

## APPENDICES: BACKGROUND

### 13 APPENDIX I: CONFLICT AND POLITICS IN BURMA

*“The conflict in Burma is deep rooted. Solutions can only be found if the real issues of conflict are examined, such as territory, resources and nationality...”*<sup>270</sup> Dr Chao-Tzang Yawngghwe, Burmese academic, December 2001

Burma’s position between China and India is of key strategic importance being at the crossroads of Asia, where south, east and Southeast Asia meet. Rugged mountain ranges form a horseshoe surrounding the fertile plains of the Irrawaddy River. In the far north, the 1,463 km border with China follows the line of the Gaoligongshan Mountains.<sup>271</sup> These remote border areas are rich in natural resources including timber, but the benefits derived from this natural wealth have historically bypassed the ethnic minority peoples that live there, a cause of great resentment.

Burma’s estimated 50 million population, speaking over 100 distinct languages and dialects, is about 65% Burman with ethnic groups forming a substantial minority.<sup>272</sup> There is also a sizeable Chinese population. British colonial forces accentuated and amplified ethnic diversity to successfully divide and rule Burma for over 100 years. In contrast, successive, Burman-dominated, governments have systematically, and forcefully,

downplayed ethnic differences. This policy of cultural assimilation has only served to create resentment amongst the ethnic groups.

The road map to independence was finalised at the Panglong Conference in February 1947. Under this agreement the Frontier Areas were guaranteed “full autonomy in internal administration”<sup>273</sup> and the enjoyment of democratic “rights and privileges”.<sup>274</sup> Elections held later in 1947 were won by the Anti-Fascist People’s Freedom League (AFPFL), but were boycotted by the Karen National Union and the CPB,<sup>j</sup> amongst others.<sup>275</sup> Nevertheless, a constitution was drafted that aimed to create a sense of Burmese identity and cohesiveness, whilst enshrining ethnic rights and aspirations for self-determination.<sup>276</sup> However, the constitution failed to deal with the ethnic groups even-handedly and did not adequately address separatist concerns. Only the Kachin, Karen, Karenni and Shan were assigned ethnic nationality states; the Karenni and Shan were also granted the right of secession. A ‘special division’ was created for the Chins but the Mon, Pao and Rakhine were not given any delineated territories of their own.<sup>275</sup>

In January 1948, Burma gained independence. Soon after, the CPB led an armed rebellion against the government. In 1952, central government authority was restored but much of Burma lay in the hands of armed ethnic opposition groups throughout



Young woman from the Lisu ethnic community (which lives in the border region of China and Burma) gazing towards Burma. Nujiang Prefecture, Yunnan Province; 2004



Aung San Suu Kyi

the 1950s. By the early 1960s, the civil war had spread to Shan and Kachin States, with formation of the KIO and the forerunner of the Shan State Army.

Senior figures within the armed forces, or *Tatmadaw*, were also highly critical of the government for its economic shortcomings, and felt that the politicians had failed to deal both with splits in the government and with the armed opposition. On 2 March 1962, General Ne Win seized power and established a military dictatorship and one party rule under the Burma Socialist Programme Party (BSPP). His political vision the 'Burmese Way to Socialism' was an amalgam of Buddhist, nationalist and Marxist principles.

The BSPP was preoccupied with centralising power and defeating the insurgencies. During this time the government became increasingly 'Burmanised',<sup>kk</sup> civil society was repressed, and 300,000 Indians and 100,000 Chinese were forced to leave the country. Although still part of the UN, international relations during this period were minimal.

For 20 years the CPB (backed by China since 1968), Kachin and more than 20 other ethnic forces ran extensive 'liberated zones' in the border areas. By the early 1980s two main opposition groups had emerged: the CPB and the National Democratic Front, an alliance of ethnic opposition armies. Both groups financed their insurgencies through black

market trading, and the extraction of natural resources, including timber. Hundreds of thousands of people were killed during these decades of constant and bloody conflict.

In July 1988, as Burma faced bankruptcy Ne Win, resigned. This was followed by mass pro-democracy demonstrations throughout Burma. Martial law was imposed on 18 September 1988 by forces loyal to Ne Win, which had crushed the protests and resumed power as the State Law and Order Restoration Council (SLORC). It is estimated that as many as 10,000 people, including many unarmed civilians, were killed as a direct result of the conflict during 1988.<sup>275</sup>

In the face of ostracism from most of the international community, the SLORC promised that they would deliver multi-party democracy and economic reform as soon as they had restored law and order. In 1989, after the sudden collapse of the CPB, the SLORC quickly brokered ceasefire deals with many armed ethnic opposition groups.

Multi-party elections held in May 1990 were won by the National League for Democracy (NLD). The NLD leader, Aung San Suu Kyi, had been placed under house arrest in July 1989 and remained under house arrest till 1995. The SLORC insisted that the elections were to elect a constituent assembly that would draft a new constitution, rather than to form a government. However, the regime did nothing to take this forward until the announcement of the National Convention in April 1992. As a result a dozen MPs-elect fled to territory controlled by the NDF where they formed the exiled National Coalition Government Union of Burma (NCGUB).

In January 1993, the SLORC introduced a hand-picked National Convention, claiming that it was a more suitable forum at which to draft a new constitution. The NLD withdrew from the Convention in 1995 citing restrictions on freedom of expression.<sup>275</sup> In 1997, the SLORC, renamed the State Peace and Development Council (SPDC), joined the Association of Southeast Asian Nations (ASEAN).

Aung San Suu Kyi was placed under house arrest again in 2000, until May 2002. A year later she was rearrested, following an attack on her convoy near the village of Depayin by Union Solidarity & Development Association (USDA)<sup>ll</sup> members. At the time of writing, Aung San Suu Kyi has not been released. According to Assistance Association for Political Prisoners (Burma), at least 1200 other political prisoners remain in Burma.<sup>277</sup> Many of these are thought to be prisoners of conscience.<sup>mmm</sup>

<sup>jj</sup> The CPB was determined to institute a communist state through an armed revolution.<sup>46</sup>

<sup>kk</sup> The *Tatmadaw* was Burmanised in the late 1940s-early 1950s.

<sup>ll</sup> The USDA is a mass mobilisation organisation of 12 million members headed by Than Shwe and designed to rally support for the SPDC.

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





### BOX 11: POWER AND CONTROL IN BURMA

*“Power in Burma is not based solely on command structures or titular office, however, as institutions are secondary to individuals.”*<sup>278</sup> David I Steinberg, academic, 2001

The SPDC, made up exclusively of senior military officers, controls all the organs of the state. Most cabinet posts are held by the military (this does not include health, education or economic planning) and the ministries are dominated by the armed forces. The *Tatmadaw* owns banks, construction, agricultural and import-export companies. The largest firm in Burma, the Union of Myanmar Economic Holdings Limited (UMEHL) is also a *Tatmadaw*-owned corporation.<sup>279</sup> The *Tatmadaw* itself comprises an estimated 400,000 troops.<sup>280</sup> There are an additional 72,000 personnel in the Myanmar Police Force, including an estimated 4,500 strong paramilitary police.<sup>281</sup> This corresponds to roughly one soldier per 100 citizens. However, despite it being of *“the utmost importance for Tatmadawmen [including the regional commanders] to follow orders,”*<sup>286</sup> this control can be tenuous or absent in many parts of the country. This is also the case in areas held by the armed ethnic opposition groups.

Almost every decision of political importance was,

until the dismissal of General Khin Nyunt in October 2004, deferred to at least one of a triumvirate of generals: Senior General Than Shwe, General Maung Aye and Khin Nyunt himself. Senior General Than Shwe, Commander In Chief of the Armed Forces and Defence Minister,<sup>282</sup> is still believed to be the most powerful. The recent sacking of General Khin Nyunt by Than Shwe, on what appear from the outside to be spurious grounds, is believed to have consolidated his position and that of other hardliners.

As commander of the Army, General Maung Aye appoints the Regional Commanders in conjunction with Than Shwe.<sup>283</sup> The Regional Commanders have authority over economic affairs in the areas that they control; they are involved in natural resource extraction, they run factories and implement infrastructure projects.<sup>284</sup> These Regional Commanders enjoy a large degree of autonomy and there is a constant struggle to keep their power in check. Maung Aye is also said to have his own military intelligence<sup>285</sup> and is chairman of the influential Trade Council.<sup>278</sup>

Power in Burma is highly personalised; it resides with individuals more than institutions.<sup>278</sup> Personal loyalties are often developed and maintained through cronyism and corruption. Such client-patron relationships based on mutual support are typical in most areas of business including the natural resource sector and logging.

### 13.1 Recent developments

*“The Government in discharging its duties must be honest and effective in promoting the interest of the State and the broad-based unity of the national races.”*<sup>286</sup> SPDC communiqué: ‘Complete explanation on the developments in the country’, 24 October 2004

With a new constitution on the cards, 2005 might still be a pivotal year for the future of Burma. In the last two years there have been several significant developments that, initially at least, suggested the political landscape in Burma was changing for the better, in particular: ceasefire talks with the KNU (the largest remaining armed ethnic opposition group yet to agree an end to fighting with the SPDC) and the SPDC’s August 2003 ‘Road Map for Myanmar’ (otherwise known as the ‘Seven Point Plan to Democracy’), which includes reconvening the National Convention and drafting a new constitution (see ‘Box 9: Logging and the new constitution’, page 54).

However, in recent months both initiatives have experienced setbacks. The constitution drafting process has resulted in a stalemate between the SPDC and armed opposition groups and the NLD has been sidelined. At the same time, several important members of the regime have been sacked. This includes the Foreign Minister U Win Aung, Colonel Tin Hlaing the Minister of Home Affairs, and most significantly Prime Minister General Khin Nyunt. Hardliners

would appear to be reasserting their control.

