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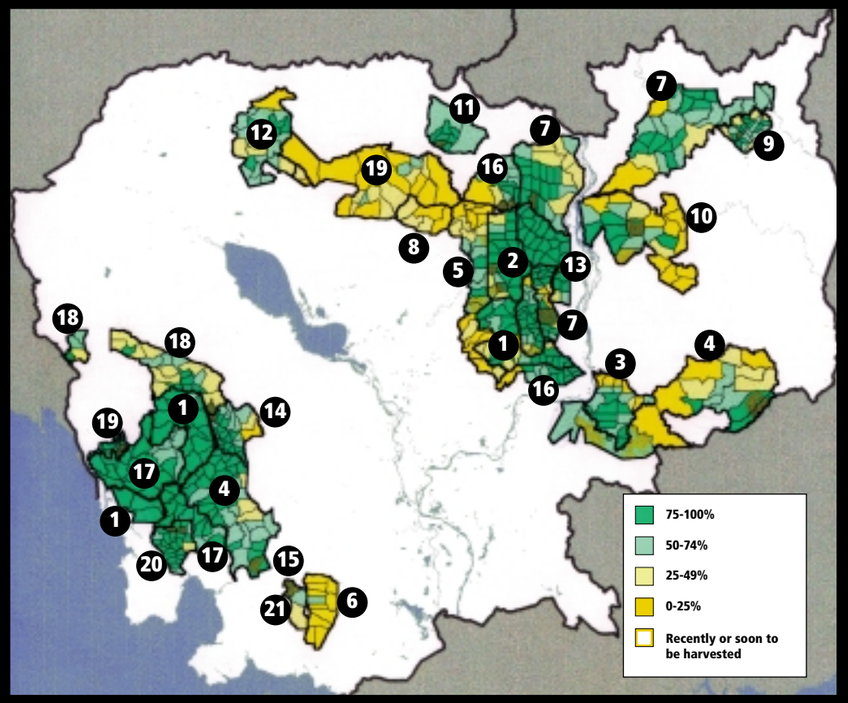
Evergreen / Mixed Forest by Annual Coupe (1997 data)



Concessionaires

1 GAT International Co. Ltd.
2 Colexim Enterprise
3 Casotim Co. Ltd.
4 Samling/SL International Ltd.
5 Mieng Ly Heng Investment Co. Ltd.
6 Long Day Machinery- Industry Co. Ltd.
7 Pheapimex Fuchan Cambodia Co. Ltd.
8 Lang Song International Co. Ltd.
9 Hero Taiwan Co.
10 Kingwood Industry Pte. Ltd.
11 Cambodia Cherndar Plywood Mfg. Co. Ltd.
12 Sam Rong Wood Industry Pte. Ltd.
13 Everbright CIG Wood Co. Ltd.
14 Super Wood IPEP Ltd.
15 Talam Resources Sdn Bhd
(NOTE: The ADB Concession Review team could find no trace of Talam, late 1999)
16 Timas Resources Ltd.
17 Silveroad Wood Products Ltd.
18 You Ry Sako Company
19 TPP Cambodia Timber Product Pty Ltd.
20 Voot Tee Peanich Import Export Co. Ltd.
21 Cambodia Timber Product Pty Ltd.

Recommendations contained on page 1

global witness

The Untouchables

**Forest crimes and the concessionaires—
can Cambodia afford to keep them?**

A Briefing Document by Global Witness. December 1999

global witness

1. RECOMMENDATIONS

The ADB-funded concession review (compliance assessment) should:

- **Fully review every concession, both legally and through site inspections (currently only concessions with exploitation permits for 1999 are being inspected).**
- **Investigate the past records of illegal activities of all existing concessionaires, both before and after the start date of their contracts, utilising information from the RGC and other sources.**
- **Expand site inspections to review concessionaires' activity outside their 1999 and 2000 coupes (permitted cutting areas), and their activities in other companies' concessions.**
- **Take these records into account when determining whether concessionaires have been in compliance with their contractual obligations.**
- **Report the results of the historical review in their final report to the Ministry of Agriculture.**
- **Recommend contract termination of any concession contract where the concessionaires and/or their representatives have demonstrated a poor compliance record or have been in serious breach of contract. Serious breaches include intimidation and violence, purchasing timber from the RCAF and exporting logs. Such companies include: Pheapimex-Fuchan, Samling, Everbright, Superwood, Long Day Machinery, Lang Song International, Hero Taiwan, Kingwood, Voot Tee Peanich, Mieng Ly Heng, You Ry Sako and Colexim.**
- **Recommend termination of concessions which are no longer viable.**

The international community should:

- **Insist that the ADB take into account the above factors as an integral part of the concession review process.**
- **Exert pressure on the ADB to ensure that the review achieves the purpose for which it was intended; even if this means extending the review period.**
- **Exert pressure on the ADB to recommend termination of those concessions whose continued operations threaten Cambodia's forest resource.**

The RGC should:

- **Suspend all concession activity until the concession review has been completed and its findings acted upon, and until concessionaires are competent to manage their concession.**
- **Utilise all available historical information relating to concession activity, and use it in their determination of which concessions should be terminated.**
- **Terminate concessions with poor compliance records and/or a history of consistent illegal activity. These include Pheapimex-Fuchan, Samling, Everbright, Superwood, Long Day Machinery, Lang Song International, Hero Taiwan, Kingwood, Voot Tee Peanich, Mieng Ly Heng, You Ry Sako and Colexim.**
- **Terminate concessions which are so degraded that they are no longer viable. These include Sam Rong Wood Industry, Lang Song International and Long Day Machinery.**
- **Only re-award concession areas consistent with an up-to-date forest inventory, to ensure sustainable forest management is possible.**
- **Reduce Annual Allowable Cuts to sustainable levels consistent with an up-to-date forest inventory.**
- **Only issue new concession contracts to companies that can demonstrate a track record of professionally managed sustainable forestry practices, and full compliance with relevant national legislation.**
- **Reduce timber-processing capacity in Cambodia so it does not exceed 500,000m³, the maximum sustainable yield of the forests.**

Untouchable in Cambodia: Pheapimex headquarters, Phnom Penh, June 1999.

THIS DOCUMENT IS INTENDED TO ALERT INTERESTED PARTIES TO THE POTENTIAL SHORTCOMINGS IN THE ADB-FUNDED CONCESSION REVIEW BEING CARRIED OUT IN LATE 1999. IN PARTICULAR, THE LOGISTICAL CONSTRAINTS AND THE MANDATE OF THE REVIEW TEAM PRECLUDE ANY CONSIDERATION OF CONCESSIONAIRES' PAST RECORDS IN CAMBODIA, ESSENTIAL IN GAUGING COMPLIANCE WITH CONTRACTUAL OBLIGATIONS.
THIS REPORT INTENDS TO REDRESS THIS BALANCE.

CONTENTS

2. PREFACE

THE UNTOUCHABLES is both an historical record of concessionaire activity in Cambodia since 1995, and a critique of the ADB-funded concession review carried out by consultants Fraser Thomas. Global Witness would like to acknowledge that the ADB encouraged dialogue with Fraser Thomas' concession review team. Fraser Thomas and the Department of Forestry and Wildlife were extremely open and cooperative in answering questions regarding the review, and in enabling Global Witness staff to accompany them on site inspections to various concessions. The criticisms contained in this document are based on an understanding of the review process that may not have been possible without this cooperation. This cooperation is indicative of greater transparency in the forestry sector, which is to be welcomed. The fact that this transparency enables constructive criticism and debate is a new and positive step in this sector.

3. SUMMARY

- **This report details the illegal activities of 12 concessionaires, and the fact that three further concessions are almost certainly no longer viable in the short term.**
- **No concession in Cambodia is viable in the medium term. The review team has reported that the concessionaires will exhaust their concessions in five to seven years and that current cutting levels cannot be sustained.**
- **According to the review, every concessionaire has breached its contract for failing to achieve the required investment targets.**
- **The ADB-funded concession review, a crucial element of forest policy reform, will not achieve its aims and objectives because of crippling time and financial constraints.**
- **Due to poor planning, site inspections of concessions took place in the wet season. Consequently the review team did not witness any harvesting operations or log movements. Furthermore, access to the concessions was affected by bad road conditions limiting the time available to carry out the inspections.**
- **The site inspectors spent one day in each concession, including travelling time to the coupes to be inspected, meaning actual inspections lasted approximately eight hours maximum. Concession sizes range from 60,000–766,000ha.**
- **Only year 1999 and 2000 coupes were inspected. Thus the vast majority of concession areas were not inspected.**
- **Concessionaires' forest management practices were judged purely on the basis of the one-day inspections. Therefore compliance with contracts, a crucial part of the review, was also judged on the basis of a snapshot one-day visit.**
- **Concessionaires' historical records including illegal activity and poor forest management are not being taken into account by the review. Therefore concessionaires who have severely depleted their own and other concessions are likely to enjoy impunity for their actions.**
- **It is likely that the review's recommendations will err on the side of caution, therefore preventing termination of non-compliant concessions, meaning that these companies will be entrusted with a future responsibility for Cambodia's decreasing forest resource which they are almost certain to abuse.**

4. INTRODUCTION

IN 1995 the Royal Government of Cambodia (RGC) awarded 30 companies forest concessions, which covered virtually all of Cambodia's remaining forest area. These concessions were awarded secretly, the contracts were legally weak and, by and large, the companies did not possess the technical expertise to actually manage a forest concession. Their prime interest was to create large processing facilities, mainly for plywood, to export value added product. The concessions were simply the means to supply these facilities. Thus all but two of these companies hired (largely unskilled) sub-contractors to carry out the logging operations.

