/coniferous species in Burma, and in early 2005 the Burmese forest ministry confirmed that there were no softwood/coniferous exports to China between 2001 and 2004.<sup>99</sup> However, most of Burmese timber seen in China by Global Witness during the same period, appeared to be softwood. In part this is supported by Chinese data which show that since the mid-1990s coniferous/softwood timber has comprised on average 10-15% of China’s timber imports from Burma, by RWE volume. Given the large log stockpiles of coniferous tree species seen by Global Witness it is possible that this is an underestimate. If this were the case, estimates of the illegal trade would also have to be revised upwards. It is also possible that softwood species were recording incorrectly by customs officials.

Large quantities of Burmese teak were seen in China, despite the fact that according to the Burmese “there was no export of teak to China across the Sino-Myanmar border during 2001-02, 2002-03 and 2003-04.”<sup>99</sup> Teak and other valuable hardwoods are considered to be ‘reserved species.’ This means that they are owned by the State, and that only the State has permission to harvest and profit from them. Yunnan province is home to 15 of China’s top 20 teak importers.

**CHART 5: CHINA LOG AND SAWN WOOD IMPORTS FROM BURMA (BY CUSTOMS DISTRICT):**  
MILLION M<sup>3</sup> RWE<sup>98</sup>



<sup>9</sup> For additional information on the cross-border timber trade see also: F. Kahrl & S. Yufang, Forest Trends: “Navigating The Border: An Analysis of the China-Myanmar Timber Trade”; 2004



## BOX 6: FOREST LAW ENFORCEMENT IN BURMA

Q: "How did you communicate with the army columns you met in the area?"

A: "We asked the name of the army column, and we went to see the commander of that column and negotiate with him. If we were in danger of being arrested, we had to pay them a lot of money and they would release us."<sup>141</sup> Kachin logger, 2003.

Given the ethnic minority claims for some degree of self-governance and the fact that the government in Burma is not legally constituted, the issue of legality throughout Burma is not clear. This is compounded by the fact that the authorities do not consistently apply or abide by the law; when asked who made logging legal one villager in Kachin State responded:

"The [Burmese] military government. If you have a good relationship with the generals, the military government, it's still legal. But if you don't have, it's illegal. And from the KIO side, it's the same as the Burmese."<sup>100</sup>



Sign stipulating that the export of teak is prohibited, Kachin State

## 8 THE ENVIRONMENTAL AND SOCIAL IMPACTS OF DESTRUCTIVE LOGGING IN NORTHERN BURMA

"China is just exporting the problem. First the Yunnan forests was destroyed – now the Northern Myanmar forest. This is not sustainable. Why repeat our own mistakes? What will be left?"<sup>101</sup> Chinese biodiversity expert, 2004.

The Chinese government is well aware of the socio-economic impacts and ecological degradation associated with unsustainable logging. In 1996 and 1997 floods cost Yunnan 3.2 billion yuan (US\$403 million) and 4.5 billion yuan (US\$542 million) respectively.<sup>102</sup> Severe flooding on the Yangtze River in 1998 affected one-fifth of China's population, killing more than 3,600 people and destroying about 5 million hectares of crops. Economic losses throughout China were estimated at over US\$36 billion.<sup>103</sup> Soil erosion caused by logging was found to be a contributory factor to the flooding.<sup>104</sup>

These floods prompted the Chinese government to recognise the importance of protecting its remaining natural forests, leading to the introduction of a nationwide logging ban in 1998. The government recognised that the deterioration of the ecological environment in major watersheds had become a limiting factor for its continued economic development.<sup>105</sup> Soon after the imposition of the ban, on a visit to Yunnan the Chinese Premier, Zhu Rongji, said: "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>106</sup>

## BOX 7: FOREST VALUES

Forests have a value beyond the income that can be generated through logging, and accounting systems should reflect this. The full value of forest products and services includes not only timber, but non-timber forest products, cultural services and environmental services such as watershed management and biodiversity. A forest value assessment is a necessary first step in the land-use planning process.