General Khin Nyunt had been the key SPDC figure in negotiating ceasefire deals with the armed ethnic opposition groups, most recently the KNU. Lack of political progress in Burma has been reflected by a downturn in relations with both the EU and the US. In contrast Burma has strengthened ties with China and India. Aung San Suu Kyi remains under house arrest.

For the majority of the population their everyday lives, plagued by poverty and a lack of fundamental freedoms, remain unchanged.

#### 13.1.1 Recent internal political developments

*“The worst problem is among the Burman people, between the military group versus the democratic group. The bitterness and difference is getting bigger and bigger. In the NLD the leaders are old military men, and in the SPDC leadership there are new military men. These cannot get along with each other. The military in the SPDC are not very careful [respectful] to the old military in the NLD.”*<sup>287</sup> Kachin official, June 2004

On 30 August 2003, during his first public speech as Prime Minister, General Khin Nyunt laid out the SPDC’s ‘Road Map of Myanmar’ to turn Burma into a “modern, developed and democratic nation”. The seven-point plan included reconvening the National Convention, which had been suspended in 1996, in order to draft a new constitution before holding



Left: Road map, the seven-point plan to democracy. Right: The NDA(K) Public relations, Chipwe, Kachin State; 2004



elections.<sup>288</sup> The NLD, the leading political party, which fought the 1990 election, was invited to join the reconvened convention.

Later that year, on 15 December 2003, Thailand hosted the first round of an international dialogue dubbed the 'Bangkok Process', to discuss the Road Map. In addition to Burma and Thailand, 10 other nations attended the meeting: Australia, Austria, China, Germany, France, India, Indonesia, Italy, Japan and Singapore. The event marked the first time that the SPDC had been persuaded to send a representative to a meeting about Burma, but they failed to set a timetable for the proposed plan. A second round of the Bangkok Process was also planned to take place in late April 2004, but was postponed when the Burmese delegation pulled out.

On 16 April 2004, the NLD released a statement, which stated: "*should the same procedure and rules be adopted in the holding of the National Convention, it will not be appropriate for us to attend*". The SPDC announced three days later that the National Convention was indeed to be held under the same rules as it was in 1996. The Convention reconvened on 17 May 2004; 1076 of the 1088 invited delegates attended, including representatives from 28 ethnic ceasefire parties or factions. Significantly, on May 14 the NLD said it would not participate. Member parties of the United Nationalities Alliance, a coalition of ethnic nationality parties which includes the Shan Nationalities League for Democracy, also declined.<sup>289</sup> UN human rights envoy to Burma, Paulo Sergio Pinheiro, concluded that the convention lacked credibility. Indeed tight political controls continued to undermine the meeting's legitimacy. He said that the delegates were not free to interact in the

constitutional process because they were effectively under house arrest, adding: "*This political transition will not work; it will not work on the Moon, it will not work in Mars*".<sup>290</sup> The SPDC had forbidden delegates from contacting their families, criticizing the government or leaving the meetings.

Thirteen of the ceasefire groups submitted a joint proposal to the National Convention Committee, including calls for legislative authority to be devolved to state assemblies and for the right, for state administrations, to maintain armies or militias. In response, the SPDC argued for an amendment to the proposal in accordance with the six principles, and 104 detailed basic principles, that had evolved from the earlier National Convention Meetings between 1993 and 1996, that it had tabled earlier. The proposal also included a demand for free discussion of the Convention's sixth objective, which guarantees the army a central role in the future state.<sup>291</sup> The proposal was simply 'noted'. After two months in session the National Convention adjourned on 9 July 2004.

On 13 February 2005, six ceasefire groups<sup>nm</sup> issued a statement, repeating their demands of the previous June. They also called for a review of the draft constitution's Principle No.6 (that the *Tatmadaw* play a leading role in politics), asked for non-ceasefire groups to be allowed observer status at the convention, for the National Convention to allow disagreements and debate, and for the minutes to record such dissenting voices. Three days later, five ceasefire groups sent a letter to SPDC Secretary 1, Lieutenant-General Thein Sein, protesting the arrest of several senior Shan leaders.<sup>292, 293</sup>

The National Convention restarted on 17 February 2005. While the first session of the National Convention in 2004 looked at the legislature, the second session dealt with the judiciary and the executive. The convention was adjourned on 31 March and is due to reconvene in November 2005. Officially, it was brought to a close according to schedule and due to the hot weather.<sup>294</sup> Nevertheless, speculation is rife that it was halted



<sup>nm</sup> The KIO, the New Mon State Party, the Shan State Army-North, the Shan State National Army, the Kayan New Land Party, and the Karenni State Nationalities People's Liberation Front.

prematurely, due to the strong stand of some of the ceasefire groups and continued reshuffling of the SPDC in the wake of Khin Nyunt's departure.

Ominously, elements of the Shan State National Army (SSNA), which entered into a ceasefire agreement with the regime in 1996, have recently joined the Shan State Army South (SSA(S)), which has not agreed a ceasefire.<sup>192</sup> They announced that peaceful diplomacy had failed, and that the National Convention is a farce.<sup>295</sup>

Ceasefire talks between the SPDC and the KNU have also faltered. The process started off promisingly enough when in November 2003 a spokesperson for Burma's Ministry of Defence, Colonel San Pwint, travelled to Mae Sot in Thailand to meet with leaders of the KNU. According to one KNU leader the SPDC was open to dialogue "without conditions", but would not accept the presence of third parties. Significantly, the KNU is the largest armed ethnic group yet to agree a formal ceasefire, and has been fighting successive Burmese governments for nearly 55 years.<sup>296</sup>

In early January 2004, a five-member KNU delegation met with General Khin Nyunt in Rangoon. Upon their return, KNU leader General Bo Mya said that the KNU had verbally agreed a ceasefire with the SPDC.<sup>297</sup> Over the course of the next few months, the KNU and SPDC met twice and then again in mid-October after several postponements. At this informal meeting the 16-member KNU delegation was informed that further talks had to be put off indefinitely, due to sudden changes in the SPDC hierarchy.<sup>298</sup> However, informal talks did take place in Rangoon in late March 2005. The commander of the KNU, General Mutu has called for the SPDC to stop their delaying tactics, and "get serious about peace talks or face 50 more years of guerrilla warfare [...] We have already fought them for 56 years. The end is not coming – not yet".<sup>299</sup>

### 13.1.2 External relations

On 28 July 2003, US President George Bush signed into law the Burmese Freedom and Democracy Act (H.R 2330). The act includes provisions, which ban imports of Burmese products, prohibit the provision of financial services to Burma, expand the visa ban on the SPDC leadership and associates, and freeze SPDC assets in the US. United States natural gas interests are not affected by the act, nor are imports of timber via third countries. For instance, the importation of furniture manufactured in China out of Burmese timber would not be prohibited.

The Act took effect on 28 August 2003 and was later renewed for another year in 2004, and again in

May 2005. The US State Department has estimated that these measures have cost Burma US\$200 million in lost trade. In 2003, trade with China amounted to about US\$1 billion. Chinese Deputy Prime Minister Wu Yi pledged that this would rise to US\$1.5 billion by 2005, more than enough to counter the US initiative.<sup>139</sup>

The EU has taken a softer approach than the US. The Common Position on Burma, which provides for a visa ban on certain members of the regime and a freeze on their assets in the EU, was rolled over for a further 12 months at the External Relations Council of 26 and 27 April 2004.

In 2004, the EU Council appointed a Special Envoy of the Presidency to convey its concerns about Burma to governments in Asia. The EU Common Position on Burma was strengthened in October 2004, due to lack of genuine political reform in Burma. The new position, which was still criticised by the US for being too 'weak', includes an expansion of the visa-ban list, and a prohibition on EU-registered companies and organisations from making any finance available to named Burmese state-owned enterprises and voting against extending loans to Burma from international institutions.<sup>300</sup> This Common Position was renewed for one year on 25 April 2005 without any major changes.<sup>301</sup>

Asia-EU relations were strained towards the end of 2004 by the prospect of Burma's attendance at the biannual Asia-Europe meeting (ASEM). ASEAN wanted its three newest members to attend the summit in Hanoi in October 2004. European countries on the other hand, were reluctant for Burma to attend the meeting. However, they found it difficult to block Burmese attendance because the EU also wanted its 10 new members to attend. A compromise was reached which allowed Burmese participation at the level lower than the head of state. It is interesting to note that Burma was scheduled to take the chair of ASEAN in 2006, but on 26 July 2005 Burma agreed to forego the chairmanship following indirect pressure from the US and the EU. Other ASEAN nations were also concerned that Burma's chairing of ASEAN would damage the association's foreign relations.<sup>302</sup>

India has been keen to engage Burma, at least in part to offset China's influence in the region. On 24 October 2004, Than Shwe arrived in India for a 6-day visit. He was accompanied on this rare trip abroad by eight cabinet ministers, and was greeted in Delhi by both, the Indian President Abdul Kalam and the Prime Minister, Manmohan Singh. The visit, only a week after the arrest of Khin Nyunt, was the first by a Burmese head of state to India for 25 years.<sup>303</sup> India also imports significant amounts of timber from Burma.

