A Choice for China
Ending the destruction of Burma’s northern frontier forests
1 RECOMMENDATIONS

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

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

The International Community should:

● Adopt legislation to prohibit the importation and sale of timber, which has been harvested, transported, bought or sold in violation of national laws. This should include timber imported either directly from the country where the timber was logged or via intermediate countries.

● Establish a working group with representatives from the State Peace and Development Council (SPDC), ceasefire groups, civil society, United Nations (UN) agencies and the Chinese authorities to facilitate measures to combat illegal logging in northern Burma and support initiatives to promote sustainable development in Kachin State.

● Support independent assessments of the extent of illegal logging and forest loss, and the extent and composition of the forest resource base, in Kachin State through a combination of satellite imagery and photography, aerial photography and ground-truthing.

● Facilitate a forest value assessment for Kachin State, under the auspices of the

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

● Help rebuild society at a local level in northern Burma through the promotion of educational projects including environmental awareness, encourage the continuation of sustainable resource use and protection, and support grassroots environmental initiatives.

● Support Thai proposals for the creation of a new ‘Southeast Asian Regional Law Enforcement Network to Combat Nature Crimes’, including measures to tackle the illegal trans-boundary timber trade.

Timber importing companies should not:

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

THE GOVERNMENT OF THE PEOPLE’S REPUBLIC OF CHINA
The Chinese authorities at a national, provincial and local level should ensure that economic development in China, particularly in Yunnan Province, is not detrimental to Burma’s peoples.

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

● Suspend the importation of logs and processed timber across the China-Burma border pending a review of the legality of all logging operations in Kachin State.

● Make data relating to the importation of timber from Burma publicly available. This should include timber volume, value, legal provenance and details of the contracting parties.

● Help the ceasefire groups carry out Environmental and Social Impact Assessments (ESIAs) for all current and future development projects and for any commercial activities concerning the exploitation of natural resources that involve

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

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

c In his address at the opening ceremony of the 13th Meeting of the Conference of the Parties to CITES on 2 October 2004, Prime Minister Thaksin Shinawatra proposed that Thailand take the lead in the formation of such a network and to host a meeting in 2005 to work out the details for creating this network.
Chinese companies operating in areas under their control. Such a process should include meaningful public consultation.

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

The government of the People’s Republic of China, in accordance with its commitments made in the September 2001 East Asia Forest Law Enforcement and Governance (FLEG) Declaration, should:

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

THE STATE PEACE AND DEVELOPMENT COUNCIL

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

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

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

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

THE CEASFIRE GROUPS IN KACHIN STATE

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

The Ceasefire Groups in Kachin State should:

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

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

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

ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>AAC</td>
<td>Annual Allowable Cut</td>
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<td>ADB</td>
<td>Asian Development Bank</td>
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<td>AFPFL</td>
<td>Anti-Fascist People’s Freedom League</td>
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<td>AIDS</td>
<td>Acquired Immune Deficiency Syndrome</td>
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<td>APEC</td>
<td>Asia-Pacific Economic Cooperation</td>
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<td>ATS</td>
<td>Amphetamine Type Stimulants</td>
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<tr>
<td>AQSIQ</td>
<td>Administration of Quality Supervision Inspection and Quarantine</td>
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<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
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<td>ASEM</td>
<td>Asia-Europe Meeting</td>
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<tr>
<td>BOCOG</td>
<td>Beijing Organizing Committee for the Games of the XXIX Olympiad</td>
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<td>BSPPP</td>
<td>Burma Socialist Programme Party</td>
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<td>CEP</td>
<td>Core Environment Program</td>
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<td>CPB</td>
<td>Communist Party of Burma</td>
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<td>CPC</td>
<td>Communist Party of China</td>
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<td>CITES</td>
<td>Convention on International Trade in Endangered Species of Wild Fauna and Flora</td>
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<td>DDSI</td>
<td>Directorate of Defence Services Intelligence</td>
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<td>DZGD</td>
<td>Dry Zone Greening Department</td>
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<td>EIU</td>
<td>Economist Intelligence Unit</td>
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<td>ESIA</td>
<td>Environmental and Social Impact Assessment</td>
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<td>FLEG</td>
<td>Forest Law Enforcement and Governance</td>
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<td>FSC</td>
<td>Forest Stewardship Council</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GMS</td>
<td>Greater Mekong Sub-region</td>
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<td>HIV</td>
<td>Human Immunodeficiency Virus</td>
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<tr>
<td>IFI</td>
<td>International Finance Institution</td>
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<td>IFM</td>
<td>Independent Forest Monitoring</td>
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<td>ITTO</td>
<td>International Tropical Timber Organization</td>
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<td>KIO</td>
<td>Kachin Independence Organisation</td>
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<td>KNA</td>
<td>Karen National Association</td>
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<td>KNCA</td>
<td>Kachin Nationals’ Consultative Assembly</td>
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<td>KNU</td>
<td>Karen National Union</td>
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<td>KSC</td>
<td>Kachin Solidarity Council</td>
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<td>MCSO</td>
<td>Myanmar Central Statistical Office</td>
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<td>MEC</td>
<td>Myanmar Economic Corporation</td>
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<td>MoF</td>
<td>Ministry of Forestry</td>
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<td>MI</td>
<td>Military Intelligence</td>
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<td>MTE</td>
<td>Myanmar Timber Enterprise</td>
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<td>NATALA</td>
<td>Ministry for the Development of Border Areas and National Races</td>
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<td>NCFP</td>
<td>Natural Forest Conservation Programme</td>
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<td>NCGUB</td>
<td>National Coalition Government of Burma</td>
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<td>NDA(K)</td>
<td>New Democratic Army (Kachin)</td>
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<td>NDF</td>
<td>National Democratic Front</td>
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<td>NGO</td>
<td>Non-Governmental Organisation</td>
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<td>NLD</td>
<td>National League for Democracy</td>
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<td>OSS</td>
<td>Office of Strategic Studies</td>
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<td>PRC</td>
<td>People’s Republic of China</td>
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<td>RWE</td>
<td>Round Wood Equivalent</td>
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<td>SFA</td>
<td>Chinese State Forest Administration</td>
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<td>SLORC</td>
<td>State Law and Order Restoration Council</td>
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<tr>
<td>SPDC</td>
<td>State Peace and Development Council</td>
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<tr>
<td>SSA(S)</td>
<td>Shan State Army (South)</td>
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<tr>
<td>SSNA</td>
<td>Shan State National Army</td>
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<tr>
<td>UMEHL</td>
<td>Union of Myanmar Economic Holdings Limited</td>
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<td>UNAIDS</td>
<td>United Nations Programme on HIV/AIDS</td>
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<td>UNDCP</td>
<td>United Nations International Drug Control Program</td>
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<td>USDA</td>
<td>Union Solidarity &amp; Development Association</td>
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<td>UNODC</td>
<td>United Nations Office of Drugs and Crime</td>
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<tr>
<td>UWSA/P</td>
<td>United Wa State Army/Party</td>
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<td>WHO</td>
<td>World Health Organization</td>
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A note on methodology:
Global Witness conducted primary research along the China-Burma border in 2004 and 2005 and interviewed people from many different backgrounds. To the best of our knowledge, this report reflects the reality of timber trade in these border areas.

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

A note on statistics:
Where appropriate, to facilitate comparison between timber statistics, wood volume data has been converted to Round Wood Equivalent (RWE) volume. This has been done by multiplying wood volume by standard conversion factors, such as 1 for logs, 1.8 for sawn wood, and 2.3 for plywood. Various sources of such data were consulted. The data selected for analysis are those that we regard as being from the most representative source. It should be noted however, that there appears to be little correlation between a number of these sources. In addition it is often unclear which products have or have not been included in a given dataset, or indeed which units of measure are being used. Consequently, the analysis presented in this report should be considered as indicative rather than precise.

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

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

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

“The earth, water, mountain forests and climate are the basic resources of a country. If the mountain forests are destroyed, the earth and water will be degraded. This in turn will lead to climate deterioration. Hence forest destruction must be prevented and looked at with caution. Amongst all our basic resources, forests are the most important.”

Senior General, Than Shwe, October 1993

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

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

Burma’s Kachin State, sandwiched between China and India, has been described as some of the most valuable real estate in the world, due in large part to its forests, but also its jade, gold and mineral reserves. The forests of Kachin State form part of an area said to be “very possibly the most bio-diverse,
This report, based largely on investigations carried out in China and Burma during 2004 and 2005, details both the mechanics and scale of logging in Kachin State and the associated illegal cross-border timber trade with China. It also looks at the impact that the logging is having on the livelihoods of forest-dependent communities, and how it is undermining the prospect for future sustainable development in Burma’s northern border areas.

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

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

“As for the exploitation of forest resources from Northern Myanmar for export to China, transportation is much easier, costs are low and it is convenient to bring Chinese labourers into Myanmar to cut trees ... Myanmar has made several requests to us for the exploitation of its forest resources jointly with China .... Importing timber from Myanmar has many advantages. Firstly, there are many species of trees, in good quality, obtainable at a cheap price; secondly using timber from this source can support the increasing demands from China’s domestic markets and reduce the amount of the forest cut in Southwest China, thus protecting our environment. Thirdly, we can develop our timber processing industries .... In fact, Myanmar is playing the leading role in compensating for the short-fall in the consumed volume of forest of Yunnan.”

Chenwen Xu, academic, 1993

BOX 1: KEY FINDINGS

- In 2003-04, timber was the SPDC’s third most important source of legal foreign exchange amounting to about US$377 million.
- By 2004-05, forest products were the SPDC’s second most important source of legal foreign exchange, amounting to US$427.81 million and 15% of the total.
- In 2003-04, a minimum 1.3 million m³ RWE of timber exports, almost two-thirds of the total, were illegal according to Burmese law.
- The vast majority of timber illegally exported from Burma is destined for China.
- The value of the timber illegally exported from Burma is equivalent pro rata to an import value of roughly US$300 million.
- In 2003, 96% of China’s imports of logs and sawn wood from Burma entered China’s Kunming customs district overland.
- In the same year, China recorded imports of 1.3 million m³ RWE of timber from Burma; about 98% of this trade was illegal.
- The illegal cross-border timber trade has increased by almost 60% between 2001 and 2004.
- Large parts of forest along the China-Burma border have been destroyed, forcing the logging companies to move even deeper into Burma’s forests in their search for timber.
- The destructive logging and illegal timber trade take place with the full knowledge and complicity of the SPDC, the Chinese authorities and ceasefire groups.

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

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

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

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

The cross-border timber trade is almost entirely illegal according to Burmese law (see ‘7 The Illegal Burma-China timber trade’, pages 19-28). Global Witness researchers have seen timber being trucked into China at numerous locations, from Gongshan in the north to Ruili further south, despite the fact that there is only one legal export point on the border. Vast quantities of timber were seen stockpiled in towns all along the border, in particular Pian Ma and Houqiao. Indeed, Chinese customs data indicate that between
800,000 m³ and 1,000,000 m³ of timber was crossing this border annually throughout the same period; almost all of this multi-million dollar trade is illegal. The importation of this timber is also illegal according to Chinese customs and quarantine laws. The illegal nature of the logging operations run by Chinese companies in Burma and official Chinese support for the trade is having an adverse impact on China’s standing in the international community.

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

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

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

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

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According to the World Commission on Environment and Development, sustainable development is: “Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”
PART ONE: THE CASE FOR CHANGE

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

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

6 REGIONAL STABILITY AND TRADE

“We helped the Chinese people at the time of war, whereas the Chinese hesitated to support the Kachin people in times of crisis, instead they exploit our natural resources.”

Community leader, Kachin State, 2004

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

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

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

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*The G8 comprises: Canada, France, Germany, Italy, Japan, Russia, the United Kingdom and the United States.*
Yunnan Province, led a delegation to Burma and signed a further 11 trade agreements, including timber deals. In 1991, a SLORC delegation visited Yunnan Province to discuss, amongst other things, cooperation on forestry. This reciprocal visit took place prior to the KIA/O ceasefire but after the NDA(K) ceasefire. In December 2001, Jiang Zemin, the then Chinese President, paid a state visit to Burma. During this visit, seven documents on bilateral cooperation, including the exploitation of natural resources, were signed. Three years later, in March 2004, Chinese Deputy Prime Minister, Wu Yi, visited Burma, to further push the development of China-Burma economic and trade ties; 21 new agreements were signed. Yet more trade deals were signed in Kunming on 4 July 2005; in this most recent case the deals were worth US$290 million. The two countries also agreed to raise the bilateral trade volume to US$1.50 billion by the end of 2005.

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

New Burmese Foreign Minister Nyan Win visited Beijing in late April 2005, where he met with the Chinese Foreign Minister Li Zhaoxing. Following the meeting, Minister Li Zhaoxing said that the Chinese government would expand cooperation in various sectors including the economy, trade and drug-control. The prime beneficiary of all these trade talks has been Yunnan Province. In 2004 trade between Yunnan Province and Burma amounted to US$400 million, a 25% increase from 2003, according to Chinese statistics. Yunnan’s exports to Burma totalled US$240 million while its official imports from Burma amounted to US$160 million. In April 2005, over 100 officials from Yunnan Province paid a three day visit to Kachin State “to boost border trade and transportation projects implemented by Chinese companies”. The entourage of Yunnan officials led by Mr Kon Ku Chung, Vice Chairman of Yunnan Provincial People’s Congress, had been invited by then Northern Regional Commander Maung Maung Swe, but also met with the Kachin Independence Organisation (KIO), the NDA(K) and Kachin Defence Army (KDA). A month later, in late May 2005, the Governor of Yunnan Province, Xu Rongkai, visited Rangoon and discussed “boosting of normal and border trade” with Lieutenant-General Thein Sein.