The poor forest management capacity at this time, rampant corruption to the highest levels and widespread instability provided the concession companies and other actors, with the ideal environment to vastly over-exploit their own and neighbouring concessions. The result is that, according to the World Bank, Cambodia's forests could be commercially exhausted by 2003. The immediate and dangerous legacy of this state of affairs is that timber-processing capacity in Cambodia is 2.5 million m^3 per year, five times the maximum sustainable yield of the forests; 500,000m^3 per year.[5] To achieve a return on their investment, the incentive for forest concessionaires is to obtain as much timber as possible for processing.

Between 1995 and 1999 new concessions have been awarded, others cancelled and some have changed hands. There are currently 21 concessions in existence, covering 4,739,153ha.

The Asian Development Bank (ADB)-funded concession review being carried out by consultants Fraser Thomas was intended to address this crucial issue. It provided the opportunity to rid Cambodia of predatory companies who had consistently abused sustainable forest management practices and Cambodian law, and to replace them with companies who would be able to exploit production forests in a way that complements the RGC's Forest Policy Reform Project (FPRP). There is a risk that shortcomings in the concession review will put at risk the potential for reform originally conceived for this process.

The review's findings are nevertheless damning: at the current level of cut every concession will be logged out within seven years, many much sooner than that. Current levels of cut cannot be sustained. The forester carrying out the review stated that this is 'the major problem facing the forest industry at the moment'.[1]

This document is intended to augment the findings of the concession review. Global Witness is concerned that this review is too limited in its scope to achieve all the objectives laid out by the World Bank-funded FPRP in May 1998, and its own inception report. The current review, a component of the ADB-funded Sustainable Forest Management Project (SFMP), has not been allocated sufficient time and financial resources to effectively address the issue of the concession mismanagement, which has typified the Cambodian forestry sector over the past few years. In particular, the review team is focusing purely on current activities; it does not appear to have any in-house capacity to review the concessionaires' historical record, nor does it consider it part of its mandate to do so. However, following discussions with Global Witness in early December 1999, the ADB stated that it would advise the review team to utilise all available information.[2] Furthermore, there are strong indications that Fraser Thomas' recommendations will be bland and err on the side of caution, rather than exerting the pressure and the motivation that would enable the RGC to terminate poorly performing concessions. If the review fails to deliver the strong message that is required and is justified, the process of forestry reform will be set back, perhaps by years. If this really is *the major problem…*, then the review has a duty to recommend very strong action.

It is Global Witness' contention that the FPRP not only intended that the concessionaires' past performance was an integral factor in the concession review, but that the review will not further forest policy reform unless historical factors are taken into account.

This view is not based on retribution, but upon the premise that the future viability of individual concessions and of concession-based forestry in Cambodia, has been shaped by the past activities of current concessionaires. If a concessionaire has rendered its concession unviable, then it has not complied with its contract. Without exception, no forest concession in Cambodia has been harvested according to recognised sustainable forestry management practices, and every forest concession has been severely degraded. Furthermore, every concessionaire is in breach of contract because none of them has invested the sums stipulated in their contracts.[3]

If the FPRP is to achieve the results that it has the potential to do, the major players in the Cambodian forestry sector, the concession companies, must be made accountable.

5. THE CONCESSION REVIEW— FATALLY FLAWED BY THE ADB?

THE CONCESSION REVIEW is part of the ADB-funded Sustainable Forest Management Project. It has not been allocated sufficient time or financial resources to accomplish the objectives laid out in the ADB's terms of reference, the 1998 FPRP or Fraser Thomas' inception report.

These two factors have led to serious repercussions.

1. Initially the ADB, when it tendered for consultancy firms to carry out the SFMP, did not specify that a forester with specific skills, essential to the concession review, would be required (nb: Fraser Thomas' team leader is a forester, but apparently a forester with different skills was required).[2] The review was 'tagged onto' the SFMP and the consultancy undertaking the review, Fraser Thomas, had to hire a consultant forester at short notice for a two-month period—an extremely limited time period with no additional budget. These crippling time and financial constraints make a comprehensive concession review impossible.

2. The delay in commencement of the review meant that site inspections of concession operations took place between October and December 1999, in the heart of the wet season, when concession activity is at a minimum and access extremely difficult, further reducing available inspection time. To date the review team has not been able to observe any harvesting operations, only pre- and post-harvest activities.

The results of these factors include:

- Only 12 out of 21 concessions will receive site inspections, just 57% of total concession strength.[1] (note: On 29th November 1999 the ADB stated that the review period was to be extended by four weeks—so the review may, in the end, cover the majority of concession areas[2]).

- Site inspectors have only visited authorised cutting areas for 1999 and 2000; ie two geographical locations in a concession. Because of the 100% inventory system (see section *Why Concessionaires' Past Records Are Integral to the Concession Review*) it is likely that concessionaires will make every attempt to demonstrate compliance in these geographical areas, and be safe in the knowledge that the majority of their concession will remain unseen, and in any event is likely to be inaccessible.

- Contrary to the ADB's original terms of reference for the SFMP[4] the historical record of the concessionaires is not being taken into account, meaning that *compliance with concession contracts* is impossible to determine. The review as it stands

can only determine current compliance. The review team has made no attempt to access historical information either from the RGC, Global Witness or any other source. The importance of this information is described in the next section.

- Because the review is limited to current activity, and because the review team does not possess in-depth knowledge of concessionaires' past records, evidence of past illegal logging in concessions (which has a direct bearing on future sustainability) is not attributed to the concessionaires. Therefore, the concessionaires are being evaluated purely on their current forest management standards. Given that it is widely recognised that the majority of forest concessionaires in Cambodia have been involved in extensive illegal logging throughout their time in Cambodia, this is a massive omission on the part of the review.

6. WHY CONCESSIONAIRES' PAST RECORDS ARE INTEGRAL TO THE CONCESSION REVIEW

AMONGST OTHER THINGS, the concession review was intended to obtain information illustrating concessionaires' failure to comply with contractual obligations, thereby enabling the RGC to renegotiate concession agreements (note: In any event the RGC unilaterally cancelled 12 concession contracts in early 1999, demonstrating that it is easily capable of such actions, and setting a precedent that could be followed with regard to other companies).

The 1998 FPRP stated that '*The Royal Government should not seek to unilaterally abrogate existing Concession Contracts*'. But went on to say that '*…investigation of concessionaire performance may support a case for termination of some of the Concession Contracts'.*[5] As this statement does not preclude either historic or current performance it must be presumed that the intention was to review overall concessionaire performance, both past and present. More importantly, illegal logging by concessionaires in either their own or other companies' concessions directly and negatively affects the future viability of these concessions: this has to be taken into account. Furthermore, the historical record of many concessionaires demonstrates an alarming variety of serious infractions including poor forest management, illegal logging and intimidation of officials, which calls into question some companies' ability or willingness to follow the Cambodian law and forestry guidelines.

However, the logistical constraints of the concession review ensure that it only takes into account current performance in concessions that have exploitation permits for 1999. Furthermore, the performance of concessionaires in the field is being judged on the basis of one or two day visits: given that the concessions range from 60,000–766,000 ha this is obviously inadequate. Much current concession activity is related to past practices and events. For example, Mieng Ly Heng told the review team that it was logging in coupe no.8 instead of no.4, because it claimed coupes 4–7 were logged out, in 1997, by local villagers. In reality the logs from these areas were taken by large numbers of log rafts to Kompong Thom where they were loaded onto trucks; an industrial operation. If it can be demonstrated that these coupes were, in fact, logged out by the concessionaire, thereby making the concession unviable over a 25-year cycle, then surely these would be grounds to terminate the concession. In this case the perpetrators of the illegal logging are unknown, but Mieng Ly Heng did lie to the review team about the causes of the illegal logging.

Ironically, the efforts of the Department of Forestry and Wildlife (DFW) to improve concessionaire performance will undermine the effectiveness of the review (this is a product of timing and the narrow focus of the review, not a fault of the DFW programme). To obtain a cutting permit for year 2000 all concessionaires are obligated to complete a 100% inventory of their 2000 coupe, or cutting area, prior to the end of 1999. This involves working with the DFW to record and mark all trees to be cut, and those that will remain as seed trees. Because the concession review is concentrating on current performance the review team will undoubtedly be able to observe a high level of compliance. This is because the concessionaires' ability to carry out any exploitation in year 2000 depends on completion of the 100% inventory, and so even concessionaires that have a poor record of performance will appear to be operating sound forest management. Whilst this, if it continues, is a marked overall improvement, it also means that the results of the concession review will not accurately reflect the reality of concessionaires' performance in Cambodia. Furthermore, the review team is only visiting the 1999 and 2000 coupes. Therefore any illegal activity, past or present, in any other part of the concession, will go undetected. The review team has conducted some aerial surveys, but whilst these may expose illegal activity, they will not be able to identify the perpetrators of it.

It is apparent from recent satellite imagery and field inspections that there is not enough remaining forest in Cambodia to make the current 21 concessions economically viable or sustainable. Thus the ADB review should not just be the method by which concession contracts can be renegotiated; there is a need to address the entire future of concessions in Cambodia. In addition, in some areas it is apparent that even a well-managed 25 year cutting cycle will not be sustainable or economically viable due to the poor quality of the forest; ie the fact that there is a low density of large trees per hectare.