## 14 APPENDIX II: FORESTS AND FORESTRY IN BURMA

*“The air, the water, the land and all the flora and fauna constitute the environment of all human beings. And therefore, it is the duty of all human beings to preserve the environment they live in. Myanmar is a green and pleasant country with forests and mountains.”*<sup>304</sup> *The New Light of Myanmar, (Perspectives), May 2003*

Falling within the Indo-Burma biodiversity hotspot, and bordering the South Central China hotspot to the north in Kachin State (see ‘8.2 The ecological importance of Burma’s frontier forests’, pages 30-31), Burma is one of the most biologically diverse countries in mainland Southeast Asia, with 7,000 plant species including 1,071 endemic species, 1,347 large tree species, 96 bamboos and 841 species of orchid.<sup>305</sup>

Contrary to the green image projected by the military regime, the forest industry in Burma is characterised by unsustainable logging, corruption, cronyism and illegality. Rather than being an absolute limit to the amount of timber that is logged, the Annual Allowable Cut (AAC) is used only as a guideline in Burma. The SPDC sets production targets for foreign exchange-producing government institutions, including the forest sector. Based on the foreign exchange earning expectations, a target tonnage is calculated which is translated downwards into logging quotas for each logging district. These have little bearing on capacity of the forest and hence

the sustainability of logging operations. Overall, since 1970, teak production has, according to official figures, exceeded the AAC by at least an average of 15%.<sup>306</sup>

In theory, presupposing that the AAC has been set at a sustainable level, it is important that this figure is not exceeded. However, the Burmese data show that in 2001-02, 2002-03 and 2003-04, total recorded production was in excess of the AAC (see ‘Chart 6’, next page). When minimum illegal exports are added to the official production figures to give an estimate of the minimum annual timber production for Burma, the seriousness of the situation becomes even clearer. In 2003-04, for instance, the AAC of 2,428,000 m<sup>3</sup> was exceeded by about 1.5 million m<sup>3</sup> RWE, over 60% more timber than should have been cut. More worrying still, this figure does not include illegal timber that is either used in Burma but not included in the official production statistics or illegal exports that circumvent the customs authorities in importing countries.

The Ministry of Forests has primary responsibility for forest management and policy in Burma and, as of January 2005, is responsible for environmental protection. The National Commission for Environmental Affairs is now part of the ministry. The Office of the Ministry is generally staffed by retired military, while the departments under the ministry are made up of trained foresters and other professionals. Five departments come under the control of the MoF;

they are: the Forest Department, the Myanmar Timber Enterprise (MTE), the Dry Zone Greening Department (DZGD),<sup>oo</sup> the Planning and Statistics Department<sup>pp</sup> and the Institute of Forestry.<sup>qq</sup> In addition, these departments work closely with the Survey Department, which carries out mapping for the whole administration.

It is the Forestry Department and the MTE that are principally concerned with the commercial exploitation of Burma’s forests and the timber trade. Burma has about 60% of the world’s natural reserves<sup>308</sup> of teak (*Tectona*

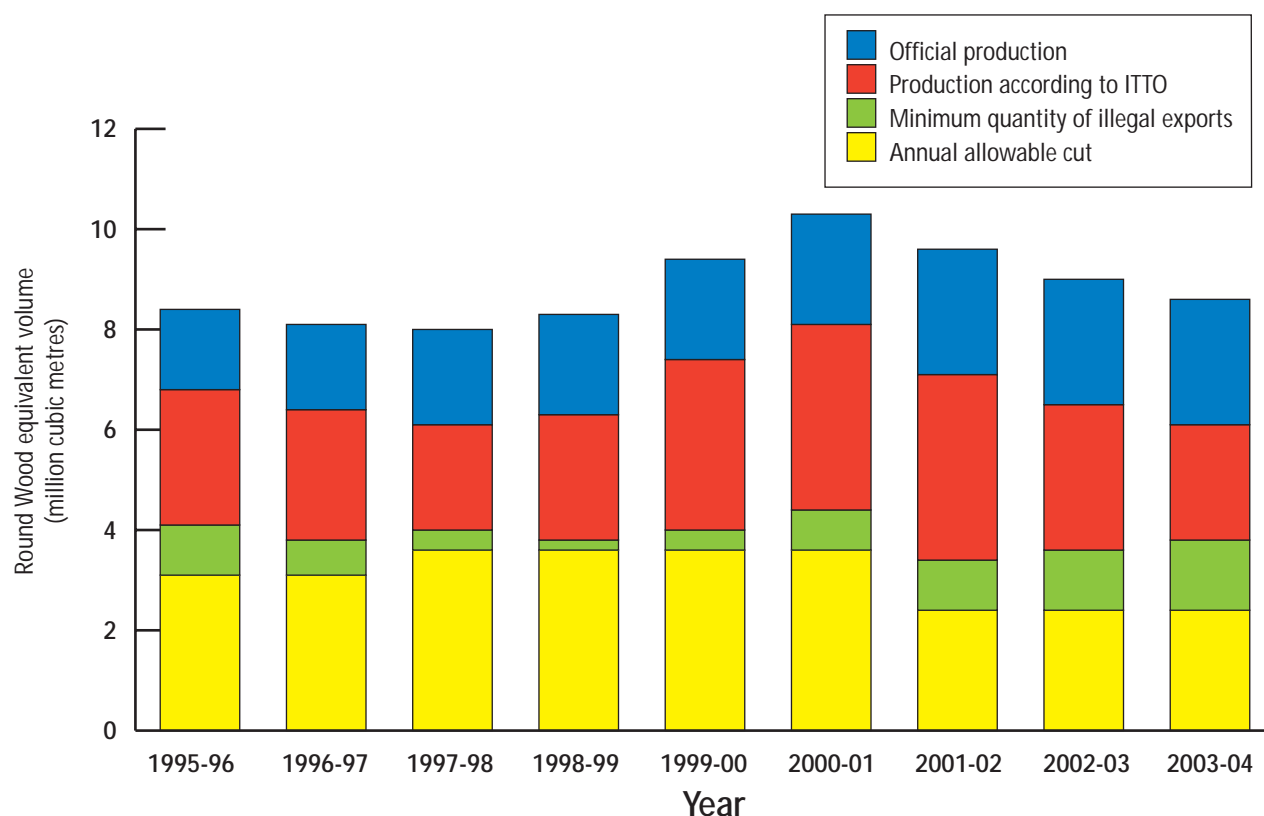


<sup>oo</sup> The DZGD looks after the reforestation of degraded forestlands and restoration of the environment in the Dry Zone of Central Burma.

<sup>pp</sup> The Planning and Statistics Department is responsible for coordinating the tasks of the Forest Department, the MTE and the DZGD.

<sup>qq</sup> The Institute of Forestry is responsible for education and training.



CHART 6: BURMA'S TIMBER PRODUCTION AND EXPORTS: MILLION M<sup>3</sup> RWE<sup>rr</sup>, 307

Notes:

1. Minimum quantity of illegal exports equals total imports of Burmese wood (according to importing countries) minus total exports according to SLORC/SPDC.
2. Annual Allowable Cut: Source: Burmese Forest Department.

*grandis*) and is the biggest exporter, producing 75% of all internationally traded teak.<sup>309</sup>

The Forest Department is responsible for the conservation of wildlife and sustainable management of the forest resources of the whole country.<sup>310</sup> Forest Officers are also responsible for the enforcement of forestry laws and regulations. In addition, the Forest Department manages forest rehabilitation, the establishment of production plantations, and watershed management. The physical reach of the Forest Department is closely related to a given area's security status.

Until recently, the MTE had a monopoly on the harvesting, processing and marketing of teak, with the private sector operating only in the non-teak hardwood processing industry.<sup>311</sup> It is the MTE's task to cut and extract trees that have been selected and marked by the Forest Department. However, the MTE contracts out some work to privately run companies. In the April 2004 edition of *Living Colour Magazine* it was reported that the MoF had recently granted forest concessions to five major private companies, a few local companies and interestingly, 17 ceasefire groups.

This report has not yet been confirmed.

According to press reports in April 2005, the Forest Department is planning to plant 34,000 hectares of plantations; a quarter of this being allocated to teak, totalling 323,000 hectares over 40 years. Between 15 and 18 private companies will be allowed to plant 2,800 hectares of teak, with 30-year tenures of the land, in exchange for 25% of the profits. Private firms have only been allowed to grow teak and other timber since 2000.<sup>312</sup> State-owned teak plantations will be expanded with funds that are generated from the private logging companies, because: "due to the accelerated deforestation in the country, state budgets were not enough for reforestation projects".<sup>313</sup>

Military involvement in logging has resulted in civilians being forced to cut, transport and process timber.<sup>314</sup> Villagers are also commonly used as porters and guides. They are used to build and maintain logging roads and they have been forced to replant areas for future commercial exploitation. In some instances, villagers have been forcibly relocated away from military logging areas.<sup>315</sup>

<sup>rr</sup> There are a number of data sets for Burma's timber production: the United States Department of Agriculture (USDA) Solid Wood Product Annual for Burma, the ITTO, the Economist Intelligence Unit (EIU) and the MCSO. Each of these sources gives different production figures to varying degrees. The ITTO for instance gives far higher timber production figures than either the EIU or the MCSO.



## 14.1 The economic importance of the timber trade

*“The military view economic progress, reform, or liberalisation as secondary to maintenance of political control, or indeed as a means to such control. The primary function of an improved economy is greater military power; general political acquiescence of the population to military control through military delivery of greater economic rewards for loyalty, and improved political legitimacy, and not directly the betterment of the human condition.”*<sup>316</sup> David I Steinberg, academic, March 2000

- In 2003-04, timber was the SPDC’s third most important source of legal foreign exchange amounting to 15% of the total, equivalent to about US\$377 million.
- By 2004-05 forest products were, according to the Ministry of Commerce, the SPDC’s second most important source of legal foreign exchange, amounting to US\$427.81 million or 15% of the total.<sup>317</sup>
- Since the publication of ‘*A Conflict of Interests*’ world imports of Burmese timber have increased by roughly 20% to about 2.2 million m<sup>3</sup> RWE.
- China, India and Thailand are the most important export markets for Burmese timber.
- China imported 1.3 million m<sup>3</sup> of timber from Burma in 2003, almost 60% of total world imports of Burmese timber. Both the total volume and China’s relative share have increased substantially since Global Witness last analysed the trade data.
- Burma records only a very small percentage of the cross-border timber trade with China (see ‘*7 The illegal Burma-China timber trade*’, pages 19-28).