The goal of forest zoning is to create a consensus-based platform for collective thinking, open to all interested parties and all options, on the best use for forested areas. The emphasis is on a participatory process and on negotiation, so that the proposed zoning plan reflects all social, environmental and economic values of forests as well as the expectations which are placed on them by different stakeholders at the local, national and international level.

He went on to say that the “*protection of forests should be viewed from the vantage of the entire nation’s economic and social development...*”.<sup>107</sup>

Despite the Chinese government’s best efforts widespread flooding was again being reported in July 2004: “*After walking on foot for 12 hours, a Xinhua journalist arrived at Lushan Village of Zhina County, the area of Yingjiang County most seriously hit by the flooding. On his way to the village, Wang Changshan, the journalist, saw more than 200 road landslides. And more landslides are occurring as all bridges and culverts in the village have collapsed.*” Sixteen thousand people were trapped in Pian Ma, one of the main logging centres on the China-Burma border (see ‘9.1.2 Pian Ma’, page 40).<sup>108</sup>

The protection of China’s forests is ultimately at the expense of other timber producing countries, most notably coniferous forests in Russia and New Zealand. Imported softwoods are largely used in construction. The rapid rise of the wood-based export industry in China is also having an adverse impact, in this case mainly on tropical timber producing countries. Hardwoods from Indonesia, Malaysia, Cameroon and elsewhere are often used in high value products that are then re-exported.<sup>83</sup> Burma exports both hardwood and softwood species to China.

## 8.1 China’s environmental commitments in the Greater Mekong Sub-Region (GMS)<sup>r</sup>

“*Convinced that the key GMS economic sectors depend critically on the conservation and contribution of healthy natural systems, and acknowledging that many of those who depend on natural resources for their livelihoods are the most vulnerable segments of society, we reaffirm our commitment and political will for a better environment and sustainable development.*”<sup>109</sup> GMS Joint Ministerial Statement, 25 May 2005

Senior environmental officials and environment ministers from the six nations<sup>s</sup>, of the Greater Mekong Sub-Region, met on 24–26 May 2005 in Shanghai. The overall theme of the meeting was ‘Managing Shared Natural Resources for Sustainable Development.’ Mr Zhu Guangyao, First Vice Minister, State Environmental Protection Administration, of the PRC, delivered a keynote speech stressing the positive role that the PRC could play in addressing the region’s environmental challenges.<sup>110</sup>

One of the outputs of the meeting was a joint ministerial statement, in which the ministers resolved to intensify cooperation to sustainably manage and conserve their individual and shared natural resources. The meeting also endorsed an initiative to



<sup>r</sup> The GMS covers an area the size of western Europe and is home to more than 250 million people.

<sup>s</sup> The Kingdom of Cambodia, the People’s Republic of China, the Lao People’s Democratic Republic, the Union of Myanmar, the Kingdom of Thailand and the Socialist Republic of Viet Nam.



launch a 'Core Environment Program' (CEP) by early 2006, as a development strategy to conserve natural systems in the GMS. The Biodiversity Conservation Corridors Initiative is a key component of the CEP, and is one of the approaches to "facilitate and contribute to the establishment of sustainable management regimes for restoring ecological (habitat) connectivity and integrity..."<sup>109</sup>

The GMS environment ministers meeting was followed by a heads of government meeting in July, held in Kunming the capital of Yunnan Province. The Kunming Declaration reaffirmed the GMS countries' commitment to environmental protection: "We are determined to protect our natural environment and are committed to use our natural resources wisely."<sup>111</sup>

Yunnan Province is seen as a priority area for the Chinese authorities in conservation terms. Here the Chinese have established two national nature reserves, the Nujiang Reserve and the Gaoligongshan Reserve situated at the border with Burma. The 'Northern Forest Complex', situated in Yunnan Province, has been designated a biodiversity corridor by the GMS; the forests of northern Burma have not.<sup>112</sup> In Kachin State, which shares a lengthy border with Yunnan Province, the Chinese have helped to establish the N'Mai Hku Project, a combined logging and mining operation, in an area every bit as important as those protected in Yunnan Province. Such inherent contradictions will do little for China's reputation in Kachin State, the region as a whole or internationally.