This trade is likely to increase with the Chinese construction of two highways linking China and Burma: Tengchong-Myitkyina, to be finished at the end of 2005 at a cost of 180 million yuan (US$21 million), and Shangleng-Bhamo to be completed in 2006 at a cost of 28 million yuan (US$3 million). Bhamo is the northernmost point at which the Irrawaddy River is navigable by transport barge. According to a Yunnan Commerce Department official, reconstruction of the two highways will be, “conducive to regional economic cooperation and exchange.” A stable and prosperous Burma is in China’s national interest, in particular stability in the border regions.
Until 19 October 2004, General Khin Nyunt was
Prime Minister, head of the Directorate of Defence
Services Intelligence (DDSI) (formerly Military
Intelligence (MI)), and Chief of the Office of Strategic
Studies (OSS) (the political wing of the Tatmadaw).
He was instrumental in brokering ceasefire
agreements with armed ethnic opposition groups,
and took a lead in foreign relations; he was also close
to the Chinese government.20 Khin Nyunt was
regarded as the main moderniser and supporter of
incremental reforms.275 He also sat on at least 15
working committees.20

However, on 19 October, General Khin Nyunt was
removed from his post as Prime Minister and head of
MI. State-run television announced that he "was
permitted to retire" for health reasons and that he
would be replaced, in his capacity as Prime Minister,
by Lieutenant-General Soe Win.21 Later, in a speech
on 24 October, General Thura Shwe Mann28 — now
widely regarded as the third most powerful person
within the SPDC22 — stated that this reason had been
given only "out of regard for his [General Khin
Nyunt's] dignity and that of his family..." but
"there were other reasons". First, General Khin
Nyunt had "violated Tatmadaw discipline by his
insubordination." Second, he was alleged to have
been "involved in bribery and corruption."286

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

In the wake of his departure, the National
Intelligence Bureau,8 headed by Khin Nyunt and
perceived to be supportive of him, was abolished by a
decree signed by Than Shwe. Military intelligence
officers around the country have been detained.24 On
24 January 2005, the trials commenced in Rangoon
for 300 people linked to the MI, including two of the
former Prime Minister's sons.25

The new Prime Minister is considered to be a
hardliner and thought to be close to Than Shwe.
On 5 November 2004, it was reported that the home
and labour ministers had also been 'permitted to
retire'. The pair who were seen as allies of the former
Prime Minister were replaced by Major General Maung
Oo and U Thaung; also hardliners loyal to Than Shwe.26

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

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

Early 2005 has seen increased tension between
the top leaders of the SPDC32 with Vice Senior General
Maug Aye rumoured to be on his way out.33 In April
2005, it was reported that forty former associates of
Khin Nyunt and members of his Military Intelligence
(MI) were sentenced to prison terms ranging from 20
to more than 100 years.34 The future fate of Khin
Nyunt remains uncertain. Contrary to rumours that he
was being held high up in the Kachin Hills in a remote
military base near Putao, he was placed under house
arrest in October 2004 at his villa in Rangoon.

On 5 July 2005, he was transferred to Insein
Prison on the outskirts of Rangoon where, according
to press reports, his trial began in the form of a secret
tribunal. He was indicted on eight charges, including
bribery, corruption and insubordination for which he
received a 44-year suspended sentence on 22 July
2005.35, 36 The tribunal sentenced his sons, Zaw
Naing Oo and Ye Naing Win, to 68 years and 51 years
imprisonment for offences including import-export
violations, bribery and corruption. At the time of
writing Khin Nyunt's wife was also facing trial but her
fate remains unknown.37

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1 General Thura Shwe Mann has been tipped as a possible successor to both Maung Aye, as head of the army, and as a future Prime Minister.
2 The National Intelligence Bureau comprised the Military Intelligence Service, the police Special Branch and the Criminal Investigation Department.
6.1 Chinese government leadership: the key to conflict-resolution in Burma?

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

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

Unfortunately, for all parties concerned the process of national reconciliation has been very slow. In recent years this lack of political progress has translated into reduced support for the leadership of the ethnic groups. In Kachin State, this has been compounded by the fact that natural resources, including timber, have been rapidly exploited for the short-term profit of a few with no apparent long-term gain for the majority. This raises the worrying prospect of the disintegration of the ceasefires, and renewed instability on the border as the armed opposition groups seek to regain popular support. The success of the National Convention5, which at the time of writing was being attended by Kachin groups, is critical in this respect.

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

Given the historic closeness of this relationship one would have thought Chinese diplomacy in Burma would be exercised to benefit not only the Chinese people but also the people of Burma. Indeed, it was on a visit to Burma over 50 years ago that the late Chinese Premier Zhou Enlai defined the ‘Five Principles of Peaceful Coexistence’, the bedrock of all Chinese foreign policy: “mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other’s internal affairs, equality and mutual benefit and peaceful coexistence.” In June 2004 Chinese Premier Wen Jiabao, commemorating the 50th Anniversary of these principles, said: “China is not only a strong proponent but also a faithful practitioner of the Five Principles of Peaceful Coexistence. Enshrined in China’s Constitution, the Five Principles have long been held as the cornerstone of China’s independent foreign policy of peace.”

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

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

Because of Chinese closeness to both the regime and to the ethnic groups on the China-Burma border, the government of the PRC is uniquely placed to facilitate the process of national reconciliation, and to help the SPDC turn Burma into a “modern, developed and democratic nation.” Indeed, some feel that the Chinese are indebted to the Kachin people because they “helped the Chinese people in World War II, to liberate China from Japan.” How justified or widely held this view is, is open to debate, but the Chinese government does have a moral obligation to help resolve the political problems in Burma that it, albeit in a different incarnation, at one time helped both to create and to exacerbate. This would not amount to interfering in Burma’s internal affairs. On the contrary, such a position would be entirely consistent with the ‘Five Principles of Peaceful Coexistence’.
BOX 3: CHINESE FOREIGN POLICY AND CONFLICT IN BURMA

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

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

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

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

Soon after Independence from the British in 1948, the CPB led an armed rebellion against the government, determined to institute a communist state through armed revolution.

On 8 June 1950, China and Burma established diplomatic relations. However, in 1967, communist China broke off diplomatic ties, provoked amongst other things by US and Soviet interference in Burma and anti-Chinese riots in Rangoon. The Chinese Communist Party started openly backing the CPB, just over a decade after Zhou Enlai’s historic visit to Burma.

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

“China’s attitude to its neighbours (and the world) has fundamentally changed in the last two decades…whereas support for the CPB was about exporting ideology, now it’s all about economics, stability, and natural resource/energy security.”

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

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

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

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1. The CIA was backing Kuomintang (Chinese Nationalist) forces in Shan State.
2. The Soviet Union had welcomed the 1962 Ne Win coup and the "Burmese way to socialism".
6.2 Unsustainable logging, conflict and instability on the China-Burma border

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

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

The 1998 logging ban added to China’s unemployment problem. This, together with a general downsizing of the state-run forest industry and the withdrawal of forest sector subsidies led to job losses of 63,000 in Yunnan alone; nationwide 1.2 million people were laid off. Amongst China’s politicians and security forces there is mounting concern that the growing ranks of the unemployed represent a pool of discontent and a potential source of social instability. Burma’s forests are viewed, in this context, as an opportunity to find employment for some of these timber workers, in the main drawn from provinces beyond Yunnan. There are currently believed to be over 20,000 otherwise unemployed Chinese working as loggers and road builders in Kachin State. But the logging of Burma’s frontier forests is not sustainable. Tens, if not hundreds of thousands of Chinese workers currently employed in logging, transportation and road building in Kachin State, and in the timber processing industries of Yunnan Province and further afield, could soon lose their jobs unless the industry is put on a sustainable footing.

6.3 The spread of HIV/AIDS

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

International Crisis Group, 2001

UN agencies estimate that between 300,000 and 500,000 people in Burma have HIV, out of a total population of about 50 million. Burma’s National AIDS Programme puts the figure at 338,000 people...
infected by the end of 2004, a 91% increase since early 2002.\textsuperscript{54} 2.2% of pregnant women are infected, more than twice the benchmark of 1% used by the Joint UN Programme on HIV/AIDS (UNAIDS) and the UN World Health Organization (WHO) to identify a generalised epidemic. This puts Burma, along with Cambodia and Thailand at the top of the regional list.\textsuperscript{55} Kachin State has the highest rate of HIV/AIDS infections in Burma. In Myitkyina Township, 90% of male intravenous drug users have HIV/AIDS.\textsuperscript{56} Shan State is also badly affected. In 1999, it was reported that 6.5% of anti-natal clinic pregnant women in Muse, Shan State, very close to the border with Kachin State and on the China-Burma border, were infected.\textsuperscript{57}

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

There is a strong correlation between the incidence of HIV/AIDS in Burma and the presence of extractive industries including logging and mining, particularly on the China-Burma border. There are serious health implications for China as well as Burma, as most of the labourers are migrant Chinese workers. In fact, China’s HIV/AIDS epidemic started on the border in the town of Ruili, which boomed after the signing of border trade agreements between China and Burma in 1988 (see ‘9.3.1 Ruili’, pages 47-48). The first HIV infection in Ruili was detected in 1989 and by 2000 one in every hundred people was HIV positive.\textsuperscript{59} The speed and extent of HIV/AIDS spread throughout the Chinese population is compounded by the presence of truck drivers; timber and other natural resources being transported hundreds of miles from Burma to Kunming and sometimes as far as Guandong.

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

Seasonal migrant workers are particularly at risk of contracting HIV/AIDS. Working in the timber industry, and in the jade and ruby mining areas of Shan and Kachin States and Mandalay Division, these labourers are mostly young single men or married men living away from home. Commercial sex workers have
been attracted by the large pool of potential clients and have proliferated in these areas. This also increases the risk of infection. All the Chinese towns on the China-Burma border have large numbers of prostitutes servicing the logging industry. Alarmingly, an increasing number of young girls from Kachin State are reported to have been trafficked into China to work in the sex industry. Sex workers interviewed by Global Witness in towns such as Tengchong, Pian Ma and Dian Tan had a very poor understanding of how HIV/AIDS is contracted. They also claimed to move between towns every few months.

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

6.4 Opium, drug abuse and logging

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

In the late 1980s, after the collapse of the CPB, the heroin trade, like the logging trade, expanded rapidly. Burma is today the world’s second largest producer of opium after Afghanistan.

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

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

Not only can drug eradication schemes linked to logging have the opposite effect to the one desired, some schemes have been simply a guise for logging operations. For instance, the alternative development program of the Nujiang County to “help the NDA(K) eradicate drugs” has been used to help legitimise the logging operations of Chinese companies, with the assistance of the county and provincial governments of Nujiang and Yunnan. Nujiang is opposite NDA(K) Special Region 1 and KIO Special Region 2. In 1999, Mr Yang Yu of the Office of Nujiang Prefecture Narcotics Control Committee described the ways that his County Party Committee helped to eradicate drugs in NDA(K) areas: “Leaders of the county party did research time after time, and decided to open crossing points as an important way to prohibit drugs by developing border trade. They decided to open three international points, Pian Ma, Yaping and Danzhu …And to construct more than 500 miles of roads…”

Logging companies have built almost 700 kilometres of roads in NDA(K) territory, and the justification for opening international border points in Yaping and Danzhu can only be to facilitate logging and mineral extraction as part of the N’Mai Hku Project (see ’10.4.6 The N’Mai Hku (Headwaters) Project’, pages 66-67).

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

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

### 7 THE ILLEGAL BURMA-CHINA TIMBER TRADE

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

- Between 2001-02 and 2003-04 over 800,000 m³ (about 98%) of the timber imported annually to China across the Burma-China border was illegal. All cross-border teak exports throughout this period were illegal.
- The only legal point of export for timber across the China-Burma border is at Muse; many other routes are used illegally.
- The widespread cutting of softwood species in Kachin State and the associated cross border trade is illegal.
- The SPDC, and the ceasefire groups are all involved, to a greater or lesser extent, in the illegal logging in Burma and illicit cross-border trade to China.
- Timber cutting permits issued by the SPDC northern regional authorities, which allow logging ‘for local use only’, are routinely exceeded and the timber exported illegally to China with the full knowledge of the regional SPDC.
- The KIO acknowledges its part in the illegal export of timbers to China but would welcome any Chinese initiative to end the trade.

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

“It’s out of the question for China to satisfy its domestic demands by felling natural woods in the neighbouring countries – it never will.”

Lei Jiafu, Vice Head of the Chinese State Forestry Administration, January 2005

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

China’s economy currently stands at over US$6.4 trillion, 31 times larger than it was in 1978 and it continues to grow at about 9% per year. This makes China the world’s second-largest economy after the US. A growing economy, a reduction in domestic timber production and the progressive reduction in tariffs and non-tariff barriers to trade have all contributed to the increase in China’s timber imports. In 2003, China imported 42 million m³ RWE of timber; this excludes wood chips, pulp and paper. China is now the world’s second largest timber importer after Japan; both in total and of tropical timber (excluding Canadian exports to the US).

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

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

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

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

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

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k Global Witness estimate.
7.2 China’s international commitment to end illegal logging and associated trade

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

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

BOX 4: EU ACTION TO COMBAT ILLEGAL LOGGING IN BURMA

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

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

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

“Burma’s ministry of forests will scrutinise illegal timber trading both for local use and exports.”87 Burmese forestry minister, January 2005

Burmese figures for the financial year 2003-04 suggest that only about 18,000 m³ were exported across the China-Burma border, with an additional 27,000 m³ being exported via Rangoon.88 Chinese data, however, tell a completely different story. Official trade figures indicate that between 800,000 m³ and one million m³ of timber were imported from Burma annually between 2001 and 2004.

As Chart 2 opposite shows, in 2001-02, China recorded imports of just over 0.9 million m³ RWE of Burmese timber. In the same fiscal year the Burmese recorded only 0.02 million m³ RWE of timber exports to China. This represents a disparity of over 0.8 million m³ RWE, suggesting that around 98% of timber exports from Burma to China were illegal. At US$250 per cubic metre, illegal exports in recent years would be worth over US$200 million annually.89 This represents a massive financial loss to the people of Burma.

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

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

m The Chinese authorities recorded the import value for 2001 as US$80 million.
CHART 2: A COMPARISON OF BURMESE TIMBER EXPORTS TO CHINA AS REPORTED BY THE SLORC/SPDC AND BURMESE TIMBER IMPORTS AS REPORTED BY CHINA: MILLION M³ RWE

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

CHART 3: CHINA’S SHARE IN BURMA’S EXPORTS OF LOGS AND SAWN WOOD BY KYAT VALUE.

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

CHART 4: CHINA’S SHARE IN DECLARED WORLD IMPORTS OF TIMBER FROM BURMA: MILLION M³ RWE.

Notes:
1. The Burmese authorities record export earnings in kyat. However, the timber is frequently paid for in a hard currency such as the US dollar. The official exchange rate is roughly 6 kyat = US$1.
2. Source data for Burma’s exports to China in 2002-03 and 2003-04 has not been accessed (it does not appear to have been published yet); the two columns at the right hand side of the chart are hatched to reflect both this and the total value including China for those years.
3. Excludes fuel wood and furniture.
4. This chart excludes wooden furniture, the RWE volume of which is small relative to Burma’s other timber exports. It also excludes fuel wood.
contributed less than 3% of total timber export earnings (about 1,990 million kyat) (see ‘Chart 3’, previous page). This might in part be due to the type and quality of timber being exported to China. However, the main reason for the low percentage is that most of the trade with China is illegal, and as such does not feature in the Burmese statistics.

As Chinese imports of timber from Burma increase, both in real and in relative terms, so will the volumes of illegally exported timber. Importing country declarations indicate that China’s timber imports from Burma are increasing not only in volume terms but also relative to the sum of all other countries’ imports of Burmese timber (see ‘Chart 4’, previous page). In ‘A Conflict of Interests’ Global Witness reported that official statistics from China show that in 2000 China accounted for about 840,000 m³ RWE of Burmese timber, equivalent to just under half of world imports. Incidentally, this exceeded the total volume of timber exports, to all countries, recorded by the MCSO for the same year. By 2003, this figure had risen to over 1.3 million m³ RWE, an increase of almost 60% in three years, and accounting for almost 60% of recorded world imports of Burmese timber. Other nations for which Global Witness has data imported 820,000 m³ RWE in 2003, slightly less than that recorded in 2000.