Senior General Than Shwe (centre) inspects the renovation of National Kandawgyi Gardens in Pyin Oo Lwin; 2004

### BOX 12: BUYING TIMBER FROM BURMA

Burma is run by a military dictatorship, the SPDC. Despite being recognised by the United Nations as the legitimate government, Burma’s rulers were not elected and remain in power only as a result of their relative military strength. The human rights abuses committed by the regime, in particular against the ethnic minority peoples, are well known.

In 2004-05, forest products were the SPDC’s second most important source of legal foreign exchange, amounting to about US\$430 million or 15% of the total. By buying timber from Burma, produced in accordance with Burma’s forest laws, companies are contributing directly to the finances of the military regime with all the consequences that entails. The link between timber revenue and the regime’s violent repression of civilians will only be broken once the abuse stops. In the meantime, socially responsible companies should not import timber, either directly from SPDC sources or via intermediaries.

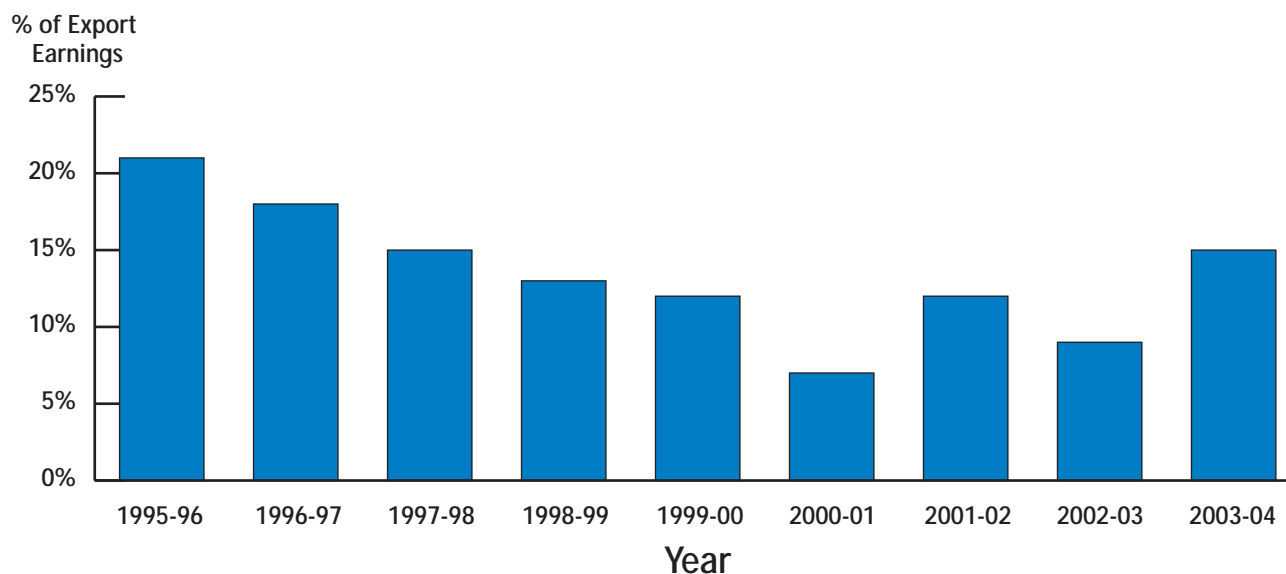
Burma is essentially an agrarian economy with two-thirds of the population engaged in subsistence agriculture. This, together with a large informal/illicit economy, has lessened the impact of the ‘collapse’ of Burma’s formal economy in recent years. Inflation continues to erode the value of the local currency and serves as a disincentive to savings.

The large number of troops, projected onto this weak economy, often has severe effects in rural areas. The logistics of feeding, clothing and maintaining the estimated 400,000 troops<sup>318</sup> means that the *Tatmadaw* has moved towards a system of ‘self reliance’.<sup>319</sup> The army is well known to usurp resources such as productive land, timber, and food, particularly in conflict areas. As the armed forces engage in subsistence business, the opportunities to satisfy self-interest of officers has also increased.

Interestingly, in December 2003, Senior General Than Shwe “gave instructions that with the exception of designated amount of income allowed from farming and live stock breeding, all economic undertakings [conducted by government employees, including the armed forces and MI, and unrelated to their position] were to cease by 31-3-2004. Some of these enterprises were to be handed over to the [appropriate] Ministries concerned. If the enterprises could not be transferred then they were to be abolished.”<sup>286</sup>

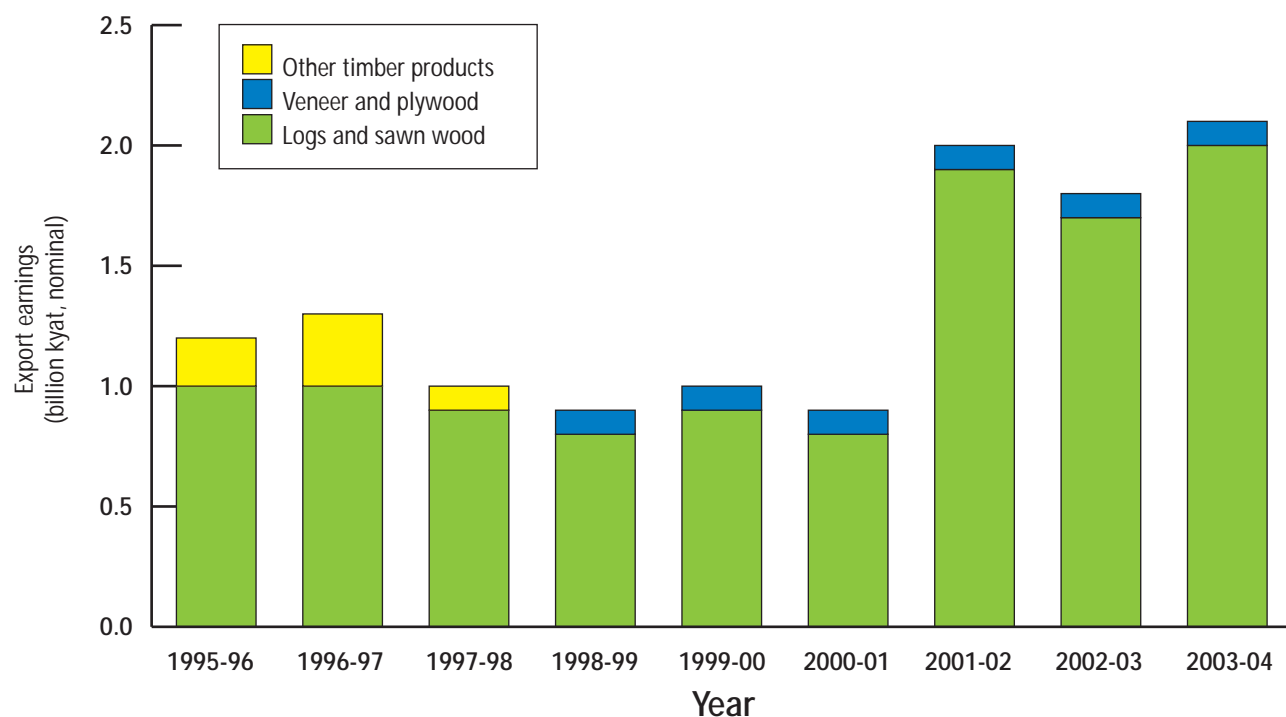
According to the SPDC communiqué, ‘Complete explanation on the developments in the country’, General Khin Nyunt was “deeply aggrieved by the directive”. The position was reiterated on 30 September 2004 when Senior General Than Shwe

**CHART 7: TIMBER EXPORT EARNINGS AS A PERCENTAGE OF THE TOTAL** <sup>ss, tt, uu, 323, 324, 327</sup>



**CHART 8: BURMA'S TIMBER<sup>vv</sup> EXPORTS (KYAT VALUE, BY PRODUCT GROUP).**

Source: Myanmar Central Statistical Office (MCSO)/EIU



<sup>ss</sup> Global Witness estimates based on an assessment of three official sources, which provide differing percentages: The Myanmar Ministry of Forestry, the Myanmar Central Statistical Organisation (MCSO) and the Economist Intelligence Unit (EIU) Myanmar Country Profiles (the most recent being deemed the most authoritative).

<sup>tt</sup> The composition of Burma's exports changed greatly during the period shown due particularly to major developments in Burma's natural gas sector.

<sup>uu</sup> The Myanmar Ministry of Forestry refers to 'forest exports'; this almost certainly includes logs and is likely to include other wood-based products such as sawn wood, plywood and furniture. It might also include fuel wood. Sources do not make clear what it is that MCSO refers to when it uses the terms 'timber' or 'teak' and 'other hardwood.' However, it is likely that these three terms, which appear to be the most commonly used as parameters of Burma's timber exports, include 'logs and sawn wood'. The EIU includes the categories referred to in MCSO data with the addition of 'veneer and plywood' and, for years 1992-93 to 1997-98, 'other forest products'.

<sup>vv</sup> Data was not available for 'other timber products' from 1998-99 to 2003-04.