## 8.2 The ecological importance of Burma's frontier forests

*"It makes no sense. On the Chinese side you have a region of protected forest, so the Chinese are just going across the border and logging in Burma. The clear loser is the environment."*<sup>113</sup> Peter Wharton, botanist, University of British Columbia, October 2003

Kachin State lies on the boundary of two of the world's most biologically rich and most threatened environments: the 'Indo-Burma', and 'Mountains of South Central China' hotspots.<sup>t</sup> <sup>114</sup> The Indo-Burma hotspot is considered to be one of the eight hottest hotspots, whereas the South Central China hotspot is considered to be "very possibly the most bio-diverse, rich, temperate area on earth."<sup>115</sup> The Gaoligongshan mountain range lies where these two regions meet. This mountain range is largely protected on the Chinese side of the border by two national nature reserves: the Nujiang Reserve and the Gaoligongshan Reserve. In contrast, on the Burmese side there is no protection. Here the area is covered by the N'Mai Hku Project a massive logging and mining operation (see '10.4.6 The N'Mai Hku (Headwaters) Project', pages 66-67).

The 'Northern Triangle Temperate Forests eco-region' is situated in the mountainous north of Burma, in Kachin State. The Chindwin, Mali Hka, and N'Mai Hka rivers originate in these mountains and flow south to converge in their lower reaches to form the Irrawaddy River. The rugged terrain combined with recent political instability make this one of the least explored places in the world.

Current assessments of the biodiversity in this area are therefore probably underestimates.<sup>115</sup> According to the World Wide Fund for Nature the region "presents a rare opportunity to conserve large landscapes that will support the ecological processes and the biodiversity within this eastern Himalayan ecosystem."

Mountain peaks rise steeply to reach heights of more than 3,000 m. Temperate forests lie between 1,830 m and 2,700 m; above 2,700 m there are sub-alpine coniferous forests, below 1,830 m subtropical forest. The temperate forests are

<sup>t</sup> Hotspots are regions that support at least 1,500 endemic species, and which have lost more than 70% of their original habitat. There are 25 global hotspots.

characterised by Nepalese Alder (*Alnus nepalensis*), Birch (*Betulacylindrostachya*), Chestnut (*Castanopsis spp.*), Needlewood (*Schima spp.*), Callophylus spp., Michelia spp., and Bucklandia populnea.<sup>116</sup> Rich epiphytic rhododendron shrub vegetation is also common. Above 2,100 m, broadleaf forest gives way to mixed forest comprising species of Oak (*Quercus*), Magnolia, Acer, Prunus, Holly (*Ilex*), and Rhododendron, in addition to Sargent Spruce (*Picea brachytyla*), Himalayan Hemlock (*Tsuga dumosa*), Sikkim Larch (*Larix griffithiana*), and Coffin Tree (*Taiwania flousiana*). Typical shrub flora includes species of Acer, Berberis, Clethra, Enkianthus, Spindle Tree (*Euonymus*), Hydrangea, Photinia, Rubus, Rhododendron, Birch (*Betula*), and Whitebeam and/or Mountain Ash (*Sorbus*).<sup>117</sup>

The flora of the temperate forests is also extremely diverse, and the complex topography, together with moist conditions, has led to a high degree of plant endemism. There are 91 mammal species two of which are endemic: the Gongshan Muntjac (*Muntiacus gongshanensis*) and the Leaf Deer. The Leaf Deer, which was only recently discovered, is the smallest and most primitive deer in the world.<sup>118</sup> Many of the region's other mammal species are threatened. These include the Tiger (*Panthera tigris*), Clouded Leopard (*Pardofelis nebulosa*), Red Panda (*Ailurus fulgens*), Great Indian Civet (*Viverra zibetha*), Back-Striped Weasel (*Mustela strigidorsa*), and Irrawaddy Squirrel (*Callosciurus pygerythrus*). Of the 365 birds known from this eco-region one, the Rusty-Bellied Shortwing (*Brachypteryx hyperythra*), is endemic.<sup>115</sup>

Kachin State is home to two of the Burma's largest protected areas, the Hukawng Valley Wildlife Sanctuary and Hkakabo Razi National Park. In March 2004 the Hukawng Valley Wildlife Sanctuary, that supports critically threatened tigers, was tripled in size with the addition of a 5,500 square mile buffer zone.<sup>119</sup> Much of Kachin State's remaining forest ecosystem, currently being logged by the Chinese, is of equal international importance and is therefore worthy of protection. Whereas protected status would be beneficial for the forests, it must be subject to prior meaningful consultation with people in the area.