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

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

In 2003 the Chinese authorities recorded imports of 1.3 million m³ RWE of timber from Burma. About 98% of this trade is illegal according to Burmese law. As such, it is inconceivable that the Burmese authorities would have supplied the documentation necessary to make the timber’s import into China legal with respect to Chinese law.

Both Chinese customs, and the Administration of Quality Supervision Inspection and Quarantine (AQSIQ), require that timber imports are accompanied by a valid certificate of origin. In addition, the AQSIQ require a valid quarantine certificate, from the country of origin, without which they will not issue their own quarantine documentation. This in turn, is required by customs before the goods can be released. Either the timber importers on the China-Burma border are failing to supply the required documentation to customs and AQSIQ, providing false documentation, or avoiding inspection by these agencies entirely – such
behaviour is contrary to Chinese Law. Accordingly, proper implementation of Chinese law would result in an almost complete halt to Chinese imports of Burmese timber across the Kachin State-China border (see the relevant legal provisions below).

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

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

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

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

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

Global Witness is not aware of any instance where the relevant laws and regulations have been used by the Chinese authorities to combat the illegal trade in Burmese timber.
7.4.1 Illegal importation of CITES-listed Himalayan Yew trees from Burma to China

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

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

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

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

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

The Chinese State Forest Administration (SFA) is mandated by the Chinese government as the lead agency for enforcement of CITES within China – both at the point of import and within the country. Under this remit the SFA is responsible for coordinating with other relevant agencies, such as customs and the Public Security Bureau, to enforce CITES. This includes enforcement in relation to the illegal importation of the Himalayan Yew tree across the China-Burma border.
BOX 5: LOGGING AND THE BEIJING OLYMPICS

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

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

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

Green Olympics is one of the ‘Three Themes of the Beijing 2008 Olympics’, and one of the main concepts of the Green Olympics is "to minimize the negative impact of Olympics on environment in line with the sustainable development ideas of protecting environment and resources, and ecological balance."\(^96\) These laudable aims will have been compromised if it is shown that timber logged unsustainably in Burma is being used in the construction of the Olympic village. Even if this is not the case the Chinese authorities should look seriously at the inconsistencies in their timber procurement policies; on the one hand promoting ‘Green Games’ on the other being complicit in the destruction of forests in Burma.
7.5 The illegal nature of the Burma-China timber trade (Burmese law)

“One thing for sure is, cross-border logging trade business is illegal, and it is done under the process of understanding between the authorities and the organizations. And majority of woods selling to China by cross border trade are not from legal concession.”

Senior KIO official, 2004

According to the Myanmar Ministry of Forestry there “was no export [of timber] to China across the border during 2001-02 and 2002-03.” However, according to Chinese customs statistics, during 2003 96% of China’s imports of logs and sawn wood from Burma entered China’s Kunming customs district overland (see ‘Chart 5’, below). The Chinese data are supported by Global Witness’ findings in the field along the China-Burma border. Unsurprisingly perhaps, neither the ceasefire groups, across whose territory most of this timber passes, nor the Chinese authorities, provide the Burmese Forest Ministry with “detailed records of the volume/value/composition of the cross border timber trade.” In addition, the Burmese authorities have told Global Witness that the only legal border checkpoint for the export of timber on the China-Burma border, is situated at Muse. However, in reality, large quantities of timber are crossing into China via at least 19 other routes, including the border towns of Pian Ma, Houquio and Dian Tan. (see ‘9 The timber trade on the China-Burma border’, pages 37-49).

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

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

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7.5 The illegal nature of the Burma-China timber trade (Burmese law)
Box 6: Forest Law Enforcement in Burma

Q: “How did you communicate with the army columns you met in the area?”
A: “We asked the name of the army column, and we went to see the commander of that column and negotiate with him. If we were in danger of being arrested, we had to pay them a lot of money and they would release us.” 141 Kachin logger, 2003.

Given the ethnic minority claims for some degree of self-governance and the fact that the government in Burma is not legally constituted, the issue of legality throughout Burma is not clear. This is compounded by the fact that the authorities do not consistently apply or abide by the law; when asked who made logging legal one villager in Kachin State responded: “The [Burmese] military government. If you have a good relationship with the generals, the military government, it’s still legal. But if you don’t have, it’s illegal. And from the KIO side, it’s the same as the Burmese.” 100

Box 7: Forest Values

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

The goal of forest zoning is to create a consensus-based platform for collective thinking, open to all interested parties and all options, on the best use for forested areas. The emphasis is on a participatory process and on negotiation, so that the proposed zoning plan reflects all social, environmental and economic values of forests as well as the expectations which are placed on them by different stakeholders at the local, national and international level.
He went on to say that the “protection of forests should be viewed from the vantage of the entire nation’s economic and social development…”107

Despite the Chinese government’s best efforts, widespread flooding was again being reported in July 2004: “After walking on foot for 12 hours, a Xinhua journalist arrived at Lushan Village of Zhina County, the area of Yingjiang County most seriously hit by the flooding. On his way to the village, Wang Changshan, the journalist, saw more than 200 road landslides. And more landslides are occurring as all bridges and culverts in the village have collapsed.”

Sixteen thousand people were trapped in Pian Ma, one of the main logging centres on the China-Burma border (see ‘9.1.2 Pian Ma’, page 40).108

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

8.1 China’s environmental commitments in the Greater Mekong Sub-Region (GMS)

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

Senior environmental officials and environment ministers from the six nations8 of the Greater Mekong Sub-Region, met on 24-26 May 2005 in Shanghai. The overall theme of the meeting was ‘Managing Shared Natural Resources for Sustainable Development.’ Mr Zhu Guangyao, First Vice Minister, State Environmental Protection Administration, of the PRC, delivered a keynote speech stressing the positive role that the PRC could play in addressing the region’s environmental challenges.110

One of the outputs of the meeting was a joint ministerial statement, in which the ministers resolved to intensify cooperation to sustainably manage and conserve their individual and shared natural resources. The meeting also endorsed an initiative to
launch a ‘Core Environment Program’ (CEP) by early 2006, as a development strategy to conserve natural systems in the GMS. The Biodiversity Conservation Corridors Initiative is a key component of the CEP, and is one of the approaches to “facilitate and contribute to the establishment of sustainable management regimes for restoring ecological (habitat) connectivity and integrity...”

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

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

8.2 The ecological importance of Burma’s frontier forests

“It makes no sense. On the Chinese side you have a region of protected forest, so the Chinese are just going across the border and logging in Burma. The clear loser is the environment.”

Peter Wharton, botanist, University of British Columbia, October 2003

Kachin State lies on the boundary of two of the world’s most biologically rich and most threatened environments: the ‘Indo-Burma’, and ‘Mountains of South Central China’ hotspots. The Indo-Burma hotspot is considered to be one of the eight hottest hotspots, whereas the South Central China hotspot is considered to be “very possibly the most biologically rich, temperate area on earth.” The Gaoligongshan mountain range lies where these two regions meet. This mountain range is largely protected on the Chinese side of the border by two national nature reserves: the Nujiang Reserve and the Gaoligongshan Reserve. In contrast, on the Burmese side there is no protection. Here the area is covered by the N’Mai Hku Project a massive logging and mining operation (see ‘10.4.6 The N’Mai Hku (Headwaters) Project’, pages 66-67).

The ‘Northern Triangle Temperate Forests eco-region’ is situated in the mountainous north of Burma, in Kachin State. The Chindwin, Mali Hka, and N’Mai Hka rivers originate in these mountains and flow south to converge in their lower reaches to form the Irrawaddy River. The rugged terrain combined with recent political instability make this one of the least explored places in the world. Current assessments of the biodiversity in this area are therefore probably underestimates. According to the World Wide Fund for Nature the region “presents a rare opportunity to conserve large landscapes that will support the ecological processes and the biodiversity within this eastern Himalayan ecosystem.”

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

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1 Hotspots are regions that support at least 1,500 endemic species, and which have lost more than 70% of their original habitat. There are 25 global hotspots.
characterised by Nepalese Alder (*Alnus nepalensis*), Birch (*Betula cylinrodrachya*), Chestnut (*Castanopsis spp.*), Needlewood (*Schima spp.*), Callophyllus spp., Michelia spp., and Bucklandia populnea. Rich epiphytic rhododendron shrub vegetation is also common. Above 2,100 m, broadleaf forest gives way to mixed forest comprising species of Oak (*Quercus*), Magnolia, Acer, Prunus, Holly (*Ilex*), and Rhododendron, in addition to Sargent Spruce (*Picea brachytyla*), Himalayan Hemlock (*Tsuga dumosa*), Sikkim Larch (*Larix griffithiana*), and Coffin Tree (*Taiwania flousiana*). Typical shrub flora includes species of Acer, Berberis, Clethra, Enkianthus, Spindle Tree (*Euonymus*), Hydrangea, Photinia, Rubus, Rhododendron, Birch (*Betula*), and Whitebeam and/or Mountain Ash (*Sorbus*).

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

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

Concerns have been raised over the SPDC’s involvement in environmental initiatives - and it has been argued that the regime is only interested in conservation to the extent that it can gain political legitimacy. It has even been suggested that environmental rhetoric is used a platform to enable state control of “indigenous insurgent territory.” Others disagree, but irrespective of the regime’s motivation, genuine consultation and participation in any decision making process would be essential.
8.3 Environmental impacts in northern Burma

“You won’t find a single tree standing there if it continues as now – everything will be cut down.”

— Chinese businessman, Baoshan Prefecture, Yunnan Province, 2004

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

In the last three years, cold and wet weather in the N’Mai Hku area has resulted in crop failure. This unseasonable weather has coincided with increased deforestation in the area but may be unrelated. Nevertheless, local people, who have come to rely on food aid organised by religious groups, think that it does have something to do with the logging.

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

“As floods move downstream, residents are left with polluted wells, a dearth of clean drinking water, waterlogged residences and high risk of waterborne disease.”

The Myanmar Times, 23–29 August 2004

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

Villages along the N’Mai Hka and Irrawaddy rivers were worst hit. Logs and stones in the water made matters worse.127 Details of the full scale of the disaster and the extent of the devastation are not known however, in part because in Kachin State the immediate response of the military authorities was to claim that the flooding was a normal occurrence, and to deny all reports of casualties and damage.128 Three local residents who filmed, and subsequently distributed footage of the flooding were detained for three days by the local SPDC authorities. They were subsequently released, but only after the intervention of a prominent local church leader.129

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

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

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

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

On 6 June 2000, Chinese Foreign Minister Tang Jiaxuan and the then Burmese Foreign Minister U Win Aung signed the ‘Joint Statement Concerning Framework Document on Future Cooperation in Bilateral Relations between the People’s Republic of China and Federation of Myanmar.’ Both sides agreed to “further strengthen cooperation in trade, investment, agriculture, fishery, forestry and tourism on the basis of equality and mutual benefit…”.

Further, according to a later statement made by Hu Jintao, the Chinese President, China follows a policy of “…bringing harmony, security and prosperity to neighbors.” China should be ensuring that any logging carried out in Burma benefits not only Chinese logging companies and processing facilities, but also the people of Burma.

However, the cross-border timber trade has completely failed to achieve the desired mutual benefit. On the contrary, the trade appears to be both opportunistic and predatory and enriches only a few individuals. Local people in Burma derive little direct financial benefit from the logging industry and are frequently worse off as a result of the presence of Chinese logging companies. Companies granted the right to log in Kachin State also have the right to control other logging activity. The companies rarely allow villagers to cut timber in the areas that they control, eliminating one potential source of income for local communities. In many cases, the logging companies do not employ local people, favouring Chinese workers instead. Villagers cannot even trade with the loggers because most of their supplies, including food, are brought in from China. The lack of any significant downstream processing industry in Kachin State compounds the problem.
BOX 8: A PERSONAL ACCOUNT OF THE IMPACTS OF LOGGING

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

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

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

We are also losing financially; we are being exploited.

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

I left my hometown in 2002. I remember that all mountain ranges were completely covered with trees. But when I went back in 2004, my hometown had changed. The dam remained unfinished. But this time, I saw electric poles in the village. I hope they will be able to finish in this year. At the same time, I feel very sorry because now all the mountains are almost bald. They built a road through my village. The road gets very dry in summer so that all the houses, especially those by the road, are covered with dust. The dishes in kitchen have to be washed because of the dust. Clothes cannot be hung outside after they have been washed because they only get dirtier. In rainy season, the road becomes muddy and slippery. I heard some people are complaining about the situation. However except for complaining they can do nothing. They have no voice.

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

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

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

Promises of development frequently fail to materialise. In one recent example, a Chinese businessman looking for a logging concession in N’Jangyang Township approached the War Office of the Central KIO Committee. The concession was given to him on the basis that the logging company would provide for the needs of a nearby village. Once the concession was awarded, it was sold onto the Jinxin Company. The Jinxin Company began building an irrigation system for the village at the same time as it began logging. However, investment in the irrigation system was small in relation to the number of trees cut down and only seven families actually owned irrigated farmland. The villagers felt cheated and subsequently prevented Jinxin from extracting timber before the end of the logging season. The Jinxin Company has since attempted to regain access to the forests by negotiating with the villagers. The 68 families asked for 150,000 kyat (US$170) per family.\(^\text{228}\)

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

The trade imbalance reflects poorly on people’s perception of China in the region or as one restaurant owner in Burma put it: “Myanmar is the resource pit of China,… We send our best wood to them, our best gems, and our best fruit. What do we get? Their worst fruit and their cheapest products.”\(^\text{139}\)

Once the natural wealth of Kachin State has been exhausted, not only will any real prospect for sustainable development in this area have vanished, but the underlying causes of conflict may well still remain, perhaps even exacerbated by this plunder.
Global Witness’ research suggests that large tracts of forest adjacent to the China-Burma border have been almost entirely logged out. As a result, Chinese logging companies have had to move deeper into Kachin State to source their timber, increasing extraction costs and reducing profit margins. To compound the problem, extraction costs in northern Kachin State would appear to have been initially underestimated. Here, options for developing new logging sites are more restricted than in the south, because of the sparse road network and lower standard of road maintenance. In the northern prefectures of Yunnan Province many investors are struggling to recover their initial investment. Indeed, some timber traders spoken to by Global Witness feel that the era of rapid exploitation of Burma’s forests may soon come to an end.9

Softwoods are being imported for construction. Veneers that overlay cheaper boards are also consumed by the Chinese domestic market. Higher value logs are made into furniture, flooring, and decorative mouldings and then exported. Analysts suggest that it is the international export market that is largely driving the Chinese logging in Burma.83

Global Witness carried out an extensive study of the China-Burma border timber trade in 2001 (see ‘A Conflict of Interests’, pages 85-91). In early 2004 and 2005 Global Witness investigators returned to the border to ascertain the extent of the current cross-border timber trade; Nujiang, Baoshan and Dehong prefectures of Yunnan Province, which all border Kachin State, were visited. The number of sawmills and large wood-processing plants has increased in the Chinese

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border towns since 2001. Local and regional authorities in Yunnan Province have been keen to strengthen trade with Burma, including the cross-border timber trade. With this in mind they have continued to invest heavily in infrastructure providing funding to build and upgrade roads leading to the border and in some instances across the border into Burma. Most of these are important log transportation routes. All except three of the logging roads leading from Burma to China, visited by Global Witness in 2004, were in the process of being upgraded. The volume of Burmese timber imported by China has also increased significantly (see ‘7.3 Illegal timber exports from Burma to China – a statistical analysis’, pages 21-23).