Timber trucks loaded with hardwoods stopped close to Laiza, Kachin State; 2004

“personally instructed Ministries that they should not set up economic ventures to raise funds, giving welfare as an excuse”. Global Witness has yet to see any evidence that these instructions have been enforced with respect to the timber trade. General Khin Nyunt would, however, appear to be the first casualty of this significant change in policy (see ‘Box 2: Khin Nyunt’s fall from power’, page 13).<sup>286</sup>

The Union of Myanmar Economic Holdings Limited (UMEHL) and the Myanmar Economic Corporation (MEC) were established by the regime to help control the economy. UMEHL is Burma’s largest indigenous firm and was founded in 1990 to provide extra-budget income to finance army expansion. Many major foreign investors enter the Burmese market via a joint venture with this company. Press reports suggest that the SPDC has prioritised the manufacturing of value-added finished wood products for export and a number of wood-based industrial zones have been established in the Rangoon area.<sup>320</sup>

Timber has also been used to barter for supplies and armaments, in particular with China (see ‘A Conflict of Interests’, page 28). For instance, unconfirmed reports suggest that SPDC troops based in northern Shan State exchanged teak for Chinese military trucks in November 2004.<sup>321</sup>

The Ministry of Forestry website states that 189,000 workers (1.03% of the total workforce) were employed in the forestry sector in 1998<sup>327</sup>, far less than 1% of the country’s then population of 47 million.<sup>322</sup> Foreign exchange earnings derived from the sale of timber and other natural resources are important to the

regime because international trade is almost exclusively conducted in hard currency, usually US dollars. In the 2001 fiscal year, the timber trade raised US\$280 million, equivalent to about 11% of foreign exchange earnings.<sup>309</sup> By 2003-04 the percentage was 15%<sup>324</sup> equivalent to about US\$377 million (see ‘Chart 7’, previous page).<sup>320</sup>

In June 2005, figures released by the Ministry of Forestry show that in 2004-05 Burma earned US\$300 million from teak exports alone. This figure is up from US\$250 million the previous year.<sup>325</sup> The Ministry of Commerce’s website states that total forest product exports were valued at US\$427.81 million in 2004-05, 15% of the value of all exports; making it the second most important export commodity for Burma.<sup>326</sup>

According to the Forestry Department raw logs comprise 85% of timber export value, whilst sawn timber accounts for 12% and value added products 3%.<sup>327</sup> Chart 8, however, suggests that logs account for an even more significant part of export earnings.



Pangwah near the China border is the headquarters of the NDA(K)

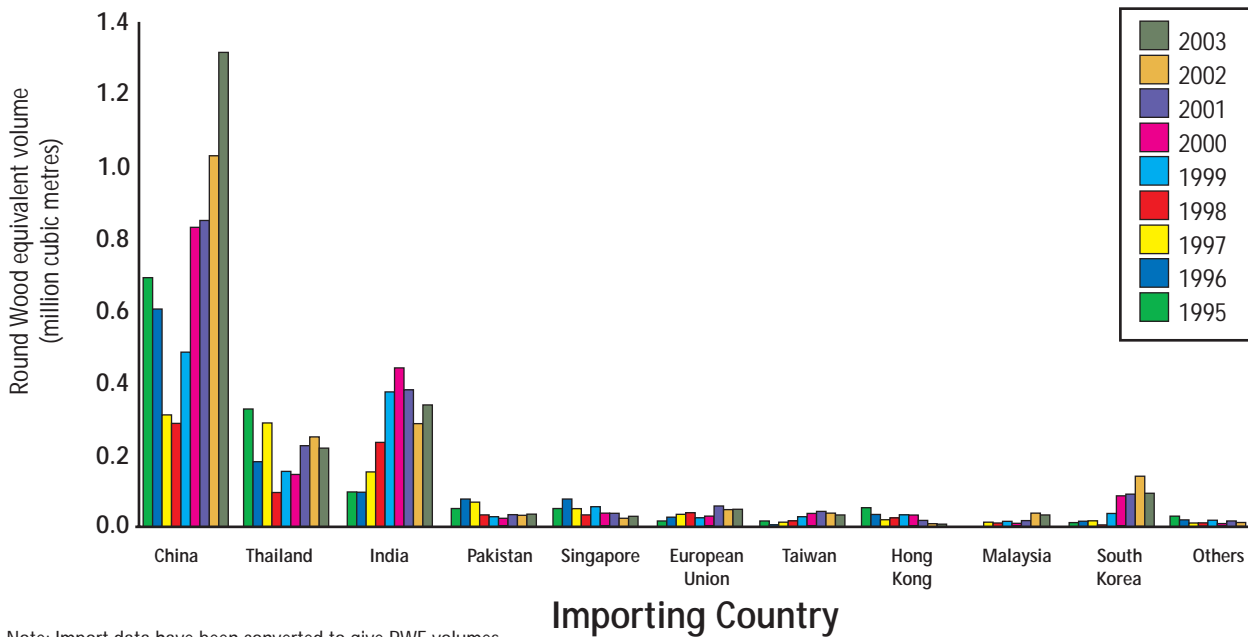


### 14.2 The scale of world timber imports from Burma

Based on information from importing countries, Burma exported roughly 1.8 million m<sup>3</sup> RWE of timber in 2001; by 2003 this had increased by about 20% to around 2.2 million m<sup>3</sup> RWE. According to the same data, China was Burma's

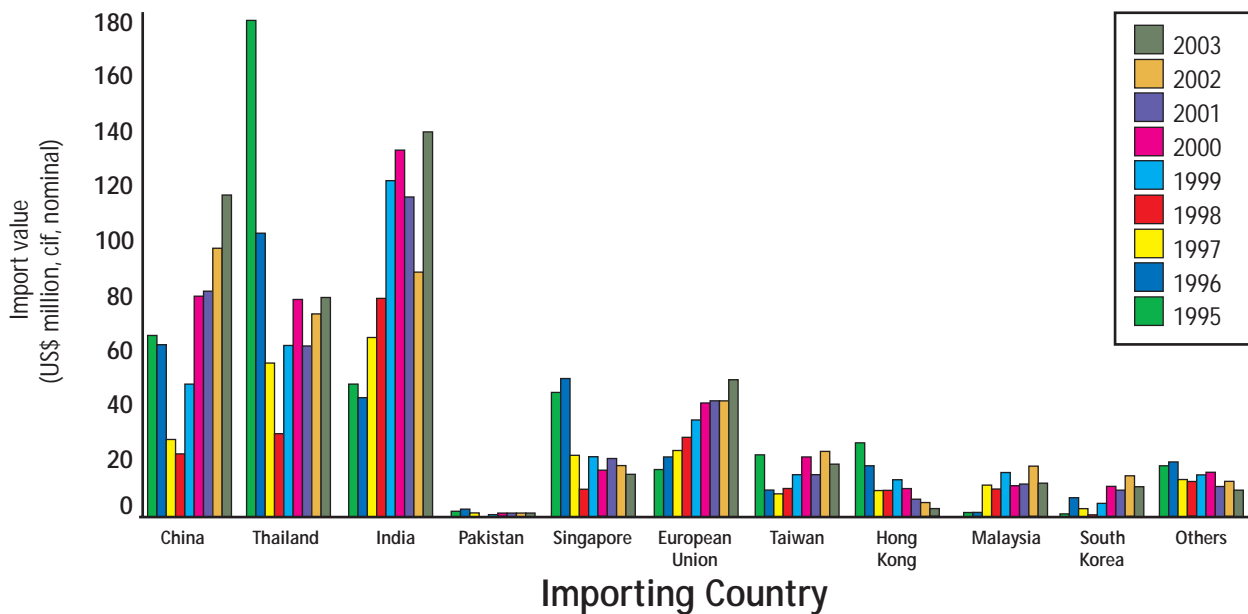
most important timber-trading partner in volume terms in 2003 and has been since 1998, followed by India and Thailand. In 2003, India imported the highest value of timber from Burma followed by China and Thailand.<sup>zz</sup>

**CHART 9: THE VOLUME OF TIMBER COUNTRIES HAVE IMPORTED DIRECTLY FROM BURMA (IMPORTING COUNTRY DATA)** <sup>ww, xx, 328</sup>



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

**CHART 10: THE VALUE OF TIMBER COUNTRIES HAVE IMPORTED DIRECTLY FROM BURMA (IMPORTING COUNTRY DATA)** <sup>xx, yy, ww</sup>



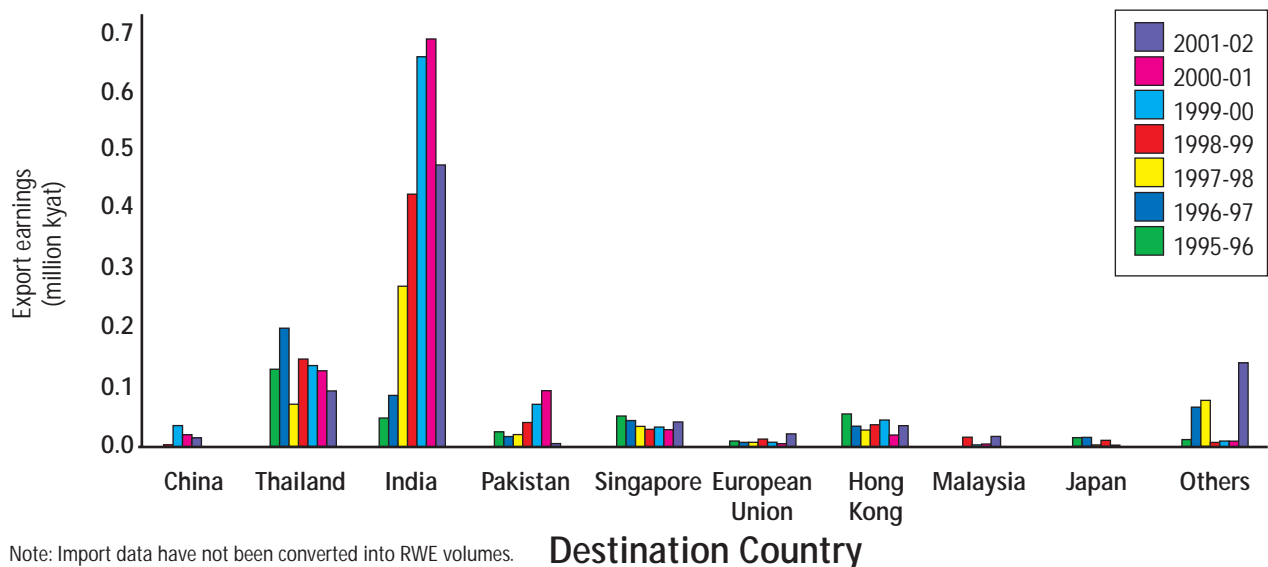
<sup>ww</sup> This chart excludes wooden furniture, the RWE volume of which is small relative to Burma's other timber exports. It also excludes fuel wood.  
<sup>xx</sup> Countries whose annual timber imports from Burma are consistently below 10,000 m<sup>3</sup> RWE volume are included in 'Others'.  
<sup>yy</sup> The chart excludes fuel wood and wooden furniture. The total annual declared import value of wooden furniture has risen in recent years to about US\$10. In 2003, the EU imported roughly US\$8 million worth of furniture, the US US\$2 million.  
<sup>zz</sup> The discrepancy between volume and value can be accounted for partly by differences in the quality of timber being imported, the range of species imported, or simply by differing prices. It may also reflect transport costs. Theoretically, countries far from Burma importing high quality timber, high value species and processed timber need only import small volumes to match the total annual value of large volume importers of low quality, low value species closer to Burma. It should also be noted that import value is not necessarily equivalent to export value.