Concerns have been raised over the SPDC's involvement in environmental initiatives - and it has been argued that the regime is only interested in conservation to the extent that it can gain political legitimacy. It has even been suggested that environmental rhetoric is used a platform to enable state control of "indigenous insurgent territory."<sup>120</sup> Others disagree,<sup>121</sup> but irrespective of the regime's motivation, genuine consultation and participation in any decision making process would be essential.



The skin of the endangered red panda hung up to dry in Pangnamdim Township, Nogmung District, Kachin State; 2004



### 8.3 Environmental impacts in northern Burma

*"You won't find a single tree standing there if it continues as now – everything will be cut down."*<sup>241</sup> Chinese businessman, Baoshan Prefecture, Yunnan Province, 2004

The impact of logging in Kachin State has not been properly studied because of lack of access to the countryside where logging occurs. However, there is anecdotal evidence that the logging is having an adverse effect on both the local population and the environment. Global Witness has received numerous accounts, from villagers throughout Kachin State, of localised drought and resulting crop failure, lowered river levels, and the disappearance of wild animals and birdlife associated with the forests.<sup>122</sup> Droughts and poor forest management techniques also increase the risk of forest fires. In March 2004, there was a very large forest fire in Kachin State. The fire broke out between No.4 and No.8 boundary markers opposite Tengchong. Approximately 2,000 fire fighters from Baoshan Town were despatched to the border to prevent the fire crossing into China.<sup>123</sup>

In the last three years, cold and wet weather in the N'Mai Hku area has resulted in crop failure. This unseasonable weather has coincided with

increased deforestation in the area but may be unrelated. Nevertheless, local people, who have come to rely on food aid organised by religious groups, think that it does have something to do with the logging.<sup>239</sup>

Deforestation is, however, known to increase the likelihood of flooding following heavy rainfall. In July 2004, Burma was hit by the worst floods for decades, most likely made worse by logging in the headwaters of the Irrawaddy. After the floods, SPDC Secretary 2, Lieutenant-General Thein Sein attended a ceremony to donate cash and kind for flood-hit townships in Kachin State. The general made clear his views on the links between deforestation and flooding: *"He [the general] said ... special care should be taken in such a hilly region like Kachin because deforestation would have a deteriorating effect on natural environment followed by adverse weather conditions, drought and inundation."*<sup>124</sup> The general made no specific reference to the destructive logging by Chinese companies in Kachin State. It does however appear that China's concern for the environment ends at the border, as the ecological burden of China's increasing appetite for timber has, in part, been shifted to Burma's frontier forests.



The Southern Triangle, Kachin State; 2004

### 8.3.1 Flooding

*“As floods move downstream, residents are left with polluted wells, a dearth of clean drinking water, water-logged residences and high risk of waterborne disease.”*<sup>125</sup>

The Myanmar Times, 23–29 August 2004

Severe flooding submerged Myitkyina, the capital of Kachin State, in late July 2004. This was followed by flooding in Mandalay and Magwe division, Sagaing and the delta in lower Burma, as the floodwaters of the Irrawaddy moved downstream. The floods in Kachin State were reportedly the most serious for 30 years, while water levels further south reached their highest point since records began.<sup>125, 126</sup>