Timber from Kachin State constitutes the majority of the cross-border timber trade along the China-Burma border. It is easier to determine exactly where the timber originates as you move north along the border. For instance, timber imported to Fugong or Gongshan (see ‘9.1.3 Fugong’, page 41 and ‘9.1.4 Gongshan’, page 42) is cut within 40 km of the border, the extent of road construction. Further south, as the road network improves, timber imported to Hoquio or through Laiza may originate from Sagaing Division, Shan State or even lower Burma. Teak, tamalan and other valuable species are usually sourced far from the border.

It is interesting to note, however, that despite the prosperity of the Chinese border towns relative to those in Kachin State, even they are not benefiting from the cross-border timber trade to the same extent as places such as Guandong and Shanghai. The relative lack of investment compared to these towns has left the Chinese communities on the border vulnerable to the vagaries of the timber trade; something that could be mitigated by a shift away from the over reliance on Burma’s natural resources.
9.1 Nujiang Lisu Autonomous Prefecture

Nujiang Lisu Autonomous Prefecture is located at the juncture of northwest Yunnan Province, northeast Kachin State and southeast Tibet. It is renowned for its exceptional biodiversity, part of which is protected by the Gaoligongshan Reserve. The area remains one of the least developed in Yunnan, despite a 52% increase in the prefecture’s Gross Domestic Product (GDP) between 1997 and 2001. The prefecture government is therefore keen to further develop cross-border trade and to attract inward investment in infrastructure, tourism and mining. This includes a contentious 13 dam hydropower project on the Nujiang River. A number of Non-Governmental Organisations (NGOs) working in conservation, poverty alleviation and health have been attracted to the region.

The cross border timber trade has boomed in recent years, in part due to the introduction of the Natural Forest Conservation Programme (NFCP) throughout China in 1998. Official trade data show, according to an analysis by the environmental organisation Forest Trends, that timber imports from Burma into Nujiang Prefecture increased 756% between 1997 and 2002, from 36,000 m³ to 308,300 m³. Nujiang imported more than a third of the 876,865 m³ of timber imported into Yunnan from Burma during 2002. This trade has attracted several tens of thousands of migrant workers, mainly from Sichuan.

Despite the boom, however, or perhaps because of the boom, as timber extraction costs increase because of dwindling forest resources close to the border, the industry faces the prospect of decline in the near future. Interviews carried out by Global Witness in Nujiang in April and November 2004 suggest that the timber trade in this part of Yunnan Province may not survive much beyond the next 3–5 years.

9.1.1 Liuku

Liuku is the capital of Nujiang Lisu Autonomous Prefecture and an important banking and administrative centre for the timber trade. Log traffic from the N’Mai Hku Project (see ‘10.4.6 The N’Mai Hku (Headwaters) Project’, pages 66–67) and the border port of Pian Ma passes through Liuku en route to Dali. In 2001, there were only 10 sawmills and relatively few log stockpiles in Liuku.

Little had changed by 2004 although there were more cars on the roads and the people looked generally more affluent. The largest sawmill in Liuku, the Nu Jian Hong Ta Chang Quing wood factory, is a joint venture between a Malaysian company (60%) and the Chinese state owned Hong Ta Group (40%). Global Witness researchers did not visit this company in 2004.

North of Liuku, on the road to Fugong, a road branches westwards towards Burma, from the small town of Bihpu between border-posts 27 and 28. The road leads towards the large standing forests in the southern N’Mai Hku area. Although construction of the road, and a bridge over the Nujiang River, commenced in 2002 it has not yet been completed. Rough terrain and high costs at 200,000 yuan per km have hampered progress.
9.1.2 Pian Ma

“The Chinese understand ecological balance. The Burmese don’t know how to protect their forest.” Chinese log truck driver, Pian Ma, 2004

Pian Ma was the busiest logging town visited by Global Witness in 2004, accounting for 94% of the annual timber imports into Nujiang Prefecture, at approximately 290,000 m³; approximately one third of total imports of Burmese timber into China. The town is home to about two thousand people, with a floating population in 2003 of 37,000 mostly involved in logging in Kachin State. This followed the granting of logging concessions to the NDA(K), which control the area opposite Pian Ma, as part of its ceasefire deal. The number of sawmills operating in Pian Ma has increased since 2001 from over 80 to about 100. The largest of these companies are the De Long Forest Resource Co. Ltd, Jinxin Co. [Pian Ma Enterprises Department] (see pages 26, 59, 61, 69), the Hong Sen Company, and Yuan Dong (see ‘A Conflict of Interests’, page 86). In addition 10 sawmills have been set up on the Burmese side of the border but it is not clear who is operating these mills.

The town of Datianba lies opposite Pian Ma on the other side of the border in Kachin Special Region 1 (NDA(K)). However, most of the timber here appears to be imported through the village of Kangfang.

The road network north of Kangfang is being expanded by the NDA(K) to access forest stands opposite Fugong County in the N’Mai Hku area. The new road to Langse will be extended to Kangkung for mining, and to facilitate increased mobility of the NDA(K) and arms transport. In 2001, the logging companies were operating 70 km from the border. Logging roads now extend up to 120 km into Kachin State and are in poor condition. It would appear that the timber trade peaked in 2002. People interviewed by Global Witness in Pian Ma reported that their own businesses, and those of their competitors, had been in decline for two years and that some traders had already left. Several market stallholders said that they too would leave next year if business did not pick up. In early 2004, the NDA(K) increased its log tax from 200 Yuan (US$24) to 300 Yuan (US$36) per m³. Increased transportation costs, together with a drastic reduction in the number of high value species, low prices, and increased competition has led to several companies facing a fall in profits of between 30% and 50% in the last 2 years. Flooding and erosion in July 2004 only added to the problems. Some of the larger companies are struggling to recover their initial investments.
9.1.3 Fugong

Fugong is the capital of Fugong County in Nujiang Lisu Autonomous Prefecture. Large stands of forests exist on the Burmese side of the border adjacent the area north of Fugong towards Gongshan, and to the south towards Kangfang. Despite KIO contracts stipulating selective felling, some clear cutting of trees has taken place close to the border. Most logs are stored temporarily about 5 miles from the La Cholo/Yaping Bridge, along the Yaping Path towards Burma, before being shipped to Kunming. However, at the time of Global Witness’ visit few logs were left because the road to Burma had been closed for several months during winter. Eight of the larger buildings on the site, some of which contained very basic one-room flats, housed truck drivers and military personnel during the logging season. Log trucks are also repaired here.

However, earlier predictions that this town is set to become a major log trading and processing centre akin to Pian Ma, utilising timber from the N’Ma Hku Project, have yet to materialise. The few sawmills that there are in the area complain about falling timber prices, low quality wood and that they are struggling to do business. Global Witness researchers found three sawmills, which, because of the time of year, had little timber.

According to a number of people involved in the trade, the logging companies operating in Kachin State opposite Fugong are experiencing operational difficulties. The steep terrain is subject to landslides, and the high altitude roads are blocked by snow from November to April. In the three-year period between 2001 and 2003, the Huaxin Company was only able to extract 20,000 m³ a year, and according to local timber trade employees future annual logging volumes are unlikely to exceed 30,000 m³. Indeed, workers in the timber trade have estimated that only 30,000 m³ of timber entered Fugong from Burma via the Yaping Path throughout 2003.

Several hundred workers harvesting medicinal plants and working for the Yunseng Group pharmaceutical company access Burma from the logging roads. Gold miners also use this road for access.
9.1.4 Gongshan

Gongshan is located north of Fugong in the upper Nujiang Valley in Gongshan County and surrounded by snow-capped mountains. NGOs and government officials are working here to protect and restore the extraordinary ecology of this area.157

The local government is known to have close relations to the NDA(K), which controls the area on the Burmese side of the border. Ting Ying, the most senior NDA(K) general, is a frequent visitor to Gongshan.158, 159 Gongshan has developed rapidly in the past few years and is becoming increasingly involved in logging Kachin State, but it is still one of the poorest towns in the prefecture. There were no large log stockpiles or log trucks in town when Global Witness visited partly because of the time of year. However, some 30 minutes ride along a mud track, where the Danzhu Path starts, Global Witness researchers did find large log stockpiles. Here trucks could be seen being loaded with logs for onward transportation.

The Danzhu border path, part of the N’Mai Hku Project (see ‘10.4.6 The N’Mai Hku (Headwaters) Project’, pages 66-67), runs from Gongshan Town to the China-Burma border, and was constructed jointly by a number of Chinese prefecture departments. In 2001 it was being used to carry small amounts of timber;145 by April 2004 it extended more than 40 km into Burma. The right to extract timber along the road, which is blocked by snow for six months of the year, is controlled by the ‘Gongshan Danzhu Border Development Company of Yunnan Province’, which was co-founded by the Gongshan County government.

Six companies pay the county government to extract timber from Burma via the Danzhu path.159 This provided Gongshan County with 1 million Yuan (US$120,000) in revenue in the 2002-03 period.

Timber imports have risen quickly since the road opened. According to official figures, 4,500 m³ of timber were imported in 2001-02, rising to between 21,000 and 25,000 m³ in 2002-03. This was expected to rise to 40,000 m³ in 2003-04.159, 160 The Gongshan Department for Border Trade estimates that the timber will last for at least another decade.159

According to several sources, much of the trade however goes unrecorded and several sources informed Global Witness that this unrecorded trade is illegal according to Chinese law.152 The Danzhu Path supplies logs for three sawmills in and around Gongshan with some logs being processed in Fugong. Most of the logs and sawn timber are destined for Guangdong and Shanghai, via Kunming. Landslides frequently block the road from Gongshan to Liuku during the rainy season. In November 2004, between 50-100 hundred logging trucks were leaving Gongshan every day, each carrying 20-30 m³ of timber from Burma.147
9.2 Baoshan Prefecture

*Near the border there are no trees, so we have to go farther and farther* *241* Chinese timber trader, Yunnan Province, 2004

Local officials estimate that Baoshan Prefecture imports between 100,000 and 150,000 m$^3$ of timber from Burma each year, including many high value species such as teak, tamalan and walnut. However, in volume terms this is the lowest of the three border prefectures.152 The supply of timber to this area is likely to increase in the coming years due to improvements in the transport infrastructure funded by Chinese logging companies and Chinese county governments in Burma, and in part by the Asian Development Bank (ADB) in Yunnan Province. A marked increase in the number of wood processing plants has taken place here in recent years and it is thought that the neighbouring ports of Houqiao and Dan Zha will account for the bulk of this trade in the future.144, 152

9.2.1 Tengchong

Tengchong County is an important centre for the processing and onward shipment of timber to places such as Guandong, Shanghai and Kunming.144

During 2003 and 2004 another four large timber-processing plants opened at the Stone Mountain Industrial Park on the outskirts of town, in addition to the two factories visited in 2001. These include the Lin Rui Woodworking Factory, the China Yunnan Tengchong Chengxin Woodcraft Company Ltd, the Teng Chin Wood Factory and the Tai Hua Wood Factory. The four factories employ more than 1000 workers between them making doors, window frames, wood flooring and panels. Global Witness researchers saw many log trucks passing through town but no large log stockpiles.152

Much of the timber processed in Tengchong is for the export market. The Yunnan Chun Mu Wood Limited Company for instance exports to Japan and Taiwan as well as Guangdong and Shanghai. This company has an annual turnover of 5-10 million yuan (US$595,000-1,190,500).161

According to China Yunnan Tengchong Chengxin Trade Company’s website the 15,000 square metre factory boasts “the most advanced” production line in China. This high precision, highly efficient, automated production line was imported from the Swedish ARI Company. The drying equipment was supplied by the New Zealand-based Windsor Company. Company products include wooden doors and sawn wood for furniture and other processed products. It has fixed assets worth 22 million yuan (US$2.6 million) and employs in excess of 400 people. The company claims to use mainly imported logs from “Myanmar (Chinese teak, keruing, red birch, cherry wood, Chinese hemlock, black walnut, shuidonggua, Chinese anigre, maple, cypress, mahogany, teak, tamalan, etc.)”162

Chengxin has received numerous awards, for example: the ‘Green Construction Products’ award in June 2002 from the China Lumber Association; the ‘Good Quality and Harmless Green Products’ awards from the China Lumber Circulation Association; and the ‘Trustworthy Award’ from the China Consumer Protection Fund.162
Given that statistics would indicate that less than 2% of the cross-border trade is legal (see ‘7.4 The illegal nature of the Burma-China timber trade (Chinese law)’, pages 23-25) and the fact that most of the timber imported into Tengchong does not come from the only legal export point at Muse,146, 151 it seems unlikely that the Burmese timber used by this, and other companies based in Tengchong, is of legal origin let alone sustainably harvested. Global Witness has not, however traced the exact origin of the Burmese timber used by Chengxin and has not ascertained whether it is in fact legal or illegal.

Companies, such as ARI should end the provision of milling and other high-tech equipment to Chinese wood-processing companies operating on the China-Burma border which cannot demonstrate the legal provenance of timber used in their factories.

9.2.2 Gudong

Gudong Town is located at the junction of the Tengchong to Dian Tan road, the road to Tze Tze and the road to Guyong/Houqiao. In 2001, there were approximately 100 small relatively crude sawmills in the town.145 Trade increased throughout 2001 and 2002 but although the town still appeared to be booming when Global Witness researchers visited in 2004, they were told that the business climate was beginning to cool. The town is small compared to towns such as Tengchong, but a large hotel had been built and several main roads upgraded since Global Witness’ last visit. The number of sawmills had also increased. Timber is processed into flooring and furniture and shipped from here to the rest of the country, predominantly to Shanghai and to Guangdong.152

9.2.3 Guyong

Guyong town is situated northwest of Tengchong near Houqiao. Guyong receives logs from Houqiao and the nearby port of Danzha. There are a few wood processing factories between Danzha and Guyong, including a charcoal making plant.152 People in Guyong remain optimistic about future trade prospects.