THIS DOCUMENT DETAILS THE MAJOR ILLEGAL ACTIVITIES OF A SELECTION OF CONCESSIONAIRES CURRENTLY OPERATING IN CAMBODIA. THE DFW AND THE RGC SHOULD CONSIDER WHETHER IT IS ADVISABLE TO ENTRUST THE COUNTRY'S HARD-PRESSED FOREST RESOURCE TO COMPANIES WHOSE RECORD DEMONSTRATES THAT THEY WILL NOT HESITATE TO ABUSE CAMBODIAN LAW AND THE PRINCIPLES OF SUSTAINABLE FOREST MANAGEMENT IN THE PURSUIT OF PROFIT, WHEN THEY CAN GET AWAY WITH IT.

Logs on route 19, illegally felled by Pheapimex in Macro Panin's and Kingwood's concessions, May 1997.

7. CONCESSION REVIEW—THE LIMITATIONS

THE CONCEPT of the concession review was born out of the World Bank-funded Forest Policy Reform Project's report to the RGC, in May 1998. Senior consultants working on this project recognised that the majority of concessionaires were involved in illegal logging and poor forest management practices. A review of the concessionaires' performance, compared to their contractual obligations, would justify the termination of perhaps all but six of the concessions without risking legal action against the government. Renegotiated contracts would be issued for these remaining concessions, and perhaps for some of the terminated ones, subject to strictly enforced and far-reaching improvements. Although such strong action remains justified and preferable, it is increasingly likely that the current concessions will receive a collective smack on the wrist at the most, perpetuating and, even worse, legitimising the culture of impunity which has always protected them.

The 20th August 1999 Inception Report prepared by Fraser Thomas includes the following sections, aspects of which commit Fraser Thomas and the ADB to consider historical aspects of concession activity. The concession review comprises two elements:

The first, a legal review, **(Article 47)** *'…will cover two areas:*

(a) *The compliance of the concessions in terms of **i)** the respective contract conditions, **ii)** investment obligations, **iii)** preparation and submission of technical and operational documents, **iv)** adherence to approved plans, and **v)** fulfilment of financial commitments; and*

(b) *Compliance with silvicultural and environmental standards'*

And secondly, through field inspections:

Article 48 *The assessment will be evaluated and verified through intensive field visits. Prior to site inspections a detailed map of the concession areas will be prepared using available information, including remote sensing data and information from the records kept in the DFW, including:*

- *Forest management plans showing annual coupes*
- *Previously logged areas*
- *Structure of the forest in terms of forest types*
- *Communication and transport network*

Article 50 *The site inspections will be carried out in two levels:*

(a) *Evaluating the performance of the concessionaires in terms of **i)** compliance with the agreed standards as stipulated in the contract, **ii)** coupe discipline and **iii)** log removals as indicated in the management plans and approved annual operations; and*

(b) *Evaluating the degree of technical and professional competence of the concessionaires in terms of international standards and best practices. These latter observations may not be held against the concessionaires in legal terms but would provide information about the current state of forest management and the logging practices and would assist in identifying the nature of required improvements.*

Logs being loaded onto Lang Song's trucks, just north of Boeung Per Wildlife Sanctuary, January 1999.

Several articles in the Inception Report either commit the concession review to include an historical review of concessionaires' compliance, or are at variance with the actual activities carried as part of the review.

Article 47 (a)ii) Refers to *investment obligations*. These obligations are being reviewed for the whole period of the concessions, so the review has set the precedent that historical activities are relevant to the legal review, so why not the performance review as well?

Article 48 stipulates *intensive* field visits: one-day visits cannot be regarded as intensive.

Article 50(a)i) states that the site inspections *'…will evaluate the concessionaires'…compliance with the agreed standards as stipulated in the contract.*' But to determine whether the concessionaires have complied with their contract it is necessary to review the whole contract period from commencement to date, rather than a one-day snapshot inspection.

Article 50(a)ii) specifies that *coupe discipline* will be evaluated, but only 1999 and 2000 coupe discipline is being evaluated. The logging of coupes, before or after exploitation permits are issued for these coupes, must be regarded as infractions of coupe discipline. This necessitates an historical review.

Article 50(b) states that observations regarding concessionaires' technical performance *'…may not be held against [them] in legal terms…'* As the concessionaires have contracted to manage their concession, any failure to do this through lack of technical competence or any other reason, should absolutely be held against them in legal terms. As investors and custodians of large areas of Cambodia's territory, it is the concessionaires' responsibility to manage the valuable resources entrusted to their control.

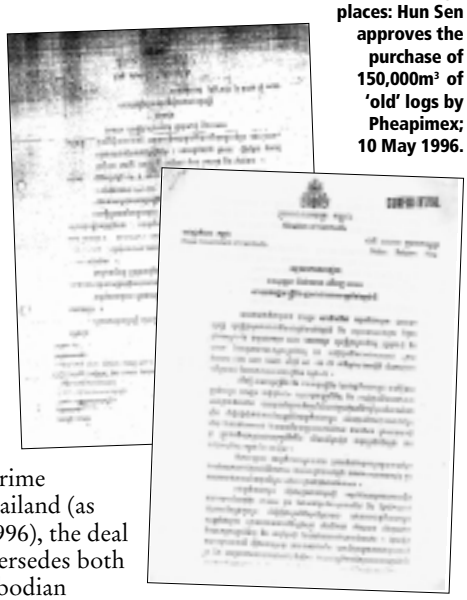
Annex 4, Section II, Stage 1 (5) *Has the concessionaire complied with the requirements of Cambodian law with regard to the concession[?]* Again, this refers to the whole term of the concession, not just current activity.

Annex 4, Section II, Stage 3 (f) *Has the concessionaire employed practices consistent with sustained yield management over a cutting cycle equal to that required by the applicable concession contracts?* By referring to the cutting cycle, this question makes the historical aspect implicit.

8. THE LAW, THE LOOPHOLES AND THE EXCUSES

THE MAJORITY of illegal logging in Cambodia is authorised by permits signed by politicians, officials and military authorities. These authorisations do not make illegal activities legal. They do enable laws to be broken and they do prevent effective enforcement of the law.

The Leadership Factor



Friends in high places: Hun Sen approves the purchase of 150,000m³ of 'old' logs by Pheapimex; 10 May 1996.

"Million metre deal": co-Prime Ministers authorise the export of 'old' logs from Khmer Rouge zones to Thailand; early 1996.

In numerous instances permits are signed at Prime Ministerial level. This 'leadership factor' is a key element in corruption. If the co-Prime Ministers in Cambodia agree an illegal timber-export deal with, for example, the Prime Minister of Thailand (as happened in 1996), the deal effectively supersedes both Thai and Cambodian law. How can a Cambodian official question the actions of his country's leaders, in a country with a poor judicial system, with a record of intimidation and murder of government critics, and without an effective rule of law?

The Law

Currently, only legal concessionaires can fell and process timber. Only processed timber can be exported.

- On 1st January 1995 the RGC imposed a ban on all fresh cutting of trees, but granted an amnesty to remove 'already felled' logs by 30th April 1995.

- On 31st December 1996 the RGC imposed a total log-export ban, which is still in place. On 26th December 1996 the RGC wrote to the Prime Ministers of all the neighbouring countries asking for their cooperation.

- According to the RGC's Decision no.17, dated 29th April 1997, the only legal timber exports from Cambodia are 'processed wood products…deriving from strictly controlled harvests from legal concessions granted by the Royal Government of Cambodia and strictly controlled by the Department of Forestry and Wildlife'. These exports were only legal from three specified export points: Phnom Penh Port, Sihanoukville Port and, in a classic loophole, anywhere else specified by the co-Prime Ministers.

- Owning a concession does not give the concessionaire the right to log where it wants, how it wants or when it wants. A concession is divided into annual cutting areas, or coupes. A 25-year concession will have 25 coupes. In theory, each year the concessionaire will receive permission from the DFW, according to forest management uidelines, to harvest the appropriate coupe. Logging in any other coupe is illegal. Theoretically the concessionaire will return to coupe no.1, 24 years after it first logged it.

The Loopholes and Excuses

- The collection permit system: This system was responsible for 95% of the illegal logging in Cambodia.[5] Under this system a concession company, a military unit or local businessman would claim to have found a quantity of already (illegally) felled timber and apply for permission to utilise it for its own purposes, using the excuse that the timber would otherwise go to waste. In reality this felled timber did not actually exist: collection permits were a license to cut, and when it received them the applicant would fell fresh trees. This contravened Cambodian law. These permits were often signed at Prime Ministerial level.

- Safe Military Bases (Banteay Sovathpheap). Numerous permits issued on behalf of the military, by the military, or other authorities claimed they required timber to build 'safe military bases'. Had all the quantities of timber claimed for these purposes actually been used to build the barracks, Cambodia would probably have the best-housed military in the world. The reality is that timber obtained this way was sold to profit the RCAF.

The Problems

- According to the RGC's Decision no.17, dated 29th April 1997, virtually all concession activity since then could be classified as illegal, as harvests have not been strictly controlled by the [DFW].

- Only two concessionaires in Cambodia possess the technical capacity to practice professional forest management techniques. The remainder are investors, primarily in processing and export of, for example, plywood, who sub-contract the actual logging to third parties. These sub-contractors are, almost without exception incapable of managing a concession. Their activities are therefore, de facto, illegal. In many cases the sub-contractors are military units or extremely powerful and well-connected businesspeople, who log indiscriminately both inside and outside concession areas and, notably, in national parks. However, the management of the concessions and the activities of the sub-contractors remain the responsibility of the concessionaire, including illegal practices and/or lack of technical competence.