### 14.3 The scale of timber exports from Burma worldwide.

Burma's official exports of logs and sawn wood are estimated to have totalled roughly 900,000 m<sup>3</sup> RWE during each of the three years 2001-02 to 2003-04 (see 'Chart 12', below). According to official export data, India was Burma's most important timber-trading partner in both wood volume and kyat value terms between 1997 and 2001. Burmese data also suggests that in 1995 and 1996 Thailand was the most significant importer of Burmese timber.<sup>aaa</sup>

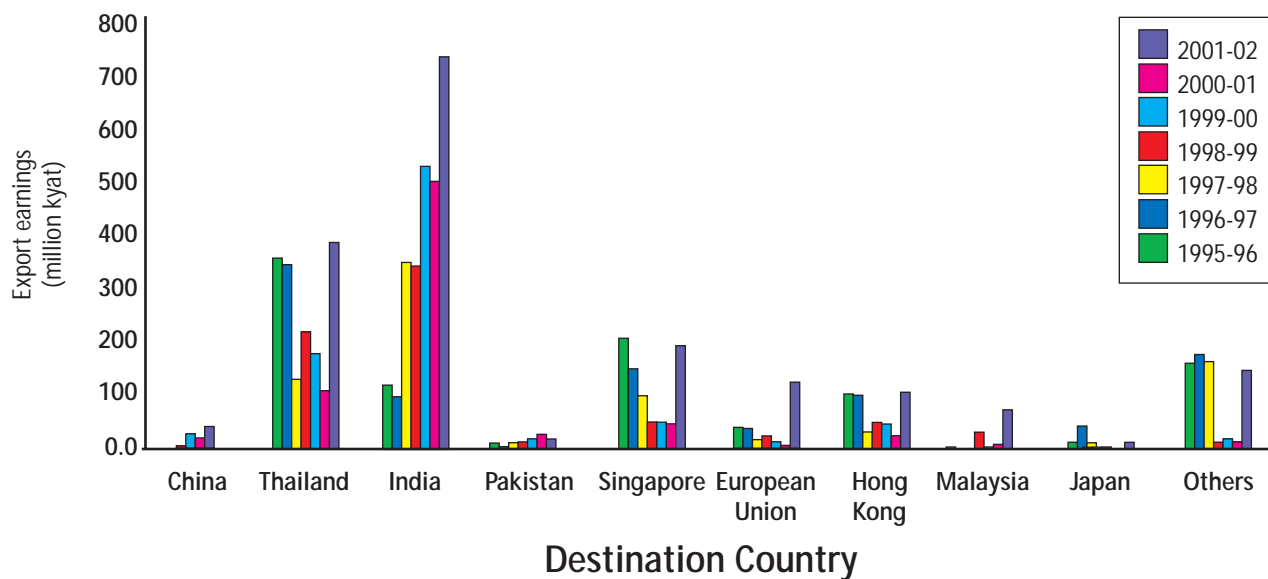
As can be seen from the preceding charts, the information derived from Burmese export data<sup>aaa</sup> is, in places, markedly different from that derived from timber consuming nations. For instance, exports of Burmese timber to China barely register in the Myanmar Central Statistical Organisation (MCSO) figures, in stark contrast to the Chinese data.<sup>bbb</sup>

**CHART 11: THE VOLUME OF TIMBER (LOGS AND SAWN WOOD) COUNTRIES HAVE IMPORTED DIRECTLY FROM BURMA.** Source: MCSO<sup>329</sup>



Note: Import data have not been converted into RWE volumes.

**CHART 12: THE VALUE OF TIMBER (LOGS AND SAWN WOOD) COUNTRIES HAVE DIRECTLY IMPORTED FROM BURMA.** Source: MCSO<sup>329</sup>



<sup>aaa</sup> It is very difficult to determine with any degree of confidence the amount of timber which Burma exports from published official data. This is partly because the sources do not make clear to what their data refer. It is partly also because there appears to be inconsistency in converting between cubic tons and cubic metres. Sometimes it is as if cubic ton – the unit of measurement which tends to be presented in most official sources – is used as an abbreviation for hoppus cubic ton. Further, major revisions are at times made to official data and some data presented by certain sources indicate discontinuities.

<sup>bbb</sup> Even if logs account for 100% of Burma's official exports of 'timber', the quantity of logs which China declares that it imports from Burma would greatly exceed the total of 'timber' that Burma officially exports to China.



Forest Minister Brigadier-General Thein Aung plants a teak sapling; 2004



Former teak trees, Rangoon; 2004



### 14.4 Illegal timber exports from Burma worldwide – a statistical analysis

*“The focus must constantly be on establishing government machinery that is clean, proactive, free from immoral actions and not corrupt.”<sup>330</sup> SPDC Communiqué: ‘Complete explanation on the developments in the country’, 24 October 2004*

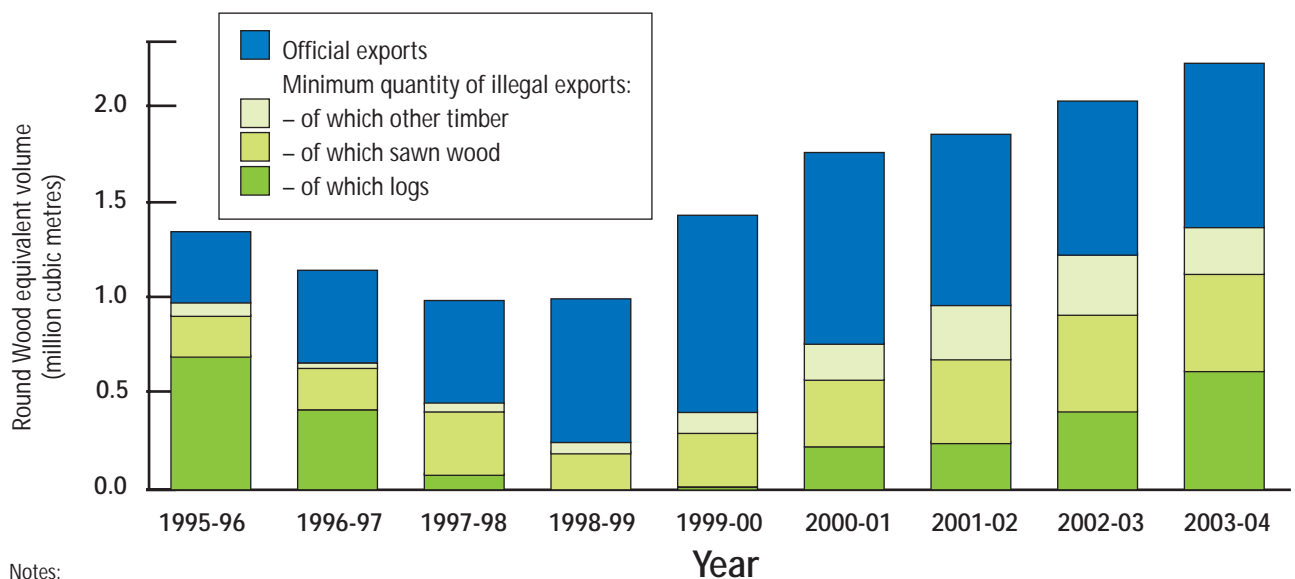


#### A note on data analysis:

For the purpose of this analysis, Global Witness has treated as illegal the volume of Burma’s timber exports that is apparent from importing country declarations, but which is not included in MCSO publications of Burma’s official exports. Illicit shipments that also manage to circumvent customs authorities in importing countries will not be picked up by the analysis. In China for instance, although timber imported from Kachin State is generally recorded, at least locally, local business sources claim that imports are under-declared.<sup>331</sup> It should also be noted that the MCSO does not publish volume data for Burma’s exports of certain processed timber products, such as plywood, some of which might, in reality, not be illegal.

Burma’s official export statistics can only be compared properly with corresponding declarations by importing countries if Burma’s data is disaggregated by product. This analysis assumes that, unless otherwise explicit, MCSO export statistics for ‘timber’ or ‘teak and hardwood’ refer solely to a combination of logs and sawn wood which can be disaggregated by using estimates of Burma’s sawn wood exports; based on a number of sources, primarily the USDA and the MCSO.

**CHART 13: A COMPARISON OF TOTAL BURMESE TIMBER EXPORTS (LOGS SAWN, WOOD AND OTHER TIMBER PRODUCTS) AS REPORTED BY THE SLORC/SPDC AND BURMESE TIMBER IMPORTS AS REPORTED BY ALL MAJOR IMPORTING COUNTRIES: MILLION M<sup>3</sup> RWE<sup>ccc, ww</sup>**



Notes:

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

<sup>ccc</sup> For the purpose of this analysis all unrecorded exports are treated as illegal. Official exports and recorded imports (all categories) can only be compared by disaggregating the MCSO figures for timber, ‘logs and sawn wood’, on a percentage basis based on USDA data and allowing for imports of ‘other timber’ categories. However, given that the MCSO does not appear to publish data for processed timber exports not all of these exports will, in reality, be illegal.