9.2.4 Houqiao

The town of Houqiao is the only border port in Baoshan that has been designated as a national-level checkpoint by both the Chinese and the Burmese authorities.146, 152 It is located opposite the Kambaiti
border pass, and is linked to Tengchong by a good road. Houqiao, and the nearby port of Danzha feed into Guyong and are emerging as two of the most important ports for timber import on the border. One local trader spoken to by Global Witness in April 2004 estimated that 100,000 m³ of timber are imported into Houqiao each year. Much of the timber arriving in these towns originates in the Southern Triangle (see '10.4.4.1 The Southern Triangle', pages 61-62) where logging operations have expanded rapidly since 2004. The number of sawmills and log stockpiles has also increased substantially since Global Witness’ last visit in 2001.

9.2.5 Dian Tan

Dian Tan is located opposite the Pangwah Pass and Pangwah Town, the headquarters of the NDA(K). Many areas close to the border have been logged out and companies are now working up to 130 km from the border. According to local timber traders, a round trip, which is not possible for five months each year due to the rainy season, takes three days. Concession fees have also increased, but some of the timber traders interviewed by Global Witness remain optimistic. For instance the road to Tengchong is being upgraded. The project, which started in 2004 and is due for completion within two years, will reduce transportation costs between Dian Tan and Tengchong by 30 yuan (US$3.6) per m³, from 50 yuan (US$6) to 20 yuan (US$2.4). Current imports stand at between 70,000 and 80,000 m³, down from 100,000 m³ in 2000. In addition, a wide range of valuable timber species is imported via Dian Tan. This makes the trade more robust and allows for greater flexibility than is possible in towns such as Pian Ma further north. The number of sawmills has increased from the 70 documented by Global Witness in 2001, to between 80 and 90 in 2004. Many log piles were seen at the mills north of town. Facilities at the industrial park, in the centre of town

Sawmills in Dian Tan, Yunnan Province; 2004.
by the river, have also improved. The park now houses about 20 newly-built medium-sized wood processing factories.152

Global Witness researchers also visited the border checkpoint, about 2 km from Dian Tan. From the Chinese side of the border the casino, frequented by Chinese timber traders, and the bank in Pangwah could clearly be seen. The border crossing is watched over by Chinese border guards but no one guards the Burmese side.

9.2.6 Tze Tze

Tze Tze is a small town located in the northern part of Baoshan Prefecture 10-15 km from the Burma border. A minimum 10,000 m³ of timber are imported into Tze Tze, from areas between 30 and 100 km inside Burma, each year.167, 168, 169 Most of the timber is processed in the Tze Tze before being transported to Kunming and beyond. Global Witness researchers saw one large log stockpile close to the border where trucks were being loaded for onward transport. Pian Ma-based companies also log the forests, which are accessed by four roads from Tze Tze. The terrain in this area is not as steep as it is in Pian Ma.

Private companies, mining lead and zinc in Kachin State, have paid for the construction of several roads from Tze Tze to Burma.170, 171
9.3 Dehong Dai Jingpo Autonomous Prefecture

Dehong Dai Jingpo Autonomous Prefecture is the most southerly of the three prefectures bordering Kachin State. Areas of Kachin State adjacent to Dehong Prefecture are controlled in part by the KIO, the SPDC/Tatmadaw and some small militias. A relatively good road network connects Bhamo in Kachin State to other parts of Burma including Lashio in northern Shan State.

Dehong has two national level and two provincial level checkpoints as well a number of smaller border crossings to Kachin State, and to Shan State. The border trade is more diversified than further north. Timber which originates from KIO-controlled areas, and areas controlled by other ceasefire groups and by the SPDC, is a principal component of this trade. This is made possible here because the road to the border links up with the road network in Burma proper. As a result the timber trade is more stable than further north and a larger number of species can be imported.

According to official figures, Dehong Prefecture imported 259,503 m$^3$ of timber in 2002. However, there has been little change in the level of timber imports since 2001, with the exception of an increased volume being imported into Yingjiang Town. Yingjiang and Ruili are the key logging hubs and are fed by a number of smaller towns adjacent to the border.

9.3.1 Ruili

“Still, Meng [a timber trader based in Ruili] has no trouble getting a fresh supply. Using one of two cell phones, he simply calls a contact that he identifies as a member of a ‘rebel government’ in Burma’s Kachin State. ‘I call, and 24 hours later, the truck comes to deliver,’ he says. Simple as that: one more chunk of the world’s ancient rain forests rumbles into China, ready to be cut, sawed and shaped in the service of the world’s fastest-growing economy.”

A Reckless Harvest, Newsweek, January 2003

Ruili looked more developed than when last visited by Global Witness, but the timber trade appeared to have changed little since 2001. This large town, and the corresponding border port of Jiageo, is a major border transit route linking Yunnan with Burma along the old Burma Road. Not only is the timber trade thriving but so is the trade in petrified wood, also exported illegally from Burma.

In December 2004, a China-Burma border trade fair was held at Ruili exhibiting amongst other things value-added timber products from Burma. According to press reports a deal was stuck between Burmese and Chinese traders for the export of US$360,000 worth of products including 600 tons of wooden sculpture and 300 tons of furniture manufactured by five cooperatives in the country’s Mandalay and Sagaing divisions.

Muse, the Burmese border port opposite Jiageo,
close to Ruili, is controlled by the SPDC. Burmese ‘Ka Pa Sa Pa’ militias also control a number of smaller crossings along this stretch of the border. The road network extends from Muse to Bhamo in Kachin State, and to the south through Lashio towards Mandalay and lower Burma.

The economies of Ruili and nearby Wanding boomed shortly after the 1988 border trade agreements between Burma and China. The border trade attracted large numbers of small traders, businessmen, truck drivers, sex workers, and construction workers. Ruili is infamous for contraband, drug trafficking, prostitution and the high prevalence of HIV/AIDS (see ‘6.3 The spread of HIV/AIDS’, pages 16-17). The timber trade remains one of the most important parts of the cross-border trade in this area. One sawmill owner who Global Witness spoke to manufactures wooden handles for hammers made from Burmese timber and exports them to Germany.152, 175

The village of Nong Dao has at least five sawmills and a few small log storage areas.152 The road from Nong Dao, east towards Ruili, was heavy with log traffic in early 2005. More than 100 log trucks were seen on the road during a five hour period. An additional estimated 100 empty log trucks were parked along the road.176

It is not only timber trucks that cross the borders of Burma and China at Ruili. In late May 2005, it was reported that more that 200 Chinese military trucks, apparently bought as part of a 1000 truck consignment by the SPDC, crossed the border into Muse.177

9.3.2 Zhangfeng

The timber trade has been in decline since 1998 but has now levelled out. One sawmill owner, based a few hundred meters from the border crossing, estimates that about 20,000 m³ of timber cross from Burma each year. Some of the timber originates in areas 50 km inside Kachin State, cut by both Chinese and Burmese logging companies. Timber imported at Zhangfeng also comes from SPDC and Wa-controlled areas further to the south.178 Zhangfeng is likely to become a more important route for the timber trade when the Zhangfeng-Bhamo highway is completed in 2006.19

9.3.3 Ban Li

Log storage areas cover several hectares at the small village of Ban Li situated by the river, which delineates the border between Burma and China. It was clear that huge piles of logs had been stored in Ban Li but most of them had, at the time of Global Witness’ visit in April 2004, been removed. A few remaining logs were seen being loaded on to trucks by Chinese workers prior to being transported to Kunming. Logs can also be seen being hauled across the river during the dry season, as was the case when Global Witness revisited the area in 2005.

A settlement, Npaba, has been established on the banks of the river on the Burmese side of the border. It is here that the KIA/O taxes the timber before onward transport to China. Round hardwood logs simply pass through, but smaller square-cut teak logs are stored for a short while prior to being measured by the KIA/O authorities. A new paved road is being constructed so that Ban Li can be reached both from Nongdao junction and from a side road to the Yingjiang-Ruili road. This ‘loop road’ was due to be completed in 2004. A small stockpile of timber apparently from Burma was seen on this road during Global Witness’ visit in 2004.152
9.3.4 Yingjiang

Yingjiang receives a steady supply of timber from Burma via the main feeder towns of Car Zan and Laiza, close to the headquarters of the KIA. A provincial level checkpoint has been established between Laiza and the Chinese town of Pingyuan. Major construction work of the road from Yingjiang to Laiza on the Kachin side of the China-Burma border was commenced in mid-2003 and was scheduled to be complete by the end of 2004. This will facilitate increased border trade via this already busy border crossing. Smaller amounts of timber cross the border via the towns of Laozhaiza, Hong Bom He, Xima and Sudien. Transportation costs have increased and the number of sawmills has fallen slightly since 2001. Tree roots, some domestic timber and endangered yew trees imported from Burma were also being processed in 2004.

9.3.5 Car Zan

Car Zan is an important logging town, with between 20 and 30 sawmills, and has been associated with the timber trade for the past ten years. Two unpaved roads led from here into KIO-controlled areas. The roads were being upgraded at the time of Global Witness’ visit in April 2004. Large timber stockpiles, including illegally imported teak were also seen. There was more teak and tamalan here than anywhere else visited by Global Witness. However, timber traders said that they were concerned about the future, because forests close to the border had been logged out and because of increasing SPDC influence in the area. Apparently the SPDC keep tighter control over the sale of the more valuable timber species.

9.3.6 Sudien

The large log storage area at Sudien was opened in 2003. At least 75 log trucks were stationed here by the end of the logging season, when Global Witness visited in early 2004. Several large log stockpiles were also seen. However, only a few sawmills have been built so far. Fifty to seventy small shacks on the outskirts of the town function as offices, truck stops and housing for truck drivers and timber traders.

9.3.7 Longling

Longling town located 20 km north of Mangshi, the nearest airport to Ruili, and to the east of the border towns, is home to several wooden plank manufacturers. It is also the starting point for many mule and horse caravans, which carry high value timber from border posts 17, 18, 19 and 22 on the China-Burma border. The caravans also come from Pajau Bum via the Chinese town of Xima.
10 KACHIN STATE

"Within some years all the natural forest will be destroyed. My heart was very sad when I saw what was happening in this area. All the trees had been cut down. It is not good. It is terrible." Chinese botanist upon visiting Kachin State, adjacent to Baoshan, 2004

Resource-rich, and hemmed in by two of the most populous nations in the world – China and India – Kachin State has been transformed from a marginalised war-torn region of northeast Burma, to a natural resource storehouse for development in China. This transformation has taken place against a backdrop of relative peace, which removed many of the obstacles to resource exploitation that existed during the insurgency period. Prior to the ceasefire deals, territorial control was relative, mostly undefined and subject to change, with many areas being contested. The armed ethnic opposition groups control specific regions. Territory outside defined ceasefire areas, which amounts to most of Kachin State, is largely administered by the SPDC.

There are two armed opposition groups in Kachin State, the KIA/O, the NDA(K); the KDA is based in northern Shan State. Of these groups the KIO is more strongly politically motivated than the other two, which are better described as militias driven by economic motives. The KIA/O is by far the largest. It is also seen as the main Kachin movement for nationalist aspirations, and has enjoyed more widespread support than the both the NDA(K) and the KDA. Far greater expectations therefore, have been placed on the KIO leadership, to negotiate a political solution with the SPDC, than other Kachin groups. Before a political settlement can be reached the SPDC has told the ceasefire groups that they must wait until the National Convention has drafted a constitution, and a new government is formed.182

The KIO has put a greater emphasis on developing the areas that it controls than either the NDA(K) or the KDA. Road and dam building projects, however, have met with mixed success. In part this has been due to lack of technical expertise and poor management, but also what would appear to be deliberate obstruction by the SPDC.269

After the ceasefire, the KIO’s main source of income shifted from jade to logging, and to a lesser extent gold mining and border trade. It also has a number of small businesses initiatives under the Buga (‘native land’ in Jingpaw Kachin) Company; including an official profit-sharing joint venture with the SPDC for logging teak.

Unfortunately, in recent years increased corruption within the KIO, much of it related to natural resource extraction, has subverted its functional and political capacity; to conduct public works, to maintain political direction and to oppose the SPDC, and provide an alternative to it. According to several sources spoken to by Global Witness the KIO has become less cohesive and the rank and file more disillusioned and frustrated as a result.183 This has been compounded by perceived failings relating to the lack of political progress at a national level.

The NDA(K), which is closely allied to the SPDC, is far more business orientated. Since the ceasefire, the NDA(K) has aggressively expanded its economic interests in Kachin State.

10.1 A brief history of conflict in Kachin State

“All these ceasefire organisations are now focussed on money. When the CPB put the focus on money, they were destroyed. So money has destroyed these organisations." Kachin community leader, 2004

The KIO was formed in 1961 in northern Shan State by a number of Kachin students. They took up arms against the central government because of grievances over discrimination by the Burman majority, and because of the economic marginalisation of Kachin State. The decision of the U Nu government to declare Buddhism as the state religion, and the ceding of several Kachin villages to China during a border demarcation agreement, also played an
important role. The rebellion spread quickly and the KIO, together with its armed wing the Kachin Independence Army, assumed control of 15,000 square miles and more than 300,000 people, funded in part through its control of the Hpakant jade mines. In the early 1990s, the KIA had between 6,000 and 7,000 troops, plus militias. The invasion of the CPB from Yunnan Province into northern Shan State led to the CPB’s establishment of its North East Command in areas along the Chinese border. The CPB offered the KIO support in arms and ammunition from China if it accepted the CPB’s political leadership. The KIO refused, and in 1968 heavy fighting broke out between the KIA and the CPB, which lasted until 1976, when the two organisations signed a ceasefire. In the same year the KIO was a founder member of the National Democratic Front (NDF).

KIA/O troops based in the Kambaiti region, led by Ting Ying, split from the KIA/O in 1968 and joined the Communist Party of Burma, becoming CPB 101 War Zone. In December 1989, following the collapse of the CPB, the 101 War Zone renamed itself New Democratic Army (Kachin) and agreed a ceasefire with the SLORC; the NDA(K) had about 800 soldiers. The NDA(K) area, referred to by the SPDC as Kachin State Special Region 1, comprises inaccessible territory on the Chinese border between Kambaiti and Hpimaw passes. NDA(K) headquarters are at Pangwah on the Chinese border.

The major source of income of the NDA(K) consists of logging, gold mining and agriculture. Since the split, relations between the NDA(K) and the KIO have been tense, and in some cases have led to fighting (see the following).

In 1991, the KIA’s 4th Brigade separated from the rest of the KIA and signed a ceasefire agreement with the SLORC. The group renamed itself the Kachin Defence Army and became an official government militia force. The KDA does not control any border regions. At the time of the ceasefire the KDA had an estimated 2,000 troops. The development region assigned to the KDA is referred to by SPDC as northern Shan State Special Region 5. Its headquarters is at Kaung Kha. Sources of income of the KDA include logging, and reportedly also opium.

The KIO signed a ceasefire agreement with the SLORC in February 1994. The SPDC refers to the KIO/A controlled area as Kachin State Special Region 2. The Kachin Independence Army headquarters are located at Laiza, the KIO at Laisin near the Chinese border; but there are KIA camps throughout the state.