- Many concessionaires purchase logs from local villagers, and are therefore not fulfilling their responsibilities to practice good forest management.

- Concessionaires have regularly logged outside their permitted coupe, thus exhausting future coupes. They will then blame these activities on unidentified illegal loggers and, in the past, have used the collection permit system to legitimise these illegally-felled logs.

- Concessionaires have also regularly logged in other companies' concessions, thereby profiting at the expense of others whilst trying to maintain their own resource.

- Some concessionaires have felled both undersized timber and luxury-grade timber, which is illegal.

- Illegal loggers, including some concessionaires, have used intimidation and other means to prevent DFW officials from performing their duties, thus enabling continuation of illegal activities.

Concession contracts are legally weak and '*…do not adequately specify the rights and responsibilities of concessionaires and Government officials…they lack clear performance criteria, do not cite governing law, allow for unusual exemptions from law, and lack detailed provisions governing access to the concession by monitoring personnel.*'[6]

Table 1: List of Concessions Cancelled

No.	Name of Company.	Provinces	Country of Origin	Area	Date of Cancellation
1	**Chung Shing CambodiaCo.,Ltd**	Kratie,Mondulkiri,Preah Vihear	Taiwan	374,350 Ha	15-01-99
2	**Pacific Craft Co., Ltd**	Steng Treng	France	24,537 Ha	15-01-99
3	**Thai Boon Roong Co., Ltd**	Mondulkiri	Cambodia	119,700 Ha	15-01-99
		Kratie, Mondulkiri		297,000 Ha	15-01-99
		Ratanakiri		360,900 Ha	25-01-99
4	**Lang Son International Co., Ltd.**	Kompong Thom	Taiwan	119,300 Ha	25-01-99
5	**Mekong Sawmill Furniture and Particles Boards Enterprise PTY Ltd. (Lang Worth Holding Pty)**	Siem Reap, Preah Vihear	Cambodia	99,400 Ha	25-01-99
6	**BLP Import Export Co., Ltd.**	Preah Vihear	Thailand	91,200 Ha	25-01-99
7	**SL International Ltd.**	Mondulkiri	Malaysia	218,059 Ha	25-01-99
8	**Chang Ling Lumber Co., Ltd.**	Stung Treng	China	236,500 Ha	25-01-99
9	**North Eastern Forest Development Ltd.**	Ratanakiri	China	232,100 Ha	25-01-99
	TOTAL			**2,173,046 Ha**	

Table 2: Current Concessions List

No	Name of Company	Province	Country of Origin	Area
1	**GAT International Co. Ltd.**	Koh Kong, Pursat	Malaysia	215,720 Ha
1A		Kompong Thom, Kratie		149,780 Ha
2	**Colexim Enterprise**	Kompong Thom	Cambodia/Japan	147,187 Ha
3	**Casotim Co. Ltd.**	Kratie	Cambodia/Russia	131, 380 Ha
4	**Samling/SL International Ltd.**	Kratie, Kompong Cham, Mondulkiri	Malaysia	467,484 Ha
4A		Kompong Speu, Koh Kong		298,598 Ha
5	**Mieng Ly Heng Investment Co. Ltd.**	Kompong Thom, Preah Vihear, Kompong Cham	Cambodia	198,500 Ha
6	**Long Day Machinery- Industry Co. Ltd.**	Kampot, Kompong Speu	Taiwan	98,000 Ha
7	**Pheapimex Fuchan Cambodia Co. Ltd.**	Kratie, Stung Treng, Preah Vihear, Kompong Thom	Taiwan	358,725 Ha
7A		Stung Treng, Ratanakiri		350,000 Ha
8	**Lang Song International Co. Ltd.**	Preah Vihear	Taiwan	132,000 Ha
9	**Hero Taiwan Co.**	Ratanakiri	Taiwan	60,150 Ha
10	**King Wood Industry Pte. Ltd.**	Kratie, Stung Treng, Mondulkiri	Taiwan	301,200 Ha
11	**Cambodia Cherndar Plywood Mfg. Co. Ltd.**	Preah Vihear	Taiwan	103,300 Ha
12	**Sam Rong Wood Industry Pte. Ltd.**	Siem Reap	Cambodia	200,050 Ha
13	**Everbright CIG Wood Co. Ltd.**	Kratie, Stung Treng	China	136,376 Ha
14	**Super Wood IPEP Ltd.**	Pursat, Kompong Speu	Malaysia	111,500 Ha
15	**Talam Resources Sdn Bhd**	Kompong Speu, Koh Kong	Malaysia	115,500 Ha
16	**Timas Resources Ltd.**	Kompong Cham, Kratie, Preah Vihear	Singapore	161,450 Ha
17	**Silveroad Wood Products Ltd.**	Koh Kong, Pursat	China	215,460 Ha
17A		Koh Kong		100,00 Ha
18	**You Ry Sako Company**	Pursat, Battambang	Cambodia	214,000 Ha
19	**TPP Cambodia Timber Product Pty Ltd.**	Siem Reap, Preah Vihear, Pursat	Thailand	395,900 Ha
20	**Voot Tee Peanich Import Export Co. Ltd.**	Koh Kong	Cambodia	63,050 Ha
21	**Cambodia Timber Product Pty Ltd.**	Kampot	Cambodia	34,924 Ha
	TOTAL			**4,739,153 Ha**

Table 3: Forest Crimes

Concessionaire	Paying/Dealing with the Khmer Rouge	Dealing with Breakaway Khmer Rouge	Dealing with the RCAF	Intimidation of Officials and/or local people	Logging in/taking logs from other Companies' Concessions	Logging in protected areas/Wildlife Sanctuaries	Logging outside Permitted Areas	Logging without an Exploitation Permit and /or Cutting License	Collecting Logs under the Illegal "Permit System"	Payments to "Safe Military Bases"	Logging in Spirit Forests	Road Building Blocking Village Water Supply
Pheapimex Fuchan	●		●	●	●	●	●	●	●	●		
Samling/SL International	●		●	●		●	●	●				
Everbright CIG Wood	●		●	●		●	●	●	●			
Superwood IPEP		●				●	●					●
Long Day Machinery			●			●	●					
Lang Song International						●	●					
Hero Taiwan			●	●	●		●	●			●	●
Kingwood			●		●		●	●	●			
Voot Tee Peanich	●		●					●	●			
Mieng Ly Heng			●		●		●	●				
You Ry Sako							●					
Colexim			●		●	●	●					

9. THE COMPANIES

THIS SECTION details the illegal activities of a selection of currently operating concessions—it is not exhaustive. Global Witness has compiled detailed information about illegal logging in Cambodia for five years, but for the sake of brevity, has confined this report to those companies that have been involved in significant and prolonged illegal activity. These include: Pheapimex-Fuchan, SL International, Everbright CIG Wood, Superwood, Long Day Machinery, Lang Song International, Hero Taiwan, Kingwood, Voot Tee Peanich, You Ry Sako, Colexim and Mieng Ly Heng.

Several concessions are evidently so degraded that they are not viable and should therefore be terminated. These include: Sam Rong Wood Industry, Lang Song International and Long Day. Talam Resources could not be traced by the concession review team.

PHEAPIMEX-FUCHAN — TAIWAN

Kratie, Stung Treng, Preah Vihear, Kompong Thom
Stung Treng

Pheapimex's extensive illegal activities are well documented and the impunity the company enjoys is due to the extremely close relations between the company's Cambodian owner, Choeng Sopheap (nicknamed Yeay Pho), and Hun Sen. In addition, her husband's (Lau Ming Kan) business card identifies him as a special advisor to Hun Sen for foreign investment. Pheapimex has consistently violated Cambodian legislation and its representatives have threatened the lives of forestry officials who have attempted to enforce forestry legislation.[12]

On 10th May 1996 Pheapimex obtained approval from Hun Sen to purchase 150,000m³ of 'old' logs from 11 provinces for processing (Kompong Thom, Kratie, Stung Treng, Kompong Speu, Preah Vihear, Ratanakiri, Mondulkiri, Pursat, Kampot, Koh Kong and Kompong Cham—over half of Cambodia's provinces).[7]

On 3rd February 1997 at the General Headquarters of the RCAF, a meeting took place to discuss measures to implement the RGC's regulation no.37, dated 26th December 1996, which imposed the 31st December 1996 timber-export ban.[8] Amongst those present were Tao Seng Huor; Minister of Agriculture; General Ke Kim Yan, Chief of the General Staff; General Nhek Bun Chhay, Deputy Chief of the General Staff; Chan Sarun, Director of the Forestry Department and Chea Peng Chheang, Under Secretary of State for the Ministry of Finance. The main topic of conversation was the illegal activities of Pheapimex. Specific complaints included:

- *Pheapimex began cutting trees before the provision of an exploitation permit for its Kratie concession, in violation of technical principles, causing severe deforestation.*
- *Pheapimex cut approximately 30,000m³ of trees in Stung Treng and Kratie in wildlife areas, and in the concession areas of Macro-Panin and Kingwood.*
- *Pheapimex cut approximately 20,000m³ of trees in GAT International's concession in Kompong Thom.* (Note: 1997 satellite imagery confirms that the south eastern section of GAT's concession has been logged out and, according to GAT, not by them).
- *Pheapimex cut approximately 10,000m³ in the Robin Company's concession in Kratie.*

At the meeting it was disclosed that Pheapimex pays $5 per m³ to the 'safe military bases' of both prime ministers (this fictional barrack-building programme is the method the RCAF uses to legitimise its illegal involvement in the log trade: the object is to profit from the timber trade, not to build barracks). One deal alone was worth $1.5 million to the CPP and FUNCINPEC military factions. Finally, it was reported that Pheapimex's owner had sworn that she would seek the dismissal of Chan Sarun '…or my name is not Yeay Pho'. (Chan Sarun was dismissed later in 1997, undoubtedly as a result of Yeay Pho's lobbying of Hun Sen.)[8]

The minutes of this meeting were forwarded by the Minister of Agriculture to the co-Prime Ministers on 19th February 1996. This letter crossed with an 18th February letter from the co-Prime Ministers to the Minister, ordering him to 'immediately provide authorisation papers' to allow

Pheapimex-Fuchan's processing factory, Neakleong, December 1997.

companies with concessions to carry out their work.[9] The only company singled out was Pheapimex and it is evident that the letter was a thinly disguised warning to Chan Sarun, via the Minister, to turn a blind eye to Pheapimex's activities.