Villages along the N'Mai Hka and Irrawaddy rivers were worst hit. Logs and stones in the water made matters worse.<sup>127</sup> Details of the full scale of the disaster and the extent of the devastation are not known however, in part because in Kachin State the



immediate response of the military authorities was to claim that the flooding was a normal occurrence, and to deny all reports of casualties and damage.<sup>128</sup> Three local residents who filmed, and subsequently distributed footage of the flooding were detained for three days by the local SPDC authorities. They were subsequently released, but only after the intervention of a prominent local church leader.<sup>129</sup>

A report by the UN World Food Programme, estimates that 3,700 families in Myitkyina alone were affected by the floods.<sup>130</sup> The KIO recorded at least 10 fatalities, whilst the death toll in NDA(K)-controlled areas amounted to at least 20 individuals.<sup>131</sup> According to a number of local people spoken to by Global Witness as many as 10 people died in Myitkyina and up to 30 in the surrounding areas.<sup>132</sup> In addition, many houses and paddy fields were destroyed. 112 of the 188 primary schools in the area were affected by the flood water. Reports suggest that further south in Magwe Division, flooding affected 15,000 families.<sup>133</sup> As far south as the Irrawaddy delta, paddy fields were destroyed by the flooding; a group of farmers attributed the unusually severe floods to logging in northern Burma.<sup>134</sup>

In addition, four large bridges in Kachin State were washed away; ironically this interrupted the transportation of timber from the Southern Triangle (which lies between the N'Mai Hka and Mali Hka rivers) to the China-Burma border. The floods also affected logging areas at Talawgyi and Sinbo, sweeping away and destroying large quantities of the timber stockpiled there.<sup>135</sup>



Myitkyina floods; July 2004



## 8.4 Impacts on development in northern Burma

*“Both sides agree to work out at the earliest possible time detailed steps for implementation, based on Agreement on Management of and Cooperation in Sino-Burmese Border so as to jointly promote stability, tranquillity and development in their border areas.” Joint Statement Concerning Framework Document on Future Cooperation in Bilateral Relations between the People’s Republic of China and Federation on Myanmar, 6 June 2004*

In the years following the ceasefire agreements civil society has to a certain extent re-emerged, there are increased opportunities to travel, to grow cash crops and to trade. But the ‘peace dividend’ has been largely negated, as the forests have been destroyed and the people of Kachin State have received little in return. Only very modest improvements in health, education, and infrastructure have been achieved, in exchange for the massive volumes of timber shipped over the border to China since the end of the insurgency.

On 6 June 2000, Chinese Foreign Minister Tang Jiaxuan and the then Burmese Foreign Minister U Win Aung signed the ‘Joint Statement Concerning Framework Document on Future Cooperation in Bilateral Relations between the People’s Republic of China and Federation of Myanmar.’ Both sides agreed to *“further strengthen cooperation in trade, investment, agriculture, fishery, forestry and tourism on the basis of equality and mutual benefit...”*. Further, according to a later statement made by Hu Jintao, the Chinese President, China follows a policy of *“...bringing harmony, security and prosperity to neighbors.”*<sup>137</sup> China should be ensuring that any logging carried out in Burma benefits not only Chinese logging companies and processing facilities, but also the people of Burma.

However, the cross-border timber trade has completely failed to achieve the desired mutual benefit. On the contrary, the trade appears to be both opportunistic and predatory and enriches only a few individuals. Local people in Burma derive little direct financial benefit from the logging industry and are frequently worse off as a result of the presence of Chinese logging companies. Companies granted the right to log in Kachin State also have the right to control other logging activity. The companies rarely allow villagers to cut timber in the areas that they control, eliminating one potential source of income for local communities. In many cases, the logging companies do not employ local people, favouring Chinese workers instead. Villagers cannot even trade with the loggers because most of their supplies, including food, are brought in from China. The lack of any significant downstream processing industry in Kachin State compounds the problem.