10.2 The nature of the ceasefire deals
At the time of writing, it is thought that 28 armed opposition groups have entered into ceasefire agreements with the SPDC; two based in Kachin State. ‘Ceasefire Group’ is a catch-all term for those groups that have struck ceasefire deals with the SLORC/SPDC. The deals are seen by many as the first step towards peace: generally, under the terms of these deals ethnic forces have been allowed to keep both their territories and their weapons, but they are required to end recruitment and the procurement of armaments. Some groups, for instance the KIA/O, have a written ceasefire agreement but none of the agreements have been placed in the public domain and their precise content remains a mystery.

Contrary to what might be expected, the ceasefire deals in Kachin State have resulted in a more overt military presence. For instance, in 2001 it was reported that a day’s drive west and south of Myitkyina many army camps could be seen that were not present before the 1994 KIA/O ceasefire agreement with the SPDC. By 2003, the number of Tatmadaw battalions in the townships around Bhamo had trebled from four to twelve; as one Kachin community leader put it: “this sign does not mean peace.”

However, the ceasefires have led to an end to open fighting, a significant decrease in the loss of life, forced portering, rape, and torture. Local
communities have been able to partly re-establish themselves without daily violent interruptions. Kachin State has witnessed a resurgence of civil society groupings and networks since the ceasefires. The emergence of stronger community-based organisations as well as church networks, development NGOs, and youth, women’s and environmental groups represent a more participatory approach to social and political organisation than those of the military and the insurgency. To some observers they constitute “one of the most dynamic aspects in an otherwise bleak political scene”.

As part of the ceasefire deals, the SLORC/SPDC promised aid for undeveloped areas and to this end set up the Border Area Development Program in 1989, later upgraded to a government ministry, with an emphasis on building basic infrastructure. Sixty-five percent of the SLORC/SPDC’s ‘Border Area Development’ budget is for roads and bridges, with little directed towards health and education. Roads, deemed by many to be a key development indicator are being built by the SPDC, the armed opposition and the Chinese, connecting the centre to the border areas. This means that the SLORC/SPDC has potentially more control over the remote regions. It is also no coincidence that many of the roads result in better access to areas rich in natural resources. As these frontier areas are rapidly opened up, Kachin State is becoming increasingly vulnerable to predatory Chinese logging companies that have no interest in development.

Some ceasefire leaders felt it important to launch high-profile development projects, not only because they were much needed, but also as way of demonstrating progress after the ceasefires. Since 1997 for instance, the KIO has been involved in two hydroelectric power schemes, the Mali Creek hydropower scheme and the Dabak River dam (see ‘Box 10: Power stations in exchange for logging rights’, page 59). Money has been made available by the central authorities in Rangoon to fund development but it has been far from adequate. In many cases, therefore, the ceasefire groups have been forced to barter natural resources for development: in Kachin State logs have been exchanged for new roads. In many instances the road building has been supported by local communities but there has been little or no consultation as to how they should be paid for.

The SLORC/SPDC has also encouraged the ceasefire groups to engage in business. For instance in early 2005 it was reported that the bulk of tax levied at three border crossings with China is allocated to ceasefire groups. According to the report, 75% of the border tax collected by the Nakatha Unit at Kambaiti Pass is for the NDA(K). The same applies to the KIO at Laiza and the Kokang based at Chin Shwehaw.

Whether the SPDC’s support for increased involvement by the ceasefire groups’ leaders in business and development projects is entirely altruistic is not clear. Such initiatives can and have benefited the local people, but they have also consumed much time and energy and have exposed the leaders to criticism when projects have fallen short of expectations. Indeed, the SPDC has been accused of undermining some legal KIO business ventures and development initiatives. This has been achieved, for example, by blocking the transportation of necessary equipment from Rangoon, and by refusing to allow cross-border trade agreements between the KIO and local authorities in Yunnan Province. The SPDC has also thwarted attempts to boost tourism in Kachin State by restricting visitor access to KIO-controlled areas.

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The Nakatha (Border Commerce) comes under the auspices of the Economy and Commerce Ministry, which coordinates between its immediate superior the Prime Minister and the Trade Policy Council, headed by Vice Senior General Maung Aye. Founded on 11 January 2005 it replaced the Nasaka established by General Khin Nyunt. The Nakatha units are made up of five components: Customs, Immigration, People’s Police, Myanmar Economic Bank and Internal Taxation.
10.3 Kachin nationalist movement in turmoil

The Kachin nationalist movement has been plagued by strife and division for years, especially since the death of the charismatic KIO president Brang Seng in 1994. Recently, this has manifested itself as power struggles within the KIA/O and between the KIA/O, the NDA(K) and the KDA.

In the last four years, there have been two coup attempts within the KIO. At the same time both the SPDC and business elements, including Lasang Aung Wa and Lawa Zawng Hkawng, have been backing Zahkung Ting Ying, the leader of the NDA(K), to make a more assertive bid for the Kachin leadership. The NDA(K)’s attempted rise to power is closely linked to its enrichment through the logging trade and other enterprises such as gold mining.

The most recent coup attempt took place on 7 January 2004 at Pajau, the old KIA/O headquarters by the Chinese border. The plan was to replace Nban La, Chief of Staff of the KIA, with the KIO intelligence chief, Colonel Lasang Aung Wa. However, the coup failed, resulting in a major split and Lasang Aung Wa fleeing to NDA(K)-held territory at Pangwah, taking about 100 KIA soldiers with him. Brigadier-General Hpauyam Tsam Yan Vice Chairman of the KIO, and others were placed under arrest at Laisin Bum, the KIO headquarters.193, 194

There has been much conjecture about what led to the coup attempt. One theory is that the coup leaders felt the KIA/O had become too economically dependent on the SPDC, that they wanted to break this dependency and to boycott the National Convention. It has also been suggested that they wanted closer ties with both China and with the West.195 Others suggest that control over logging revenue and territorial control of the remaining areas with valuable timber, especially in the N’Mai Hku area, was at the heart of the dispute.196 Several Kachin sources have told Global Witness that Nban La is a key KIO figure in the illicit log trade, so much so that the KIO leadership might not be in a position to put an end to his business activities.197 Interestingly, Nban La’s adopted Chinese son, Lau Lu, is involved in opening the Triangle Region to logging (see ‘10.4.4.1 The Southern Triangle’, pages 61–62).

On 26 February 2004, one of the people responsible for suppressing the coup, Colonel Lazing Bawk was killed. Speculation was rife that his death was linked either to the power struggles within the KIO, or to business disputes between the KIO and Chinese real estate and logging companies.198

The KIO, led by Lamung Tu Jai, and the breakaway group, led by Colonel Lasang Aung Wa, and the NDA(K) entered into negotiations in September 2004.193 The meetings held at NDA(K) headquarters in Pangwah, and two months later in Myitkyina, resulted in an agreement, brokered by members of the Kachin Nationals’ Consultative Assembly⁷ (KNCA), and included a full amnesty for the splinter group and a common pledge to strive towards a strong and united KIO.199, 200, 201

On 10 December 2004, Ting Ying’s vehicle was bombed. He escaped injury but the NDA(K) was quick to blame the KIA/O, an accusation which the KIO swiftly denied. There has been speculation that the attack was linked to infighting in the KIO and that some of Ting Ying’s own people were behind it.202, 203 A joint NDA(K)/KIA/O investigation into the assassination attempt has, however, been agreed.203

In March 2005, Nban La was replaced as KIA Chief of Staff by the KIO’s General Secretary, Colonel Gunhtang Gam Shawng. Lasang Aung Wa sided with Ting Ying, having failed to win over much support from within the KIO.192 Both Ting Ying and Lasang Aung Wa were in Myitkyina in March 2005, attempting to promote a new alliance, the Kachin Solidarity Council (KSC), as an alternative to both the KIO and to the KNCA. The Tatmadaw provided round-the-clock security for the visit but the KSC was short-lived, and Lasang Aung Wa and

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⁷ According to one senior Kachin official the KNCA’s aim is “to guide the politics of the Kachin people, to organise the KIO, NDA(K) and KDA to become one platform, to become one idea.”
his group have since joined the NDA(K). There are parallels here, with the SPDC’s backing of divisions within other nationalist movements, such as the Democratic Karen Buddhist Army against the mother party Karen National Union (KNU), and the Mong Tai Army and against the Shan State Army. This infighting probably has more to do with personal advancement than ideological differences. Despite the rivalry, however, the three Kachin ceasefire groups have been cooperating in constitutional preparations. The KIO in particular, has been a lead actor at the National Convention throughout 2004 and 2005, and was one of 13 ceasefire groups that put forward ideas for devolved rights and self-government for the ethnic minority states. Nevertheless, while the jockeying for power and position continues, and the armed opposition groups compete for control over forested areas, the prospect of sustainable forest management in Kachin State looks dim.

BOX 9: LOGGING AND THE NEW CONSTITUTION

In May 2004, the SPDC put forward its blueprint on legislative powers and taxation, for the new constitution, some relating to natural resource management, including forests. For their part, opposition groups called for alternative legislative and taxation arrangements, in some instances parallel to national powers and in others, for national powers to be switched to a regional level.

On 9 June 2004, thirteen ceasefire groups submitted a proposal that contained, *inter alia*, the suggestion that forests and other natural resources should be managed at a regional level and, therefore, that legislative powers relating to forest management should be moved to the regional level as well. These groups also wanted to be free to raise taxes from all hardwood extraction, other than teak, which they conceded would be in the domain of the national administration.

The proposals were, however, unacceptable to the SPDC. After several meetings, the final outcome was that forest-related legislation will continue to be the responsibility of national government. In addition, taxes can only be raised at a regional level for the following: timber (except teak and designated hardwoods), and forest products including firewood, charcoal, rattan, bamboo, birds nest, cutch, thanatkha, turpentine, eaglewood, and honey-based products.

In some instances SPDC concerns about the extent of decentralisation have some validity. For example, shifting responsibility for conservation to the regions would make it difficult for Burma to meet some of its international obligations, such as those set out in CITES. It is also true to say that many other countries manage their natural resources at a national level. However, it is essential that the SPDC understands the role that control over, and access to, natural resources has played in conflict throughout Burma. And the SPDC must act accordingly if it is to reach a lasting solution, to both the conflict and to natural resource management, with the armed ethnic opposition groups.

Irrespective of whether the forest exploitation is controlled at a national or regional level, it is important that the forests are managed in a just, equitable, transparent and sustainable manner. The people must benefit in tangible ways such as through improvements in health care and education. Legislative changes, and forest policy reform, must include meaningful public consultation and participation by forest-dependent communities.


10.4 Logging in Kachin State

“Only a few people in Kachin benefit from the trade. The local people of Kachin get a little to eat and for livelihoods but most of the money goes to the officials.”241 Chinese businessmen involved in the logging industry, Baoshan, 2004

Contrary to what might be expected, the KIA/O’s ceasefire agreement does not address natural resource exploitation;204 it is not known whether this issue was discussed in relation to other ceasefire arrangements. It has been argued that to do so would have entailed ceding a degree of legal control to the KIO, which was not an option so far as the SPDC was concerned. “According to Myanmar law the SPDC owns all forest”, and, incidentally, all the land.269 The timber trade has boomed in the years following the suspension of fighting. This has been for two main reasons: Chinese demand for timber and poor governance in Kachin State.

Logging in Kachin State is complex, opaque, and rarely in the hands of a single group. Although the ceasefire groups are the main brokers of natural resources in areas under their control, they are to a certain extent acting as proxies for the SPDC, striking deals in the context of those made between the SLORC and the Chinese government in the late 1980s. The central SPDC authorities, the regional SPDC and front-line SPDC troops also play crucial roles. Indeed, most of Kachin State is in the hands of the SPDC. It is also thought that armed loggers, probably Kachin and some led by Chinese companies, operate in Kachin State beyond the control of both the KIA/O and the SPDC.205

According to the Chinese, working in ceasefire areas is inherently unpredictable.206 The instability means that the long-term viability of logging operations is rarely considered as the companies try to make as much return on their investment as quickly as possible. This, and the absence of effective regulation, is disastrous for the forests.

The way in which the ceasefire groups behave is determined to some extent by the political and economic circumstances in which they find themselves. A mixture of uncertainty and greed has sometimes led to a situation of ‘natural resource fatalism’, whereby the justification to control and liquidate natural resources is founded on the conviction that the natural resources will in any case be lost.

However, in June 2002, the KIO Central Committee issued a statement saying that: “…all illegal logging must be stopped other than concessions legally approved by the Central Government, (Myanmar) to be used by the KIO for raising funds for various development projects such as road construction and the development of hydroelectric projects.” This statement was a welcome development but it has yet to have any real impact. Logging continues throughout Kachin State, some of it sanctioned by the KIO/A leaders contrary to the law, some of it conducted by KIA troops effectively beyond the control of their leaders and yet more carried out by the Tatmadaw. It should also be noted that the ‘legal’ logging referred to in the above statement may be every bit as destructive as the illegal logging taking place in Kachin State.

Timber trucks queuing up by the NDA(K) checkpoint in Pangwah, Kachin State; 2004
10.4.1 Territorial control and logging within Kachin State

“Three thieves are involved in the timber trade: the KIO, the SPDC and China”269 Comments attributed to Nhan La, former Chief of Staff of the KIA, date unknown

More than three-fifths of Kachin State is nominally under the control of the SPDC, the remaining territory remains in the hands of the ceasefire groups.207 The KIO and the NDA(K) control most of the border areas and crossings on the China-Burma border north of Ruili. The Kambaiti-Hoquiou border port is controlled jointly by the NDA(K) and the SPDC, Loije-Layin is controlled by the SPDC and Mai Ja Yang-Zhangfeng is controlled by the KIO. Roads that pass through areas controlled by ceasefire groups may also be subject to SPDC influence.