In a further demonstration of Pheapimex's special relationship, on 9th April 1997 the co-Prime Ministers wrote another letter focusing on the inadequate supply of logs to Pheapimex's sawmill. The letter blamed the Department of Forestry and Wildlife (DFW) for administrative and technical faults, attributed to its irresponsible behaviour, resulting in troubles and delays and 'creating a socio-economic crisis'. In effect, the letter blamed the DFW for attempting to enforce the law. The letter also suggested that if Pheapimex's workers went unpaid 'they will ask the government to solve the problem'.[10] At this stage in Cambodia's history the latter sentence probably intimated a threat as similar pronouncements had resulted in demonstrations and riots.

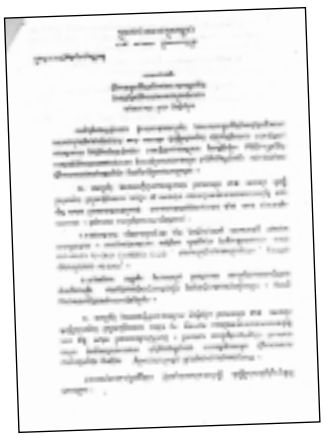
Stung Treng Province

On 15th March 1996 Pheapimex obtained permission from the co-Prime Ministers to take over 60% of (Chinese state-owned) Everbright's 381,000 ha Stung Treng concession. The Chinese Ambassador complained to the co-Prime Ministers about this unilateral take-over of concession land but was informed that it was too late to reverse the decision.

In early 1997 local people and armed groups were cutting in three districts of Stung Treng. All the logs were controlled by and sold under the RCAF Banteay Sovathpheap [safe military base] system; this group ultimately sold the logs to Pheapimex. At least some of the logs were transported down the Mekong under military escort, with the authorization of the co-Prime Ministers and under the false pretext of building the security camp, to the Pheapimex veneer factory. Some 20,000m^3 of logs were transported in this way in the last week of January 1997. The overall operation was supervised by Kun Kim the then CPP vice governor of Kandal province, nicknamed the 3rd co-Prime Minister and right-hand man to Hun Sen.[11]

In May 1997 Global Witness investigators saw approximately 5,000 logs along Route 19 between Stung Treng and Ban Lung, and a further 3,000 logs on the banks of the Mekong (13°26'03'N,105°57'24'E), all illegally-felled by Pheapimex.[12] All of these logs were on the *east* bank of the Mekong and had been felled in Macro-Panin's and Kingwood's concession areas. At this time Pheapimex's only concession in this area was on the *west* bank of the Mekong. This operation was overseen by Pheapimex's subcontractor, Colonel Im Virakchet, Vice Commander of RCAF Division 42, Military Region 1 (MR1).

On 13th February 1997 an RGC delegation headed by the Minister of Agriculture, Tao Seng Huor, observed approximately 10,000m^3 of illegal logs on six log rafts belonging to Pheapimex on the edge of Ouk Gna Tei Island and tried to appropriate taxes. It is not known whether they were successful.[13]



By November 1997 Pheapimex had collected (felled) 95,673m^3 of logs in Stung Treng, Kratie and Kompong Thom, a

Logging with impunity: Pheapimex truck, Stung Treng Province, May 1997.

significant increase over the 86,311m³ it had planned to collect.[14]

In early 1998 Global Witness located a Pheapimex transport depot, in Kingwood's concession on the Stung Treng/Kratie border. The depot contained 10 Riev trucks and crew.[15]

Kompong Thom

In 1998 logs cut in Mieng Ly Heng's concession were transported to Pheapimex's sawmill. At the same time, using its collection permit, Pheapimex paid local people and the Khmer Rouge (KR) to cut logs in Chan Taong district, 70km from the Mekong. Approximately 600m³ of logs per week were transported to the riverbank and then to the Kandal sawmill. Pheapimex's local manager was Mr Vuth.[14]

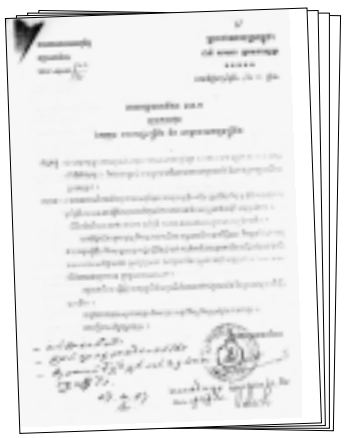
Pheapimex's Thai Connection and the Million Metre Deal

In early 1996 Global Witness obtained letters from the co-Prime Ministers to the Thai Prime Minister, Banharn, authorising the export of 1.1 million m³ of 'old felled' logs from Khmer Rouge (KR) territory. The exposure of this illegal deal resulted in the IMF cutting its Enhanced Structural Facility (ESAF) with Cambodia.[16]

Yeay Pho acted as a broker between at least five of the beneficiary Thai logging companies (Suan Pha Siam Forestry, SA Pharmaceutical, Sor Containers, Philler Products and PT Agricultural—all possibly linked to former Thai Prime Minister Chavalit) and the Cambodian Embassy in Bangkok in furtherance of this deal.[17] Although it is hard to prove, there are rumours that Yeay Pho obtained $20 per m³ for both co-Prime Ministers from this deal, paid in advance.[18] The Thai companies failed to obtain the bulk of the logs due to closure of the Thai-Cambodia border and many of them appeared to go out of business. Apparently, Yeay Pho is in some danger when she visits Thailand.

Illegal Exports to Laos

Between October 1997 and May 1998 Pheapimex were involved in a deal to export 100,000m³ of logs to Thailand via Laos, in partnership with Thai logging company Pipat Forestry.[19] Pipat is the sister company of SA Pharmaceutical, one of the beneficiaries of the million metre deal, described above.



Following a press release by Global Witness the Thai government closed Chong Mek border-crossing to these log imports, stranding 16,500m³ of logs in Laos and resulting in a cessation of illegal felling in Stung Treng. Global Witness investigators learned that Pipat Forestry had not paid its Cambodian partner, Pheapimex-Fuchan who, in turn, had not paid the villagers who cut the logs.[20]

This deal was brokered on Pheapimex's behalf by Yip Kah, Colonel Im Virakchet's uncle and brother of Yea Than, Virakchet's mother. Yea Than runs a guesthouse on the Cambodia/Laos border and was also involved in the illegal export of logs. By 1999 Yip Kah had fallen out with Pheapimex boss Yeah Pho, apparently because he had gone into business on his own behalf.[21]

SAMLING/SL INTERNATIONAL — MALAYSIA

Kratie, Kompong Cham, Mondulkiri
Kompong Speu, Koh Kong

Samling is one of only two companies in Cambodia that has extensive experience in forestry and has the technical expertise to manage a concession (the other being GAT International). However, Samling was unfortunate enough to receive a concession close to the Vietnamese border, an area notorious for lawlessness. Samling's concession, and others, were logged by various armed factions including the RCAF and Samling began to purchase logs from these de facto sub-contractors.[22]

In early 1997 Samling was criticised by the DFW for exporting logs prior to 31st December 1996.[12]

There is a significant body of evidence relating to Samling's illegal activities in Cambodia and it is one of only two companies that has received official reprimands from the RGC over its activities, the other being Mieng Ly Heng.

On 29th April 1997 the Minister of Agriculture, Tao Seng Huor, wrote to SL International (Samling) noting that the company was guilty of:

- *Starting its exploitation before the official permission letter was issued.* [Samling operated throughout much of early 1997 despite the fact that it did not receive a cutting permit until 16th May 1997].
- *Cutting wood where it was not shown by forestry and hunting officials.*
- *Cutting wood whose diameters were smaller than the minimum size permitted.*
- *Continuing exploitation despite the logging ban which came into effect on 31st December 1996, which was an operation contrary to Article 6 of the license for logging business, dated 18th April 1994, and was contrary to provisions 8 and 10 of the schedule of conditions, that is to say against Articles 10 and 13 of the decree No.35 dated 25th June 1988 regarding administration of forests.*

This letter was, according to officials, very unpopular within the DFW (although it was drafted by DFW personnel) and the Ministry of Agriculture and it proved very hard to obtain a signatory, presumably because of Samling's connections and unofficial payments. The fact that Tao Seng Huor did sign it is admirable, but despite its illegal activities the same letter specifically exempted SL International from any fines or penalties.[23]

Prior to the issuance of this letter, Samling tried to sue the Cambodia Daily newspaper for criminal defamation in response to an article published on 5th March 1997 relating to Samling's illegal activities. In this instance, Samling tried to suppress facts that were in the public interest by using the legal process to intimidate the editor and publisher of the paper. The fact that Samling pressed for *criminal* as opposed to civil defamation, which could result in a prison

sentence for the editor, and were pressing for US$50 million in damages, illustrates this.[24]

Samling constructed a large road from Chhlong, running towards the Vietnamese border at Snoul, through the wildlife sanctuary and then northeast into Mondulkiri. Initially Samling forbade local people to use this road, until the Provincial Governor intervened. Local people are also forbidden to collect timber from the concession area for house building and fuel.