## 15 APPENDIX III: FOREST LAW ENFORCEMENT AND GOVERNANCE (FLEG)

The FLEG East Asia Ministerial Conference took place in Bali, Indonesia, in September 2001. The Conference brought together nearly 150 participants from 20 countries, representing government, international organisations, non-governmental organisations (NGOs), and the private sector. China sent representatives.

### East Asia FLEG Ministerial Declaration

FOREST LAW ENFORCEMENT AND  
GOVERNANCE  
EAST ASIA MINISTERIAL CONFERENCE  
Bali, Indonesia  
11-13 September 2001

#### MINISTERIAL DECLARATION

Countries from the East Asian and other regions participating in this Ministerial Conference:

Understanding that forest ecosystems support human, animal and plant life, and provide humanity with a rich endowment of natural, renewable resources;

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;

Recognizing that illegal logging and associated illegal trade directly threaten ecosystems and biodiversity in forests throughout Asia and the rest of our world;

Also recognizing the resulting serious economic and social damage upon our nations, particularly on local communities, the poor and the disadvantaged;

Further recognizing that the problem has many complex social, economic, cultural and political causes;

Convinced of the urgent need for, and importance of good governance to, a lasting solution to the problem of forest crime;

Recognizing 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;

Emphasizing the urgent need for effective cooperation to address these problems simultaneously at the national and sub-national, regional and international levels;  
Declare that we will:

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;

Develop mechanisms for effective exchange of experience and information;

Undertake actions, including cooperation among the law enforcement authorities within and among countries, to prevent the movement of illegal timber;

Explore ways in which the export and import of illegally harvested timber can be eliminated, including the possibility of a prior notification system for commercially traded timber;

Help raise awareness, through the media and other means, of forest crimes and the threats which forest destruction poses to our future environmental, economic and social well being;

Improve forest-related governance in our countries in order to enforce forest law, *inter alia* to better enforce property rights and promote the independence of the judiciary;

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;

Improve economic opportunities for those relying on forest resources to reduce the incentives for illegal logging and indiscriminate forest conversion, in order to contribute to sustainable forest management;

Review existing domestic forest policy frameworks and institute appropriate policy reforms, including those relating to granting and monitoring concessions, subsidies, and excess processing capacity, to prevent illegal practices;

Give priority to the most vulnerable trans-boundary areas, which require coordinated and responsible action;

Develop and expand at all appropriate levels work on monitoring and assessment of forest resources;

Undertake the demarcation, accurate and timely mapping, and precise allocation of forest areas, and make this information available to the public;

Strengthen the capacity within and among governments, private sector and civil society to prevent, detect and suppress forest crime.

Further, in order to give full effect to the intentions of this Declaration, and to proceed with urgency to explore timely implementation of significant indicative actions developed by technical experts at this meeting, we:



Undertake to create a regional task force on forest law enforcement and governance to advance the objectives of this Declaration;

Invite the representatives at this conference from NGOs, industry, civil society and other relevant stakeholders to consider forming an advisory group to the regional taskforce;

Decide to meet again at the Ministerial level in 2003 to review progress on first actions to implement these commitments, in cooperation with relevant international partners;

Request the ASEAN and APEC countries participating in this Conference to inform the next ASEAN and APEC Summits of the outcome of this Ministerial Conference and to invite their support;

Pledge to work to see that the issue of forest crime is given significant attention in future international fora, including by the World Summit on Sustainable Development (WSSD) and the United Nations Forum on Forests, and by the member organisations of the Collaborative Partnership on Forests;

Request the G-8 countries and other donors to consider further how they can join in the fight against forest crime, including through capacity building efforts;

Encourage other regions to consider creating similar regional initiatives to combat forest crime.

Bali, Indonesia 13 September 2001

FOREST LAW ENFORCEMENT AND  
GOVERNANCE  
EAST ASIA MINISTERIAL CONFERENCE, BALI,  
INDONESIA  
FROM 11 TO 13TH SEPTEMBER 2001

Annex to the Ministerial Declaration

Indicative List of Actions for the Implementation of the Declaration

I. Actions at National Level

Political

High-level expression of political will across sectors

Legislative/Judicial

- Modify and streamline laws and regulations
- Determine law enforcement priorities
- Develop swift prosecution, judgments and enforcement
- Strengthen penalties and sanctions against illegal activities
- Rewards for responsible behaviour/motivation

- Recognised complaints mechanisms w/protection for claimants and due process
- Independent monitoring (e.g. single organisation, cooperative model, etc.)
- Integration of customary law into formal law
- Capacity building for legislative, executive and judicial institutions at the local level, including the integration of customary institutions

Decentralisation

- Clarify roles, responsibilities, and authorities between different levels of government, private sector, civil society
- Improve coherence between different laws
- Improve communication between national/local levels to prevent/detect crime
- Prosecution and enforcement should remain with competent and capable authorities
- Systems that encourage responsible behaviour and deter criminal/corrupt behaviour (e.g. salaries, codes of conduct, morale building)
- Analysis of /rationalisation of multiple/conflicting formal and customary norms and laws

Institution and capacity building

- Education of judicial and law enforcement personnel re forest crimes
- Improve capacity of forest managers
- Support interagency cooperation in formulation of coherent policy and procedures
- Technology
  - Remote sensing, Geographic Information Systems (GIS)
  - Cheap log tracking
  - Complete chain of custody audit and negotiation systems
  - Resource use planning, warning, monitoring, inspection
- Knowledge, Experience, Skills
  - Awareness raising and training
  - Local innovations appropriate to circumstances
  - Novel detection and enforcement methods
  - Intelligence gathering and analysis
- Rights, Roles, Responsibilities, Rules
  - Codes of conduct
  - Due diligence re financing, investment
  - Capacity building for legislative, executive and judicial institutions at the local level including the integration of customary institutions
  - Research (for additional details see Section II Regional and Inter-regional Actions)

Concession Policy

*Concession Allocation*

- Develop/implement transparent and participatory approach to concession allocation

- Develop leasing/contractual opportunities for village/individual households to manage forest resources
- Develop mechanisms for resolving conflicting/overlapping property rights

#### *Concession Management*

- Clear recognition of property rights within approved management plans, including clear identification and agreement of boundaries and demarcation of concession areas, available to all parties
- Appropriate contractual periods, monitored against performance
- Raise awareness about community-based forest management
- Institute independent auditing for compliance with terms of concession agreements
- Protect and develop forest-based livelihood opportunities within concession areas for local communities
- Build protection for forest-based livelihoods into concession contracts

#### *Conservation and Protected Areas*

- Environmental education
- Involve local authorities in developing conservation programs that benefit constituents/local communities (e.g. water, tourism)

#### *Public Awareness, Transparency, and Participation*

- Consistent provision of accurate, timely information to monitoring organisations
- Increase public awareness of forest crimes
- Increase public awareness of opportunities for purchasing forest products from sustainable and legal sources
- Provide alternative livelihood opportunities for communities (e.g. poachers to tourist guides/park rangers)
- Registry of business/family interests in timber industry
- Publication of government budgets, resources, staffing levels and programmes on forest law enforcement
- Publication of data on forest crimes, including success rates on detection, interdiction, prosecution and conviction

#### *Bilateral Actions*

- Trans-boundary cooperation for protected areas
- Voluntary agreements for combating trade in illegal timber and forest products

## **II. Regional and Inter-regional Actions**

#### *Information/expertise sharing*

- Exchange of in-country experts on forest crime, forest law enforcement (law, comparative assessment on actions)
- Implementation of comparable systems of criteria and indicators
- Comparable timber tracking mechanisms and complete chain of custody audit
- Registration of origin and destination (e.g. forest stand to mill)
- Development of regional network of monitoring systems, including forest crime monitoring

#### *Trade/Customs*

- Harmonised customs commodity codes
- Protocols for sharing of export/import data
- Complete chain of custody audit and negotiation systems
- Initiative for improved and timely trade statistics
- Prior notification between importing and exporting countries

#### *Bilateral Actions*

- Voluntary bilateral agreements to cooperate on issues of combating illegal logging and trade (involving a full range of relevant agencies/institutions, e.g. customs, police, marine, trade)
- Regain consumer confidence in tropical timber as a commodity
- Promote the use of certification schemes that are accessible and cost-effective for smaller forest enterprises (e.g. group certification schemes)

#### *Research*

- A research agenda for individual and cooperative work on illegal logging, associated illegal trade and corruption in the forest sector
- Systematic comparative analysis of patterns of regulatory systems and extra-sectoral links
- Cooperative work on trade statistics and its relation to legal and illegal patterns of movements of forest products
- Investment context for and links to illegal and corrupt actions
- Survey patterns in forest crime and related corruption
- Development of appropriate monitoring tools and their application, policy utilisation
- Decentralisation and patterns related to local government
- Private Sector, communities, NGOs and relation to governments

## 16 APPENDIX IV: THE G8 IN 2005: PRIORITIES FOR ACTION ON ILLEGAL LOGGING (JOINT NGO STATEMENT)



*"The challenge is to ensure that actions to address illegal logging, particularly enhanced law enforcement, do not target weak groups, such as the rural poor, while leaving powerful players unscathed."*

Proposal for an EU Action Plan, COM (2003) 251 Final 2003

Since the adoption of the G8 'Action Programme on Forests' in May 1998, the rate of illegal logging has actually increased.<sup>332</sup> According to a recent World Bank estimate, illegal logging currently costs developing countries between US\$10-15 billion annually.

The G8 should continue to support existing political processes to combat illegal and unsustainable logging. However, it is no longer acceptable for the G8 to defer concrete action until additional research and assessments have been carried out. The 17 and 18 March 2005, G8 Environment and Development ministerial meeting in Derbyshire, provides the G8 nations with an ideal opportunity to set out their priorities for action.