Ceasefire groups manning the border gates tax timber passing through to China, but this timber may not necessarily have come from forests under their jurisdiction. KIO sources claim that ceasefire-controlled areas are exhausted and that the majority of timber that the KIO taxes comes from SPDC areas such as Shwegu, Mohnyin, Bhamo, Momaung, Sinbo and the area between the Kaukwe River and the border.208 Timber traders, working in the ceasefire area controlled by the Paulang State Liberation Party/Army in northern Shan State, regard the SPDC checkpoint at Muse as too unpredictable and prefer to use the KIO border crossing.208

The Northern Command and front-line Tatmadaw perform essential organising or facilitating roles and scant commercial resource extraction occurs in Kachin State without the SPDC, at different levels, being paid off. For example, a KIO source stated that the KIO could not stop the SPDC from allowing logging in SPDC-controlled area in Loije; the KIO had prohibited the cutting of small trees here but the SPDC permitted the logging.209

The SPDC has also altered administrative boundaries to facilitate logging in favour of the NDA(K) to the detriment of the KIO, and ceasefire groups struggle to control resource rich areas that have been no-man’s-land. This competition over the control of resources is a source of factionalism and leads to violent struggles within and between the combatant groups.210 The NDA(K) is understood to be in the process of aggressively expanding its logging activities into both the Southern Triangle2 (see ‘10.4.4.1 The Southern Triangle’, pages 61-62) and the N’Mai Hku area (see ‘10.4.6 The N’Mai Hku (Headwaters) Project’, pages 66-67), as it controls few remaining forested areas.211, 212 This is being done with the permission and possible encouragement of the SPDC and with the cooperation of the Tengchong County government,206 despite the fact these areas were, according to the KIO, assigned to them in their ceasefire agreement with the regime.195

The expansion has created tension between the KIA/O and the NDA(K), which is possibly what the SPDC intended. One community leader was of the view that, “The Burmese expect if they [KIA and NDA(K)] fight against each other, they will come as referee man, and they will take over the area like they did in Mongko.”aa, 212

The situation is complicated or as one resident of Kachin State put it, “Every personnel from the ceasefire groups and the government are involved in the logging, either directly or indirectly. They gain much money, and are looking for personal benefit rather than their own institution.”213

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2 Formerly N’Jangyang Township, this is an area that lies between the N’Mai Hka and Mali Hka rivers, north of their confluence to the Hkrang Hka River.

aa This relates to infighting amongst the Kokang.
10.4.2 The KIO and logging in Kachin State

“The KIO as an organisation was very poor, no money for them, but individually they are rich.” Kachin community leader, 2004

The KIO Department of General Affairs is responsible for the forest in KIO administered areas, including reforestation. The timber business is overseen by the Economic Department, under Minister Hkum Naw, and supervised by former Chief of Staff of the KIA Nbana La, and Gau Ri Zau Seng. Most KIO income from logging derives from gate passes and customs duties levied on timber, collected at the numerous checkpoints on major roads into China. Although the KIO has no trained foresters, one at least of their senior staff has participated in a short forestry course. They have also expressed a desire to learn more about sustainable forest management, including the possibility of closer cooperation with the Myanmar Timber Enterprise (MTE), the Forest Department (FD), and with the Chinese. The KIO already cooperates with the Forest Department in the Hukawng Valley. The KIO claims that the vast majority of timber cut in Kachin State is cut in SPDC controlled areas with SPDC permission; both official and unofficial (see ‘10.4.5 The SPDC and logging in Kachin State’, page 63-65). Permits that authorise the logging of timber for local use are granted by the SPDC Office for Administration, which until August 2005, was under the control of Northern Regional Commander Maung Maung Swe based in Myitkyina. In turn, these permits are widely abused: more timber is cut than stipulated in the permit and the majority of the timber is illegally exported to China. Local SPDC units facilitate and benefit from the illegal trade, as do the KIO.

The KIO have told Global Witness that they feel powerless to stop most of the logging; that to do so would risk confrontation with the SPDC who sanctioned the logging in the first place. For example, in November 2003 the KIO claimed that they would have stopped 50 log trucks owned by Jadeland in the Bhamo area on the Laiza road because the trucks were heading for the border, but the timber was ‘for local use only’. However, the trucks had an SPDC troop escort and the KIO let the trucks pass to avoid open conflict.

It is true that taxing the timber trade at the border accounts for a large proportion of KIO income, but this is justified by the KIO as merely taking advantage of a situation that they say they are powerless to stop. The KIO would rather the forests were managed sustainably, and are apparently willing to forgo this income were the Chinese government to close the border to this lucrative trade. In early 2005, Senior Officials within the KIO informed Global Witness that their current involvement in logging is strictly tied to the financing of a few major development projects: the Mali and Dabak Dams and the Myitkyina-Bhamo road. Typically, the KIO Economic Department grants the logging concessions through other departments such as the War Office. In the case of the N’Mai Hku project the central KIO office granted a 15-year concession to the Huaxin Company, to log in steep alpine forests involving huge Chinese investment (see ‘10.4.6 The N’Mai Hku (Headwaters) Project’, pages 66-67).

Senior KIO officials argue that the bulk of the money raised from logging goes directly to pay for health and education, not otherwise covered by the SPDC authorities, and on development. It is entirely possible that this is the case, but the proportion of the money generated by logging and used in this way is disputed. It is a view held widely in Kachin State that much of the money is misappropriated by corrupt officials, within the KIO, and does not benefit the Kachin people as a whole.

Other sources within the KIO tell a different story, that the KIO is far more involved in logging than the leaders would like people to believe. In the Eastern Division, for example, all levels of the KIO

hhhh Maung Maung Swe was replaced by Major General Ohn Myint of the Coastal Command in a direct swap. Interestingly, one of Major General Ohn Myint’s first actions in his new position was to announce that logging in three specific forest reserves in Kachin State is prohibited.
grant annual concessions, some official and some unofficial, amounting to about 300 in total.218 
Typically this is lowland evergreen forest where less investment is required. There are also concessions for cutting rattan (cane)141, 220 and for the collection of medicinal herbs and forest products.219 The cutting of luxury species such as teak and tamalan is usually prohibited.220 Although local KIO offices may keep an eye on operations this does not equate to proper management.221

Each year Chinese company agents negotiate timber prices and extraction costs such as road building, labour and transportation with the concessionaires (current and ex-KIO officers and Kachin businessmen). However, it is thought that corrupt officials and soldiers manning checkpoints take most of the money generated by the trade.222

In the Eastern Division some concessionaires have formed ‘area business committees’, corresponding to particular checkpoints.

Membership fees of between 20,000 yuan (US$2,380) and 30,000 yuan (US$3,571) are pooled and used to cover logging costs and bribes. Each committee appoints one person to negotiate protection money with the SPDC officials posted in the area. Profits are distributed in proportion to the initial investment.209 Concessionaires often borrow capital from Chinese creditors, which is then repaid in logs at a price fixed by the creditor marginally less than the market price.141 This is a similar arrangement to the Chinese logging companies that borrow capital and who are obliged to sell logs to the creditor.208

On 1 June 2002, the KIO Central Committee announced that: "those that needlessly destroy the forests are the enemies of all the people."223 However, what amounts to needless destruction is open to debate and the logging of Kachin State continues apace. (For more information on the KIO and logging in Kachin State, see ‘A Conflict of Interests’, pages 99-100).
BOX 10: POWER STATIONS IN EXCHANGE FOR LOGGING RIGHTS

In 1997, the KIO initiated the construction of two large hydro-electric power stations, the Mali Creek hydropower scheme and the Dabak River dam, to improve the electricity supply situation in Kachin State. Eight years later, in January 2005, the KIO was in negotiations with the SPDC-owned Electric Power Cooperation Kachin, regarding the purchase of electricity to be generated by these plants.

The Jinxin Company, which has bases in both Tengchong and Pian Ma, is the largest logging company operating in Kachin State. It is this company that has been the main contractor for the construction of both dams. Work is being carried out in return for logging rights to timber in the area, worth millions of dollars. The dams are being built with the permission of the SPDC, which also gave permission for the logging in the upper Dabak region to pay for the schemes. Global Witness has been told that the N’Mai Hku Project (see ‘10.4.6 The N’Mai Hku (Headwaters) Project’, pages 66-67) is also seen by the KIO as a way to pay for the dams and other development projects.

No limit has been imposed on the amount of timber that can be extracted, but the SPDC has stipulated that the timber must be shipped via Rangoon port. Given the geography of the region this is highly impractical; the timber is instead exported directly to nearby China. The KIO contend that the SPDC is aware of these problems but is actually seeking to force them to act illegally in order to discredit the organisation.

According to the KIO, the company has already logged most of the area assigned to it in the agreement. At the time of writing neither dam has been completed, despite the value of the timber, already exported to China, exceeding the cost of the Mali project and half that of the Dabak project. Ara La, the man in charge of managing the projects, and former leading member of the KIO, left the KIO in disgrace in the wake of a corruption scandal surrounding the dam construction.

Following pressure from the Yunnan provincial government, Jinxin has agreed in principle to complete Dabak. Whether or not Jinxin is asked to finish the Mali dam depends on their performance at Dabak. It is feared that more timber will have to be felled in order to pay for further work.

Inner view of the Mali Hydro-electric power plant; November 2004

Construction of the Mali Hydro-electric power plant is far from complete; November 2004
10.4.3 The NDA(K) and logging in Kachin State.

“There is no proper rule of law on the other side of the border. Here everything is regulated but on the other side of the border, they have their own ways of going about it.”

Chinese businessman, Baoshan Prefecture, Yunnan Province, 2004

The most destructive logging in Burma is believed to take place in areas controlled by the NDA(K). As early as 1994 most of the forest in the hills surrounding Pangwah had been cleared, this destruction has now spread to other previously forested areas. For instance, the NDA(K) controls the forest opposite the large Chinese logging town of Pian Ma (see ‘9.1.2 Pian Ma’, page 40). In 2004, some of the most damaging logging was centred around the forests surrounding the Leshin Bridge, one of the NDA(K)’s most important timber trade taxation points, on the road from Pangwah to Pian Ma. More recently, the NDA(K) has been expanding its logging interests aggressively into areas outside its control, leading to conflict with the KIO/A (see ‘10 Kachin State’, pages 50-69).

Logging concessions are given to members of the Central Committee who in turn negotiate with logging companies through the NDA(K) Financial Department. Both the NDA(K) and the prospective concessionaire send experts to determine the value of a given concession: companies may purchase a whole mountain. Areas that are to be clear-cut generally cost more than those subject to selective felling but where this is the case the cost of the timber is included in the price. In contrast to the general prevalence of annual concessions in KIO areas, some logging companies working in NDA(K) areas have concessions for up to 15 years.

An agreement with the NDA(K) however, does not guarantee a trouble-free operation for the logging company. For instance in NDA(K) areas concessions often overlap and are subject to cancellation. Logging companies may also have to negotiate with the local strongman, and local NDA(K) soldiers are known to extort various fees and gifts from logging companies. On 11 May 2003 the NDA(K) Central Council of Peace and National Unity, and the Central Economic Commission, issued an order limiting the collection of taxes to border gates and prohibiting the collection of unofficial taxes. However, extortion by NDA(K) soldiers remains pervasive: “Now, even a small [lowly] soldier will go on his own initiative and ask the Chinese working in the area for ‘tea money’.”

NDA(K) soldiers have on occasion turned violent. In one recent incident several NDA(K) soldiers who were drunk allegedly killed a Chinese worker by flogging him to death. According to a Chinese timber worker, the NDA(K) had to address this problem with local Chinese officials in Tengchong. Global Witness has received other unconfirmed reports that NDA(K) soldiers were responsible for the deaths of six Chinese loggers in early 2004. They were among a larger group of loggers that had been working in areas nominally controlled by the KIA/O, which were subject to an attempted takeover by the NDA(K). The NDA(K) threatened the loggers, forcing them to return to China across the snow-covered mountains in northern Kachin State, where they died of hypothermia. NDA(K) soldiers have also been employed by logging companies to force competitors out of their concession areas.

It has also been reported that the NDA(K) has a policy of moving villagers down from the mountains towards roads, so that they can be resettled in larger villages. (For more information on the NDA(K) and logging in Kachin State, see ‘A Conflict of Interests’, pages 100-101.)
10.4.4 The expansion of KIO and NDA(K) logging interests

As the forest is logged out in the ceasefire areas particularly close to the border, logging operations have spread to the area north of NDA(K) territory on the China-Burma border south of Gongshan, including the N’Mai Hku Project area, and to the Southern Triangle. In each case the NDA(K) and the KIO have competed for control.

Global Witness was also told that logging was planned west of the Triangle.

10.4.4.1 The Southern Triangle

“The area is controlled by the KIO. It is a very new logging area and the KIO issued an announcement that people are not allowed in the area.”

According to one KIO officer interviewed in 2003, the KIO regard the Triangle region, which lies between the N’Mai Hka and Mali Hka rivers, “as a huge untapped resource bed” that “will provide the capital for development”. The Southern Triangle contains millions of cubic metres of valuable tree species. Road building started here in 2003. Recent agreements between the KIO, the NDA(K) and the SPDC, leading to the construction of additional roads and bridges, mean that this area has become a major source of timber in Kachin State. It is expected that 200,000 tons of timber will be extracted each year.

In 2004, at least 100,000 m³ of timber was exported from the triangle area according to a Jadeland Company worker. Of this, a minimum 45,000 m³ were extracted by the Jadeland Company, and 55,000 m³ by the Jinxin Company. Much of this timber was transported to the border ports of Danzha/Guyong and Gudong on the China-Burma border.

The KIO controls most of this region, but all the logs exported from the Triangle pass through NDA(K) areas where they are taxed. The SPDC also taxes the logs passing through this area and has a checkpoint near the Jubilee Bridge at Magramyang Village, the 52-mile point on the Myitkyina to Chipwe road. The Jinxin logging company paid 12 million yuan (US$1,430,000) to build this bridge but will be reimbursed by the KIO in logs. Jinxin has also been contracted to upgrade the road in an eight-year deal agreed with

| TABLE 3: FEES COLLECTED PER M³ OF TIMBER FROM THE SOUTHERN TRIANGLE AREA, 2004 |
|-----------------|----------|------------------|
| Taxes/Charges   | Fee: yuan| Dollar (US) equivalent |
| Ton of timber (sale value) | 1,600 | 190 |
| Labour          | 150     | 18               |
| Transport to the bridge at Magramyang Village | 100-200 | 12-24 |
| Bridge use      | 50      | 6                |
| KIO customs     | 560     | 67               |
| NDA(K) customs  | 100     | 12               |
| SPDC checkpoint | 15,000 (kyats) | 17             |
the SPDC Northern Commander. An estimated 30 saw mills operate inside the Triangle around the Jubilee area.

The other main bridge across the N’Mai Hka, the Chipwe Bridge, crosses the river in the Laukhaung area 120 miles from Myitkyina. The bridge, which was built by the Chinese Wun Chun Company at the behest of the NDA(K), opened in March 2004. Wun Chung Company is owned by Mr Layeng Wun, a Kachin-speaking Chinese from Yingjiang, who has also been involved in the jade business with Mr Ara L. Between 50-100 log trucks passed over the bridge each day during the 2004-05 logging season (September-April). The KIA/O has constructed 40 miles of road leading west into the Triangle area from the Chipwe Bridge, towards the town of N’Gum La, where the KIA’s First Brigade is stationed.

Planning is also underway for Burma’s largest hydropower dam in the Myitsone area, several kilometres south of the confluence between the N’Mai Hka and the Mali Hka rivers. The Myitsone area is considered to be the Kachin heartland. This 3,100-megawatt dam will apparently flood 5,000 houses in 30 villages making 8,000 people homeless. In addition, 18,000 arable acres and forest will be lost. It is not yet clear how, if at all, the project is linked to logging.

10.4.4.2 NDA(K) expansion into KIO-controlled areas south of Gongshan

Several accounts suggest a concerted effort by the NDA(K) to oust the KIO from the area between the Chinese border and the N’Mai Hka River, the southern part of the N’Mai Hku area, in order to take control of its logging and other business interests. In March 2004 the NDA(K) and the KIO were involved in skirmishes in which two NDA(K) soldiers were killed. According to one source “the KIA have accused the NDA(K) of using the heavy weapons, machine guns and howitzers.” Apparently the crisis was sparked by the KIO’s failure to build a road for the benefit of the local community; instead they allegedly built a logging road.