### BOX 8: A PERSONAL ACCOUNT OF THE IMPACTS OF LOGGING

More often than not, ordinary people feel powerless to stop the logging. Businessmen and their cronies, politicians and the military promise them the earth but they rarely deliver. Meanwhile, the forests and the villagers' hopes for a better future are destroyed:

*"My hometown is a small village. Before the ceasefire between the military government and the KIA my hometown was very beautiful, full of cherry flower in winter. The weather was harmonious and there were lots of wild animals such as deer, bears, tigers and monkeys. But the situation started changing from 1994, after the ceasefire.*

*The first thing that changed was the logging. Most of the businessmen are Chinese. At first, they bought only hardwood, later they even bought the banyan and cherry trees. Because of this, when I look at the mountain from my home I can now see the ground. We are losing each day: our environment and our wild animals. The wild animals are running to China, because here there are explosions and the sound of chainsaws everyday, especially in summer. We are also losing financially; we are being exploited.*

*They promised to construct a hydroelectric dam in three years. In the contract they were permitted to cut timber from the Mingli mountain range. The project started in 1999. The wood has gone since last year, but the dam is still under construction. Local people only get a very tiny benefit from losing their beautiful environment. Only Chinese businessmen and a few local officials benefit from it.*

*I left my hometown in 2002. I remember that all mountain ranges were completely covered with trees. But when I went back in 2004, my hometown had changed. The dam remained unfinished. But this time, I saw electric poles in the village. I hope they will be able to finish in this year. At*

*the same time, I feel very sorry because now all the mountains are almost bald. They built a road through my village. The road gets very dry in summer so that all the houses, especially those by the road, are covered with dust. The dishes in kitchen have to be washed because of the dust. Clothes cannot be hung outside after they have been washed because they only get dirtier. In rainy season, the road becomes muddy and slippery. I heard some people are complaining about the situation. However except for complaining they can do nothing. They have no voice.*

*I do not know who is responsible for destroying the environment and losing the natural resources. Villagers are reluctantly convinced by the word 'development.' From my perspective, I also understand and accept that you must lose something in order to gain. There has to be a balance between development and destruction. But in my hometown our environment gets more destroyed and we gain very little benefit. There is no balance at all. Maybe it is natural in a country ruled by a military dictatorship. I believe that if there were democratic government, it would not happen."*<sup>136</sup>



#### 8.4.1 Hollow promises of development

*“The Earth is the common home of all human beings. Every country must give adequate attention to the orderly use and protection of the resources, energy and the environment in the interest of sustainable development.”*<sup>40</sup>

Wen Jiabao, Premier of the State Council of the People's Republic of China, June 2004

Promises of development frequently fail to materialise. In one recent example, a Chinese businessman looking for a logging concession in N'Jangyang Township approached the War Office of the Central KIO Committee. The concession was given to him on the basis that the logging company would provide for the needs of a nearby village. Once the concession was awarded, it was sold onto the Jinxin Company. The Jinxin Company began building an irrigation system for the village at the same time as it began logging. However, investment in the irrigation system was small in relation to the number of trees cut down and only seven families actually owned irrigated farmland. The villagers felt cheated and subsequently prevented Jinxin from extracting timber before the end of the logging season. The Jinxin Company has since attempted to regain access to the forests by negotiating with the villagers. The 68 families asked for 150,000 kyat (US\$170) per family.<sup>208</sup>

The KIO has been known to sell community forests. It has also permitted villagers to sell their community forests to pay for basic services, such as a connection to the electricity supply in China. In one example, an electricity company from Dehong Prefecture negotiated with villagers to log for two years in a concession that villagers described as “*stretching to the horizon*”. The villagers were promised the electricity connection and 18,000 yuan (US\$2,150), yet after two years, during which time the company was “*logging day and night*”, the village received just 8,000 yuan (US\$950) and no electrification. The company claimed that it would provide electrification once it had finished logging. The villagers would appear to have no recourse to any authority.<sup>138</sup>

The trade imbalance reflects poorly on people's perception of China in the region or as one restaurant owner in Burma put it: “*Myanmar is the resource pit of China,... We send our best wood to them, our best gems, and our best fruit. What do we get? Their worst fruit and their cheapest products.*”<sup>139</sup> Once the natural wealth of Kachin State has been exhausted, not only will any real prospect for sustainable development in this area have vanished, but the underlying causes of conflict may well still remain, perhaps even exacerbated by this plunder.

© Tom Kramer