The G8 must implement policies that could have an immediate and significant effect in reducing the impact of the timber trade on the world's remaining

forests, and the people who live in and around them. G8 schemes to combat illegal logging and associated trade, if carried out judiciously, can and should have an important part to play in furthering broader forest sector reform.

The G8 countries provide a huge market for illegal and unsustainably logged timber and timber products. As such, G8 member states should support timber producing countries in their efforts to combat illegal logging and associated trade, by enacting legislation to prohibit the import and sale of illegal timber and timber products. In addition G8 public procurement policies should specify timber from only legal, well-managed sources.

We are calling on the G8 to tie all illegal logging initiatives to legislative reform in producer countries, so that what is legal equates with equitable,



transparent and sustainable management of the forest estate. Legislative reform in particular and forest policy reform in general, must include meaningful public consultation, and participation by forest communities. This is consistent with the G8 approach, which is to tackle the problem of illegal logging “from the perspective of sustainable forest management...”<sup>333</sup> and is the surest way of achieving G8 development objectives (including several of the Millennium Development Goals), whilst securing vital civil society support for the illegal logging agenda.

It is important that China is also involved in G8 initiatives to combat illegal logging and forest destruction. As a fast growing consumer market for timber and a large exporter of wooden products, China’s role will be pivotal.

### **Priorities for action in timber consuming countries**

*“We and other parts of the rich world provide a market and profit incentive for this illicit and destructive harvest. We therefore share a responsibility for bringing it to an end.”*  
Poul Nielson, Commissioner for Development and Humanitarian Aid,  
20 July 2004

#### **The G8 nations should:**

1. *Adopt legislation to prohibit the importation and sale of illegally sourced timber and all classes of processed timber products.*

Timber and wood product imports into the G8 countries account for nearly two thirds of the global trade.<sup>334</sup> However, 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 G8 member nations. A continued failure to rectify this anomaly could lead the public to conclude that the G8 condone breaking the law in timber producing countries, are supportive of organised crime and care little for the consequences that this entails.

2. *Commit to and implement green public procurement policies.*

Public procurement accounts for an average 18% of the G8’s timber and wood product imports, amounting to US\$22 billion annually.<sup>334</sup> Procurement policies should specify that the timber must be of legal origin and from responsibly managed forests. The most effective way for countries to ensure this is to source timber and wood products certified under a credible certification scheme, such as that operated by the Forest Stewardship Council (FSC) or equivalent.

### **Priorities for action in timber producing countries**

*“Existing forest laws and policies frequently promote large scale forest operations and may exclude local people from access to forest resources. This inequity breeds resentment and conflict.”* Proposal for an EU Action Plan, COM (2003) 251 Final, 21 May 2003

#### **In relation to timber producer country initiatives, G8 nations either directly or through the International Financial Institutions (IFIs), should:**

1. *Engage in forest policy reform*

Policy reforms in producer countries are an essential accompaniment to importing country measures to combat the trade in illegal timber, and should be implemented concurrently. G8 technical and financial assistance should only be provided to the governments of timber producing countries, either directly or via IFIs that are demonstrably committed to the just equitable, transparent and sustainable management of forest estates. Such countries should:

- have completed, or have plans to undertake, a comprehensive forest value assessment (inclusive of economic, social and ecological values);
- have in place, or be taking the necessary steps to establish, appropriate forest laws, forest law enforcement and forest management capacity, and a functioning system for revenue transparency.

These issues should be addressed through Voluntary Partnership Agreements as espoused by the European Union and other forms of more traditional donor assistance. Forest policy reform must include meaningful public participation, and be supportive of local livelihoods and the rights of forest dependent communities.

2. *End financial assistance for industrial logging operations*

The G8 should end the direct financing of logging companies, and sector reform initiatives that favour industrial logging. Industrial logging carried out in a sustainable and transparent manner may be appropriate under certain circumstances. However, it should not be given a competitive advantage over other forms of forest use.

Recent experience in Cambodia has shown how the World Bank’s promotion of a forest concession

system in a weak governance environment led directly to widespread illegal logging. The World Bank is about to make the same mistakes in the Democratic Republic of Congo.

Instead, the G8 should focus interventions in the sector on pro-poor alternatives. This may well include the dismantling of large-scale logging operations, and reducing timber-processing capacity, in favour of community-based forest management and the recognition of traditional land rights.

### 3. Increase transparency

*“Increasing government openness to sectors of the civil society and the private sector can be a powerful tool in reducing the influence of powerful vested interests and improving law enforcement.” Stiglitz, 1998*

- **Promote revenue transparency.** Revenue transparency, as provided for in the US Foreign Operations Act<sup>335</sup> and the ‘Extractive Industries Transparency Initiative’, is a necessary condition to promote good governance of extractive revenues and democratic debate about the management of those revenues by the state.
- **Promote freedom of information.** Civil society involvement is essential in the fight against illegal logging, especially where there are particularly weak or corrupt governments. There needs to be transparency of information to enable them to fulfil this role. The G8 should encourage timber-producing countries to place information relating to the control and management of the forest estate in the public domain. Such information could be made available with immediate effect.
- **Promote the registration of business interests.** The G8 should encourage other countries to adopt a register of business interests for politicians, civil servants and officers in the military. The concept could be integrated into the new UN ‘Convention against Corruption’ as a specific protocol and factored into governance programmes by bilateral and multilateral donors.

### 4. Insist on independent forest monitoring

*“Independent monitoring makes verification systems more credible and less prone to corruption.” Proposal for an EU Action Plan, COM (2003) 251 Final, 21 May 2003*

The usefulness of Independent Forest Monitoring (IFM) extends to all areas of forest management, including the detection of forest crimes and the auditing of government performance, to policy development and implementation. In countries where governance is poor and corruption rife, political support for the elimination of illegal logging is often correspondingly minimal. In these situations it is arguable advocacy-oriented IFM is most needed.

The G8 should also support programmes to strengthen civil society monitoring of illegal logging, destructive legal logging and government performance relating to forest policy formulation and implementation.





**Global Witness is a British based non-governmental organisation, which focuses on the links between environmental and human rights abuses, especially the impacts of natural resource exploitation upon countries and their people. Using pioneering investigative techniques Global Witness compiles information and evidence to be used in lobbying and to raise awareness. Global Witness' information is used to brief governments, inter-governmental organisations, NGOs and the media.**

## 17 GLOBAL WITNESS' PREVIOUS PUBLICATIONS

Also available on our website: <http://www.globalwitness.org>

**"A Guide to Independent Forest Monitoring"**

published July 2005

**"Paying for Protection. The Freeport mine and the Indonesian security forces."**

published July 2005

**"Under-Mining Peace: Tin – the Explosive Trade in Cassiterite in Eastern DRC."**

published June 2005

**"Timber, Taylor, Soldier, Spy. How Liberia's uncontrolled resource exploitation, Charles Taylor's manipulation and the re-recruitment of ex-combatants are threatening regional peace."**

published June 2005

**"A Time for Justice. Why the International Community, UN Security Council and Nigeria should help facilitate Charles Taylor's immediate extradition to the Special Court of Sierra Leone."**

published June 2005

**"Forest Law Enforcement in Cameroon. 3rd Summary Report of the Independent Observer. July 2003–February 2005"**

published April 2005

**"Making it add up. A Constructive Critique of the EITI Reporting Guidelines and Source Book"**

published February 2005

**"Dangerous Liaisons. The continued relationship between Liberia's natural resource industries, arms trafficking and regional insecurity"**

published December 2004

**"Taking a Cut. Institutionalised Corruption and Illegal Logging in Cambodia's Aural Wildlife Sanctuary"**

published November 2004

**"The Key to Kimberley: Internal Diamond Controls, Seven Case Studies"**

published October 2004. Produced in association with Partnership Africa Canada.

**"Rich Man Poor Man Development Diamonds and Poverty Diamonds. The potential for change in the artisanal alluvial diamond fields of Africa"**

published October 2004. Produced in association with Partnership Africa Canada.

**"Déjà vu Diamond Industry Still Failing to Deliver on Promises"**

published October 2004. Produced in association with Amnesty International.

**"Rush and Ruin. The Devastating Mineral Trade in Southern Katanga, DRC"**

published September 2004

**"Resource - Curse or Cure? Reforming Liberia's government and logging industry"**

published September 2004

**"Same Old Story – A background study on natural resources in the Democratic Republic of Congo"**

published June 2004

**"Liberia – Back To The Future What is the future of Liberia's forests and its effects on regional peace?"**

published May 2004

**"Broken Vows Exposing the "Loupe" Holes in the Diamond Industry's Efforts to Prevent the Trade in Conflict Diamonds"**

published March 2004

**"Time for Transparency Coming clean on oil, mining and gas revenues"**

published March 2004

**"A Conflict of Interests – The Uncertain Future of Burma's Forests"**

published October 2003

**"For a Few Dollars More – How al Qaeda Moved into the Diamond Trade"**

published April 2003

**"The Usual Suspects – Liberia's Weapons and Mercenaries in Côte d'Ivoire and Sierra Leone – Why it's Still Possible, How it Works and How to Break the Trend"**

published March 2003

**"Logging Off – How the Liberian Timber Industry Fuels Liberia's Humanitarian Disaster and Threatens Sierra Leone"**

published September 2002

**"Deforestation without limits – How the Cambodian Government Failed to Tackle the Untouchables"**

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**"All the Presidents' Men – The Devastating Story of Oil and Banking in Angola's Privatised War"**

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Front cover photograph: On the road to the major logging town of Pian Ma, Nujiang Prefecture, Yunnan Province; 2004, "Illegal chopping and logging of wood is strictly prohibited"





On the road to Pian Ma, Yunnan Province; 2004, *"Any kind of damage of the scenery is prohibited"*