Samling has consistently purchased logs from Military Region 2 (MR2) and local businessmen, much of it cut in Snoul Wildlife Sanctuary. Samling took advantage of the fact that DFW officials were afraid to enter its concession due to the presence of various armed groups. According to various reports it purchased logs from the military and local people for $5 per m^3.[21] Another report stated that Samling paid $16 per m^3 for logs felled in the forest and $20 per m^3 if the logs are dragged to the roadside.[25] According to local villagers and company employees Samling purchased logs regardless of size or origin. This undoubtedly led to exploitation outside permitted cutting areas and within the Snoul Wildlife Sanctuary.[26] Instances of these activities were obtained by Global Witness during visits to the concession in 1996, 1997, 1998 and 1999. In October 1999 Global Witness photographed a log stockpile in Snoul Wildlife Sanctuary (12°04'56'N, 106°29'59'E) due to be sold to Samling by Mr Thang Rethy of the border police, but currently stockpiled because of Samling's boycott of the RGC's hike of the royalty rates in early 1999.[27]

Cutting of undersized trees. Logs at Chhlong, near Samling's concession in Kratie Province, January 1997.

In March 1998 Global Witness reported in *Going Places* that there were 80,000m^3 awaiting collection in the Samling concession and in Snoul Wildlife Sanctuary.

On 27th January 1999 Samling ceased operations in protest at the increased royalty of $54 per m^3, and has attempted to negotiate with the RGC over the royalties due on its log stockpile of over 80,000m^3.[28] Samling has built large log ponds to protect its stockpile from fungal attack, until its dispute with the RGC is settled.[29]

Rasmei Kampuchea reported, on 5th October 1999, that the military police had confiscated 40m^3 of luxury timber from a Mr Sek Earn, who claimed he purchased the timber from Samling.[30]

Overharvesting? Samling/SL International's concession area, May 1997.

EVERBRIGHT CIG WOOD CO LTD — CHINA

Kratie, Stung Treng

In 1996–1997, Everbright purchased logs from and paid protection money to KR forces in its concession. It is probable that this deal was legitimised when, on 17th May 1996, under the now banned permit system, Everbright obtained permission from the Ministry of Agriculture (MAFF) to collect and buy 40,000m³ of No. 2 logs. This, in reality, legitimised the illegal felling of trees either by or on behalf of Everbright. Of these logs, 8,000m³ were to be transported to Pheapimex's Kandal processing mill.[31] Despite cutting between 40,000–50,000m³ Everbright only paid taxes on a declared 21,695m³ harvest.[14]

In late 1997 it was reported that part of an illegal 122,450m³ log stockpile belonged to Everbright.[32] During 1997, Everbright contracted the RCAF to log a 40–50 km² area inside its concession, although it did not have permission to cut at this time. This coincides with the fact that the company received an RGC permit to collect 20,000m³ of 'anarchic' logs from concession forests in Stung Treng and Kratie.[33] There were reports of the company using intimidation to silence locals and officials.[34]

SUPERWOOD IPEP LTD — MALAYSIA

Pursat, Kompong Speu

Superwood's Managing Director is Thai-based Mr. Peak Seng Thang. The wife of the Khmer manager and organiser, Mr. Noeb Mea Lea, is said to be a friend of Hun Sen's wife.

Superwood has an outstanding pre-1999 Annual Allowable Cut (AAC) of 30,000m³ and, according to an official, planned to log 30,000 to 35,000 m³ in 1999.[35,36] In early 1999 it requested four authorisation seal stamps on 1,020.373 m³ of logs. The company started logging in early March, and harvested 393 logs, equal to 1,794.882 m³, of which 161.09 m³ are Wood No.1, and 1,633.786 m³ are Wood No.2. The stamp request amount then is obviously significantly at odds with the real amount. These logs were stockpiled in Khsach Puok village waiting to be stamped for permission to be carried to its factory.[36]

In early 1999 Superwood was hiring Division 8 soldiers (breakaway KR) to log as well as to control the rest area. Soldiers, commanded by Mr Noem, are paid 60,000 Riel a month. Logging workers are paid according to how much they fell: the current going price is US$ 2.2 per m³. Many felled trees are undersize.[37] At the same time Superwood was reported to be cutting down trees in the Aural Wildlife Sanctuary, and collecting logs from local loggers (particularly Division 8 soldiers). The company argues that anarchy logging had occurred in the concession area prior to its arrival and quality trees are therefore non-existent. Reliable reports suggest that the company fells trees indiscriminately, with no regard for undersize trees and those in the sanctuary. The logs are left in the forests until an opportunity arises to transport them to Stoeng A'Rai (approx. 60 kilometres from Kravanh town).[37]

There are reports that Superwood hired local loggers and subsequently refused to pay their wages. Furthermore, rather than refurbishing a dilapidated bridge the company land filled a river near Kravanh so it could construct a road to transport logs. The latter blocked water access to communities downstream.[37]

As with other protected areas there are inadequate resources to effectively police Aural, and it is, therefore, exploited by armed groups, or loggers who enjoy the protection of these groups.

LONG DAY MACHINERY — TAIWAN

Kampot, Kompong Speu

In 1997 Long Day had 40 workers logging in Bokor National Park, adjacent to its concession. Global Witness investigators visited Long Day's truck park and repair depot, just to the north of the Pich Nil Jungle Training School. The depot contained 25 trucks all of which were operating in Bokor National Park. This information was confirmed by a senior company employee in a filmed interview with Global Witness. He also stated that the soldiers based in Pich Nil facilitated its operations in the national park. The commander of the Jungle Training School admitted being hired by the company to provide security in the forests of Bokor National Park.[15,38]

In mid 1998 Long Day was producing 200–600m³ of veneer per day. A company manager told Global Witness that it used to rely on the military to supply its logs, from Bokor, which is illegal.[38] Long Day's concession is now so degraded that it can no longer supply the veneer mill.[28] In 1997 it bought logs from GAT International, which were obtained on a collection permit.[38]

During 1999 Colexim hired Long Day's mill for its own purposes, supplying it with logs from its Kompong Thom concession.[28] This effectively confirms that Long Day no longer has a viable concession, but purely a processing capacity. Given that the FPRP stated that there is vast overcapacity in Cambodia, Long Day should have its concession terminated. The fact that it has illegally logged in a national park and has purchased from the military gives the RGC sufficient grounds to take this action. Colexim's sustainable yield should also be extensively reviewed as it is utilising processing capacity over and above that originally agreed in its concession contract.

According to the DFW, although Long Day does not have an AAC for 1999, it does have 34,707m³ remaining from 1998,[35] which de facto gives it the right to cut in 1999, despite the fact that it is apparent that its concession cannot provide such a yield. Such a discrepancy, the result of a bureaucratic and theoretical remainder of the 1998 AAC that has no basis in reality, demands that the DFW's AAC figures are scrutinised and amended in accordance with an up-to-date forest inventory.

Long Day's illegally cut logs from Bokor National Park near the Pich Nil jungle training school; late 1997.

Logs cut inside Boeung Per Wildlife Sanctuary being confiscated by DFW. Many were labelled for Lang Song, January 1999.

LANG SONG INTERNATIONAL TAIWAN

Preah Vihear

Lang Song is not currently operating, ostensibly because its concession is no longer capable of supplying its massive Kompong Thom factory. DFW officials stated that Lang Song had been warned that a large factory might not be viable, but the company ignored these warnings.[28] As the concession is not viable it should be terminated and the Lang Song factory closed, to reduce timber processing over-capacity.

During 1997 and 1998 Lang Song regularly purchased illegally-felled logs from local loggers.[20]

In January 1999 the DFW confiscated 24 truckloads of logs, which had been cut inside Boeung Per Wildlife Sanctuary, many of which were labelled for Lang Song. At the same time, investigations revealed that a few kilometres further north on Route 12 towards Preah Vihear province, Lang Song was continuing to load logs which were most likely from the sanctuary[20] onto trucks which were destined for its factory. Between the location where DFW was conducting its confiscation and the point where Lang Song was loading (ie in the middle of the sanctuary) were many thousands of logs which were not being collected. Many of these were marked in the same way as the Lang Song logs.

Officially there is some debate as to whether Lang Song has been operating inside the sanctuary. HE Mok Mareth, Minister of Environment in letter No. 491 SCN.KS of the 4th April 1999 reported to the Prime Minister the results of his field investigation into the activities of the company. In this document, officials found that the company was responsible for 1,200 illegally-harvested logs, near to the Sanctuary, but found that there was no evidence of the company harvesting in 1999 inside the sanctuary. Instead the document describes a number of 'old' logs which it says the company cut inside the sanctuary in 1998. In January 1999 Global Witness observed large quantities of new logs between the loading area and the site of the confiscated logs.[37]

In contrast, document No.449 BS contains a sub-section dealing with the Boeung Per Wildlife Sanctuary findings. In an unofficial translation of this document, it states, 'Other sources from the local populace have stated that some of those logs (referring to the 1,200 logs discussed above) were illegally cut in Boeung Per Wildlife Sanctuary and our delegation also suspected the same thing as the company's concession are primarily bushy and full of dipterocarpus and callophyllum etc'.

Global Witness investigations have clearly revealed that the company has obtained logs from the sanctuary and that probably this continued at least into January 1999.[37] In May 1999 Global Witness observed and took GPS coordinates of numerous skid tracks off Route 12 into the sanctuary, some of them recently used.[39] The issue of the 1,200 logs simply adds to the evidence against it.

The DFW carried out its own investigation, which refuted the findings of the Ministry of Environment, placing Lang Song in the clear. However, the turf war between the DFW and the Ministry of Environment could well compromise the impartiality of such reports.

Logs en route from Boeung Per Wildlife Sanctuary to the Lang Song sawmill, January 1999.

Log truck arriving at the Lang Song sawmill with logs cut in the Boeung Per Wildlife Sanctuary, January 1999.

HERO TAIWAN — TAIWAN

Ratanakiri

Illegal felling and transport, Hero company and MR1; Ratanakiri, January 1999.

In 1995 Global Witness obtained a confidential Ministry of Agriculture list of forest concessions.[40] Number 30 on this list was Hero Taiwan and the annotation that there was '…no forest left to allocate'. Nevertheless, Hero established a sawmill in Ban Lung. According to the RGC's Breakdown of Forest Income for 1997, Hero were listed under 'Concessions cancelled or redistributed'. This same document noted that Hero had exported 447m^3 of S2S (semi-processed) wood and had paid total fees (but no royalties) of $2591, just under $6 per m^3.[14] Although this declared export is relatively insignificant, the question must be asked how Hero obtained the timber when it did not possess an exploitation or collecting permit. Furthermore, why did it pay under $6 per m^3? The reality is that it purchased timber from, and felled timber in, Macro-Panin's concession area, which is illegal, and must have received a dispensation exempting it from paying royalties.

Hero's sawmill continued to operate throughout 1998 although it did not receive an exploitation permit until February 1999. The company has, therefore, acted illegally throughout this period.

Hero was cooperating with MR1 personnel in January 1999 to cut logs before it had any permission to cut.[37] Its regular exports of 10–20 truckloads of sawn timber per day to Vietnam declined when the UN Special Representative for Human Rights, Thomas Hammarberg, visited the region in January 1999, but resumed soon afterwards.[37]

On 11th May 1999, in a widely reported incident, villagers in Svay, Khmeing and Santouk villages were forced to thumbprint a document signing away their lands for logging. A Hero representative was present at this signing together with DFW representatives, the governor of O Chum district, three armed police and one armed, military police official. The use of intimidation against local communities should be grounds for concession termination.

In May 1999 Hero was cutting outside its concession area.[39] The company continues to violate its concession agreement and Cambodian law. Hero has sub-contracted its logging activities to two sub-contractors and on an ad hoc basis to local people.[29] One of the sub-contractors, Sieng Hak, is rumoured to be closely connected to Teng Bunma's Thai Boon Rong Company. Global Witness possesses documents proving Thai Boon Rong's involvement in importing log trucks into the region and in appointing Nuon Phea (former second in command of MR1) as its representative,[41] lending some credence to these rumours.

In October 1999 the RGC stated that Hero had harvested 1484.288m^3 of timber.[35] This represents a significant under-declaration by the company as Global Witness' October investigation alone recorded a minimum harvest of 1850m^3. Hero is only permitted to cut No.1 and No. 2 wood but is actively cutting luxury species, including from culturally-important spirit forests. The company is consistently abusing the rights of local people, largely through extremely poor concession management and intimidation. The blocking of waterways has resulted in reduction of water quality for villagers. Trucks use village paths as log roads and have damaged agricultural land in the same way.

Hero used to buy logs from Mr Long, a local RCAF strongman, but in May or June 1999 Mr Long threatened the Hero manager, Kao Chin Chon for non-payment of debts and the relationship has, temporarily at least, ended.[29] Global Witness investigators met Mr Long, logging on behalf of Hero, outside the company's concession area and before it had permission to cut, in January 1999. Logs cut by Mr Long were loaded onto a Hero log truck.

The sub-contractor, Sieng Hak, manages Block 2 of the concession, which includes spirit forest belonging to Svay village. He felled at least 100–200m^3 of luxury wood (illegal

Hero logging road blocking the source of drinking water to Kroeng Svay village; Ratanakiri, October 1999.

under the concession agreement) during April and May 1999. Some of these logs are located in at least two rest areas within 10 kilometres of the village; others have been transported to the Ban Lung sawmill. Four hundred luxury logs were felled around O'Khuy, and in O'Ka Puo 40 luxury logs were seen in October. This area had been clear felled.[29]

In addition to the export of 250m^3 of No.1 and No.2 processed timber (derived from 650m^3 of logs) to Vietnam in September, in the form of flooring and wall tiles, Hero transported luxury logs and sawn timber west along Route 19 from Ban Lung towards Vietnam[29,42] at night. As its factory is in Ban Lung there can be little doubt that the logs/timber was due for export. In mid-August a Hero truck was observed in Bor Keo district loaded with luxury timber, which was then covered with No.1 and No.2 timber.[42] Further corroboration of Hero's illegal felling of luxury timber is demonstrated by luxury-wood waste at the Ban Lung factory.[29]

Hero has failed to adhere to the RGC's demand that each concession provide 20% of its processed production for local use. Hero either owns or has sub-contracted this task to a sawmill managed by Phal Seng, a local businessman, but this is not yet operational due to lack of supply.[29]

Hero is illegally cutting outside Prey Coupe 1, although the local forestry department denies this. Illegal cutting sites include two in O'Chum district and two in Vensai district and in Kalai village, about 15km north of Ban Lung. Hero hired the villagers to log in these areas, paying them on average $200 per month.[29,42]

In July there were reports that Hero had contracted people to cut unmarked trees outside its prey coupe, supposedly for a village building in Poey Commune.[43] Hero did not pay the loggers and the timber was sold. This ties in with other reports that people in Poey Commune have hired a chainsaw for illegal cutting and processing.

Hero's illegal activities have been covered up by the provincial forestry department and six foresters sent from Phnom Penh. Sieng Ros, a senior forester, is paid $400 per month and provided with board and accommodation by Hero, which he strongly defends.[29]

KINGWOOD TAIWAN

Kratie, Stung Treng, Mondulkiri

In 1997 Kingwood, was cutting trees in Macro-Panin's concession area,[44] using the guise of the collection permit system, which allowed it to collect 50,000m^3 of 'anarchic' logs. Kingwood cooperated with Pheapimex-Fuchan in these activities and Global Witness observed Pheapimex's trucks loading Kingwood's logs.[12]

Furthermore, Kingwood was exploiting its own concession at this time with no exploitation permit.[12] In late 1997 and early 1998 Kingwood was cutting large numbers of logs and storing them along route 13 between Kratie and Stung Treng town. [15]

Kingwood hired Colonel Im Virakchet of Division 42, MR1 (also used by Pheapimex) as a sub-contractor. MR1 effectively extended Kingwood's concession by moving into a 100km^2 area north of the company's concession, probably up to the Sekong River and beyond it. Kingwood purchased these logs from the military and local villagers, and the military then transported the logs into its concession. [20]

In 1998 Kingwood, which had permission to collect logs in Kratie Province, collected logs from Sandan district in Kompong Thom, and transported them to its Phnom Penh veneer factory. In addition it purchased logs from Mr San, a ranking RCAF officer in Sandan district, and also transported these logs to its mill.[20]

In early 1999 logs continued to be cut under Virakchet's authority near Ochrolong and Okandei on Route 13 and were transported both to Kratie and to Kingwood.[39]

VOOT TEE PEANICH CAMBODIA

Koh Kong

Mai Voot Tee, the owner of Voot Tee Peanich, has been involved in illegal logging in Koh Kong for many years, and is reputed to be largely behind the massive exports of sawn timber to Thailand, which averaged 750,000m^3 per year between 1995 and 1998. It is a mystery as to why he was awarded a legitimate concession in 1998, though less so when one considers that he is an advisor to Heng Samrin, Honorary President of the CPP. The power of the company was illustrated by a senior official in Sihanoukville who told Global Witness, in May 1996, 'Nobody can interrupt the

Mai Voot Tee's logs destined for illegal export, Koh Kong, January 1999.

company [Voot Tee] from cutting down trees'.[45] This felling was illegal. In 1995 Voot Tee enjoyed close relations with both the Khmer Rouge and senior officials. A December 1995 press article stated that Voot Tee Peanich had supplied the KR with food and arms in exchange for protection and logging rights.[46] During the same period officials stated that Voot Tee Peanich applied for permission to export 20,000m^3 of illegally felled logs, but in fact processed and exported them to Thailand before the permit had been considered by the RGC.[47] In time-honoured fashion, Voot Tee Peanich still attempted to utilise this exhausted permit by trying to obtain a further 20,000m^3 of logs.

Voot Tee Peanich was censured for illegal logging in Koh Kong Province in 1995, by Ly Thuch, Prince Ranariddh's advisor and Cabinet Director. Five months later, Voot Tee purchased 30,000m^3 of logs that had been 'confiscated' by the RCAF and sold to raise money for the 1995–1996 dry season offensive against the KR. This deal, authorised on 18th and 24th March 1996 by the co-Prime Ministers was yet another example of the permit system in action.[48] It is extremely probable that Voot Tee felled the logs in the first place.

In April 1996 Global Witness investigators visited Voot Tee Peanich's Koh Kong office, which had been built in 1995. At this time it had a concession map under glass on a desk, two years before it received a concession from the RGC: this concession was active. At this time Voot Tee exported logs to Bangkok and was felling trees for clients in Thailand, Japan, France and Singapore. Client representatives from Japan and France had travelled to Bangkok to negotiate purchases.[49] This concession did not feature on any MAFF list and must, therefore, have been granted by some other authority, in contravention of Cambodian law. Voot Tee Peanich exported an unknown quantity of logs from Sihanoukville port in March/April 1996.[50]

Voot Tee Peanich enjoys close collaboration with the RCAF; particularly the navy, which provides support for the company's illegal, log exports to Thailand, from Koh Sdach. Voot Tee Peanich developed a sophisticated method to legitimise illegal log exports to Thailand. Loaded log barges would leave Koh Kong and, once in Thai territorial waters, would be apprehended by Thai Customs following an anonymous tip off (from Voot Tee Peanich). The logs would be confiscated by Customs, auctioned as contraband, and purchased by…Voot Tee Peanich. Global Witness has seen photographs of the barge crew and Thai Customs having a celebratory drink after one of these operations, which take place approximately every three months.[51]

In April and May 1997 Voot Tee's barges were observed exporting logs from Koh Sdach and Trapeang Rung, and a further shipment was seen in late June 1998.[51]

These illegal exports continue. Global Witness investigators observed loaded log barges ready for export in January 1999,[37] and subsequent barge exports took place in mid 1999. Further to provision of Global Witness' information in January the DFW confiscated approximately 500m^3 of logs from the barges,[52,53] but no punitive action was taken against the company, which denied responsibility for the attempted illegal export, despite the fact that the logs were on its barges adjacent to its sawmill.[53]

MIENG LY HENG — CAMBODIA

Kompong Thom, Preah Vihear, Kompong Cham

Mieng Ly Heng, controlled by CPP Supremo Chea Sim's son, Chea Thea, are one of only two companies to have received a letter from MAFF criticising it for its illegal activities. The letter, No.1060 dated 6th May 1998 states that the company will be fined for:

- *Starting to cut the forest before permission was granted.*
- *Cutting trees without obtaining a DFW stamp.*[28,54]

Mieng Ly Heng buys its logs from a sub-contractor, Hun Chhouch (Hun Sen's cousin) and his wife, Mrs Chhouch, also known as Sieng Kieng. This sub-contractor also works for Chemdar Plywood and Everbright.[55] Mieng Ly Heng's security guards are extremely heavily armed, much more so than any other company visited by Global Witness, and far in excess of any security threat it is likely to encounter. In addition to prestige nickel-plated pistols and the usual AK47s, this unit possesses several heavy machine guns. Although this is not illegal, it is interesting when combined with information that this company has intimidated other concession companies. In short, this unit has the capacity to be, and appears to be, offensive, rather than defensive.

Hun Chhouch planned to extract logs from Kratie (outside Mieng Ly Heng's concession area) in the 1998/99 dry season. During 1998 he and two other well-known logging business men, Mr Vuth and Mr Touch, bought logs for $45–50 per m^3, plus $7 per m^3 for transportation from the Stung Trang district along the Kompong Thom border (inside GAT International's concession area) and Khech Kmav in Kratie.[15,38,56]

In 1997 Hun Chhouch and Kun Kim, then-governor of Kandal and a close confidante of Hun Sen were part owners of the stockpile at Balang, just outside Kompong Thom town, which was also used by GAT International, Mieng Ly Heng and Colexim. Logs in this stockpile had been transported down the Stung Sen River, and then reloaded onto trucks at Balang for further transportation. Kun Kim and Vuth's activities were outside legitimate concession activity and their close links with the above concessions—both through selling them logs and sharing a stockpile—is suspicious.[56] By December 1997, Vuth appeared to have ceased operations in this area but Mieng Ly Heng still purchased the bulk of its logs from Kratie. [57]

Local sawmill owners in January 1998 estimated that logs cut for Chhouch, Vuth and Kun amounted to 2000–2500m^3 of illegal logs, and 4000–5000m^3 of legal logs. These logs were transported to the Mekong and then to Pheapimex's and Mieng Ly Heng's sawmills. [58] Mieng Ly Heng had no cutting permit at the time of these activities, but were cutting nevertheless.

In 1998 Mieng Ly Heng also bought logs from Kratie Province, from Colonel Souern Phen Dai (aka Sat Soeurn) of MR2. Sat Soeurn, since dismissed from the RCAF, was tried and acquitted for the murder of Chan Dara, a journalist investigating Sat Soeurn's logging interests. Known as a ruthless strongman, and suspected of numerous shootings and killings, Sat Soeurn used to control log traffic on the Mekong.

On the nights of 5th–6th March 1998 mixed forces confiscated 26 logs which Mieng Ly Heng were illegally transporting from Mieng Ly Heng's Banksna depot in Kompong Thom, to Stung Trang district. There were reports that Mieng Ly Heng had illegally transported thousands of illegally-felled logs, by night, to Stung Trang.[59]

YOU RY SAKO — CAMBODIA

Pursat, Battambang

Although You Ry Sako's (named after the owner) concession is in Pursat and Battambang, the company is better known for its illegal logging activities in Koh Kong Province. Although documentation of these activities is minimal, this reflects the difficulties of obtaining the information, not that the information doesn't exist. Global Witness has heard his name in connection with illegal activities in Koh Kong since 1995.

In January 1999 Global Witness observed two empty log barges at Sre Ambel. It is common local knowledge that these were used by You Ry Sako to export logs until early 1998.[37] You Ry Sako controls logging in the Trapeang Rung area, southeast of Koh Kong town. You Ry Sako was mentioned in a report by the RGC's Steering Committee to Reform Forest Policy, for illegally logging in Veal 4, Koh Kong.[60] Another report confirmed this, stating that the company was expanding its operations into Chamkar Khnor.[61]

The fact that the concession road from You Ry Sako's concession ends in Koh Kong town provides the company with the opportunity to launder illegally-felled logs from Koh Kong, with the logs from the concession area.

COLEXIM — CAMBODIA/JAPAN

Kompong Thom

In October and November 1995 Colexim used over 100 small motorboats to tow logs by night down the Tonle Sap from Kompong Thom to its Prek Phnao sawmill. These logs were felled in contravention of the RGC's 1st January 1995 cutting ban.[62] Approximately 15,800m^3 of timber was seized at the sawmill by the Ministry of Interior's Economic Police. Sai Sokhann of the Interior Police recommended that the company be fined whilst the Director General of the DFW, Chhan Sarun, stated that the company had broken no law. As Colexim is a Japanese-RGC joint venture, managed by the DFW, Chhan Sarun's defence is predictable and unlikely to be impartial.

In 1996 Colexim obtained illegally-felled logs from GAT International's concession.[63] In another instance GAT International tried to confiscate 10,000m^3 of logs felled by Colexim in its concession.[63]

In 1997 Colexim purchased logs from Sandan district, which had been felled by various police and military units. These units received a budget from the local authorities to fell trees and/or hire workers, and sold the logs to Colexim for $50 per m^3 for No.1 wood and $30 per m^3 for No.2. By hiring ad hoc sub-contractors in this way the company obviously was not following the terms of its contract, and was therefore acting illegally.[64]

In September 1998 the leader of a log raft convoy told Global Witness at Balang stockpile, where logs are off-loaded from rafts just outside Kompong Thom town, that he was transporting around 10–15 rafts per day to Balang, and that all the logs were illegally felled. It is not known which of the users of Balang, Colexim, Mieng Ly Heng or GAT International, received these logs.[20]

Also in September 1998 Global Witness observed 30–35 log trucks taking logs from the Boeung Per Wildlife Sanctuary and followed these trucks all the way to Colexim's Prek Phnao sawmill. Thus Colexim were illegally receiving logs from the wildlife sanctuary. Some of these logs were reloaded onto trucks in Prek Phnao and transported south. Although, in 1999, Colexim were hiring Long Day's sawmill, this mill was not active in September 1998, so the destination of the logs in 1998 is unknown. Local villagers near Prek Phnao believed the logs were due for export from Sre Ambel. The crew of the ferry at Prek Kdam stated that 30–40 trucks per day left Colexim and used the ferry as part of this operation.[20]

10. CONCLUSION

THE INFORMATION contained in this briefing has been distilled from numerous investigations carried out by Global Witness since 1995. There are vast amounts of unsubstantiated rumours and reports in addition to this information. It should also be remembered that, during this period, Global Witness did not have any official access to information relating to concessions.

Therefore the incidents documented here should be regarded as a minimum record of illegal activities. Similarly, the fact that some companies are not mentioned does not necessarily mean they have acted legally, just that Global Witness has not been able to obtain detailed information about them.

The FPRP in early 1998 was under no illusions as to the general practices of concessionaires in Cambodia. The concession review, first mooted then, was designed to rid Cambodia of companies that had shown they were unable or unwilling to adhere to Cambodian law and sustainable forest management practices.

The concession review being carried out by Fraser Thomas is an unrepeatable opportunity to ensure that Cambodia's forests are sustainably managed by responsible companies for the future benefit of the country and its people. If the international community, and especially the ADB, fails to maximise on this opportunity, then the forest policy reform process will be seriously set back, possibly by years.[65] As this document shows, the review has inspected just over half of the concessions in Cambodia, and was not intensive, and as such has not achieved its aims and objectives.

The ADB should, therefore, ensure that the concession review is complete and comprehensive and serves the purpose for which it was intended. If it fails to do this it will have done Cambodia a great disservice.

Banksna stockpile, Kompong Thom, December 1997. Logs owned by Mieng Ly Heng, Colexim and GAT.

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