In the last two years a militia comprising several hundred individuals has emerged, nominally under NDA(K) control but partly organised and financed by, amongst others, La Wa Zawng Hkawng, a former major shareholder and director of the KIO-owned Buga Company, but now a colonel in the NDA(K). He is also known to have had an interest in gold mines in the N’Mai Hku area as well as good relations with the SPDC – his wife attended the National Convention convened near Rangoon.

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*bb* 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. The SPDC reconvened the national convention in mid 2004 to draft a new constitution. The NLD did not attend. The vast majority of the people who attended were hand picked by the SPDC.
10.4.5 The SPDC and logging in Kachin State

“High-level SPDC know very well about the logging deals because they are receiving kickbacks at every port. They have local agents everywhere at every level so local commanders cannot hide the facts from them. MIS agents report directly to Rangoon.”

Timber trade worker, Baoshan Prefecture, Yunnan Province, 2004

In late 2004 the SPDC adopted new procedures for granting logging concessions in Kachin State. In the past arrangements had been relatively informal, but Method 1 sets out everything on paper. Senior figures within the KIO believe that this is another attempt by the SPDC to discredit the organisation, by pushing them into an illegal trade. The paperwork issued by the Forestry Department in Myitkyina clearly establishes the extent of what the SPDC considers legal, for instance that the timber is for local use only. Were the KIO to let this timber cross the border into China they could be accused of facilitating and benefiting from an illegal trade – as evidenced by the documentation – which they freely admit to. But the KIO argues that to do otherwise would risk confrontation with SPDC troops, who are protecting the timber traders and benefiting from the illegal cross-border trade, something that they are anxious to avoid.

Method 1 Permits specify how the timber can be used, for ‘local use’ or ‘for construction’, volumes that can be logged, timelines and the logging site (district or township). Teak trees cannot be removed and timber export is prohibited. The permit has to be shown to the office of the Northern Regional Commander, the Forest Department at township and district level, the police, and local Tatmadaw units.

The loggers pay 20,000 kyat (US$22) per ton, to the SPDC Administration Office in Myitkyina, 20,000 kyat (US$22) to a ‘fund’ and 100,000 kyat (US$111) for transportation. These charges do not allow for much of a profit margin, but the system is subverted to increase profitability. Teak is logged, volumes under-declared, permits reused and many of the construction sites are conveniently close to the border, with the result that most of the timber ends up in China. The authorities are fully aware that the system is widely abused, but turn a blind eye and take their cut.

Timber from forests controlled by the SPDC is trucked through ceasefire areas en route to China. The SPDC taxes the timber trade at checkpoints on major roads that they control. This includes roads that pass through areas that are otherwise controlled by the ceasefire groups. Some are just military gates or checkpoints, others are known as ‘gathering points’ where SPDC authorities, such as the Forest Department, the Tatmadaw, customs, immigration, police and NATALA carry out inspections and collect taxes.
According to unpublished research from 2003, a ‘gathering point’ and Forestry Department gate at Manwin tax log trucks from cutting sites in the Southern Triangle area. The combined checkpoints receive at least 5.5 million kyat (US$6,100) per month in both official and unofficial fees. Each month officials from Manwin go to Waingmaw, near Myitkyina, to pass a proportion of the taxes that they have collected to their bosses. A worker at the Manwin Forestry Department gate explained; “You have to give many great presents to the authorities concerned in order that you can be here for a long time. If your present is just a small amount, you’ll be sent to the combined gate”…Once a month I have to go down to Waingmaw to meet smiling faces. According to community leaders in the Sinlum area, Chinese timber traders bribe Tatmadaw commanders based at Bhamo with cars, motorcycles and watches. They also receive bribes indirectly from checkpoints at Hkawan Bang and Sinlum (which is manned by personnel from Battalion 437). Bribes also had to be paid to the MI office at Bhamo on a monthly basis. SPDC units, especially the Tatmadaw, are rotated regularly and if the commander changes, any deals must be renegotiated. There are also roaming Tatmadaw patrols. The SPDC is unable to tax all the cross-border logging because it lacks a presence in some logging areas, and many border crossing points.

The SPDC authorities derive both official and unofficial revenue from the timber trade in a variety of different ways. Logging companies and the KIO pay the authorities, particularly the Tatmadaw, to avoid interference in logging operations or to turn a blind eye to the activities of illegal loggers. The Tatmadaw is also paid by the KIO to participate in the logging operation.

### Table 4: Checkpoint Fees Collected per Truckload of Timber from the Southern Triangle Area to the Kambaiti Pass (Houqiao), 2003-2004

<table>
<thead>
<tr>
<th>Location</th>
<th>Recipient</th>
<th>Kyats</th>
<th>Dollar (US) equivalent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manwin</td>
<td>Combined SPDC</td>
<td>40,000</td>
<td>44</td>
</tr>
<tr>
<td>Manwin</td>
<td>Forest Department</td>
<td>30,000</td>
<td>33</td>
</tr>
<tr>
<td>Sailaw</td>
<td>Tatmadaw</td>
<td>15,000</td>
<td>17</td>
</tr>
<tr>
<td>Ura Yang</td>
<td>NDA</td>
<td>5000</td>
<td>6</td>
</tr>
<tr>
<td>Thayar Kone</td>
<td>NDA</td>
<td>15,000</td>
<td>17</td>
</tr>
<tr>
<td>Kambaiti</td>
<td>NDA (K)</td>
<td>100,000</td>
<td>111</td>
</tr>
<tr>
<td>Kambaiti</td>
<td>Tatmadaw</td>
<td>100,000</td>
<td>111</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>305,000</td>
<td>339</td>
</tr>
</tbody>
</table>

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**dd** At the combined gate there is less money to be made.
**ee** It was not clear if these were official or unofficial fees or both.
**ff** Not teak or tamalan.
blind eye to ‘illegal’ logging once it has been discovered. As one Kachin logging boss explained: “We only give bribes to the army columns we meet in the forest. The columns patrol the forest according to the orders of the [General], and we have to bribe the columns. The money a column gets from us will eventually be handed in to the [General], so effectively we bribe the [General] indirectly through his columns.”

Those that pay protection money are usually informed in advance of plans to visit the area. Villagers logging without permits are also targeted by Tatmadaw units operating without Forest Department oversight.

Ceasefire groups have also entered profit-sharing agreements with the Tatmadaw and Tatmadaw units have been known to grant logging concessions. The Chinese boss of the logging concession at the Dabak Hydroelectric Power Project in the Jahta area uses a Kachin go-between to pass on payments to the SPDC Northern Commander.

The relationship between the Tatmadaw and the loggers has been known to turn violent. For example on 10 November 2003, Burmese soldiers arrested six Chinese workers and impounded four log trucks. One of the workers was tied to a tree and beaten. The workers were later released, following the payment of a ransom by their Chinese bosses. The confiscation and sale of trucks and cargo is a more common occurrence than kidnapping. Some of the fees are official; these include transportation fees and export taxes.

The central Burmese authorities are aware of much of the logging that takes place on the China-Burma border. For instance, the NATALA operating checkpoints at Loije, Muse, Nalon and Maunghwe reported directly to Khin Nyunt, bypassing the Northern Commander. Occasionally logging activities are suppressed, but this probably has more to do with suppressing evidence of illegal logging and extracting money from the loggers rather than any real attempt to halt the logging.

Villagers said that, “In 2001 and 2002, the SPDC Secretary 1 and the Kachin leaders came to visit here [Pangwah], so there were many logging trucks that could not pass through.” Similarly the authorities have ordered an embargo on log traffic to coincide with visits by diplomatic staff. Tourists have been told by Burmese officials not to photograph logging activities.

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88 The word General was used several times to refer to a Colonel.

hh Log trucks were prevented from travelling on the roads.
10.4.6 The N’Mai Hku (Headwaters) Project

“They never build roads towards the village but towards logs.”

Villager in N’Mai Hku Project area, 2004

N’Mai Hku is situated in a region recognised as one of the ‘hottest’ of biodiversity hotspots worldwide; a region of outstanding natural and geological beauty. It is no surprise therefore that a large proportion of the Chinese side of the Gaoligongshan Mountains is protected by two national nature reserves: the Nujiang Reserve and the Gaoligongshan Reserve. On the western slopes of the mountains in Burma, however, there is a combined logging and mining operation, the N’Mai Hku Project. There are 16 large villages and 49 smaller settlements within the N’Mai Hku project area.249

According to one KIO officer: "A main reason why the KIO has started logging in the N’Mai Hku Project is because if we did not do it, then the NDA(K) would."249 The origins of the project date back to negotiations held in the early 1990s between the KIO and the Yunnan Forest Department in Kunming.183 Given the size of the project, its strategic importance and the level of investment, it is highly likely that the authorities in Beijing were also involved. There was however, little or no public consultation.

The project started in late 1997, after the KIO obtained formal permission from General Khin Nyunt, on 6 August.250 At this point the Chinese were not actively involved and logging did not commence until 2002.269

The Huaxin Company has a contract to extract all resources from the N’Mai Hku area for 15 years. Huaxin Group Co. Ltd, based in Kunming, is an alliance of six companies from Kunming, Beijing, Shanghai, two from Guandong and the Ministry of Railways.256 According to Huaxin, the cooperation of the Nujiang authorities is crucial to the success of
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According to the KIO, permission to log is not required of the SPDC because of “the remoteness of the region”. There are about 10 companies currently operating at N’Mai Hku, including the Heng Huat Company. The KIO claims not to have invited these companies but they appear happy to tax the cross-border timber trade. Whilst the agreements are said to stipulate selective felling of a limited number of species, there is no reason to believe that this will be followed. The logging itself is largely unregulated and there is real concern that the companies will replicate the clear-cutting they have carried out in areas further south.

A network of roads has been built into the project area from the Chinese side. This includes the E’ga Path, the Yaping Border Trade Path, The Danzhu Border Trade Path, and Gongshan-Dulongjiang Road. In contrast there appeared to be no serviceable roads linking the project logging areas to the road network in Kachin State in 2001.

The disputes within the KIA/O and between the KIA/O and the NDA(K), involving Lasang Aung Wa (see ‘10.3 Kachin nationalist movement in turmoil’, pages 53-54), over the control of territory and politics, is partly related to the business interests in the N’Mai Hku area. Here the NDA(K) has sought to expand its control south of Gongshan by border post 35. This has led to strengthened security on the Chinese side of the border, where the local Chinese authorities are concerned about weapons smuggling. It has also resulted in restrictions being imposed on the distribution of border passes to KIA/O and NDA(K) officers wishing to travel to, or via, Nuijiang and Baoshan prefectures in China.

The KIO and NDA(K) have attempted to sort out their disputes over the N’Mai Hku development project by setting up a Joint Commission to report on its progress. The commission was established at a meeting held in Myitkyina, on 3 and 4 May 2004, organised by the chairmen of the KIO and NDA(K) and facilitated by the Chairman of the Kachin Nationals’ Consultative Assembly.

The Joint Commission visited the project area between 25 May and 21 June. The Commission’s report sets out at some length the strengths and weaknesses of the project to date, based in part on interviews with villagers living in the N’Mai Hku area.

According to the report, the initial objectives of the KIO were good and some villagers appreciated the schools and improvements in basic infrastructure. However, overall project implementation was weak. Principal among the grievances expressed by the villagers was the KIO’s failure to deliver promised development, in particular a road, or as one person interviewed by the Commission put it “the money that the KIA makes from logs and spends on development projects is unbalanced. The road should be built as a priority otherwise it won’t be built when logs finish.” The KIO has however built plenty of logging roads, and this has not gone unnoticed by villagers in the area, “Development has been promised for seven years. However, we have not had public transportation and no planning has been made. They constructed a logging road on the mountain where no people live.”

Finally, the report highlights local concern about the logging and the lack of benefit derived from it, as stated in one interview: “Our valuable trees have disappeared because of Chinese without benefiting the people. When we asked, they said that the issue was not our concern.”

The report also outlines claims that the NDA(K) has used local disappointment with the KIO, relating to project shortcomings, to extend their influence and territorial control in the area, causing further division between the groups. The Joint Commission urged the NDA(K) to resolve these disputes by negotiation rather than force and stressed that the KIA/O and NDA(K) should work together. The commission concluded that despite the detrimental impact of the project to date, it should continue with increased community involvement. By July 2005 it appeared that the KIA/O and NDA(K) had reached an agreement and had demarcated land in the area for logging. (For more information on the N’Mai Hku Project, see ‘A Conflict of Interests’, pages 104-108.)
There are currently three major Kachin-owned companies involved in the timber business in Kachin State: Buga, Jadeland, and Wun Rawt. All three have close ties to one or other of the armed Kachin opposition groups and/or the SPDC Northern Command.

The Buga Company, founded after the KIA/O ceasefire in 1994, also has mining interests. Its major shareholder and director was La Wa Zaung Hkawng, an influential and rich Kachin businessman from Myitkyina, known also to have good connections with the SPDC. In 2002, Buga faced serious problems due to heavy financial losses and management disputes. Controversy erupted between La Wa Zaung Hkawng and the company’s other director, from the KIO, over profit-sharing arrangements and accusations that La Wa Zaung Hkawng had pocketed company revenue. He, in turn, accused the KIO of being incapable of running a profit-making venture. As a result, La Wa Zaung Hkawng has left the company and reportedly joined the NDA(K). The KIO is attempting to sort out Buga and its finances, which is reportedly now bankrupt. However, the handover of the company from prominent KIO leader, and current managing director, Dr La Ja, to KIA major, Hpung Gan Sau Hkun Nawng, has stalled due to the financial disarray.

The Wun Rawt (‘uplift all’ in Jingpaw Kachin) Development Company was established in 2002-03 by members of the KIA, in part as a response to the losses incurred by Buga. According to several sources, Wun Rawt is trying to stop corruption in the KIO and “they will control all the business and development committees”; it is growing increasingly powerful. In contrast to other companies, Wun Rawt declared that it will only allocate concessions for development purposes. It has also accused Sut Masa (literally Business Regulation), the KIO taxation committee, which collects taxes from logging and mining, of under-recording timber volumes passing through customs gates under its control. Some Kachin people doubt the altruistic motives of Wun Rawt suggesting instead that the potential for personal enrichment and political advancement are just as, if not more, important. Wun Rawt’s position on Buga and Sut Masa could lead to increased friction between the KIO and the KIA: “the KIO has power – the KIA has guns” as one source put it.

Nban La (see ‘10.3 Kachin nationalist movement in turmoil’, pages 53-54), former KIA Chief of Staff, is Wun Rawt Company’s managing director. He also supervises the KIO’s Economic Department, which in turn oversees timber extraction and taxation within KIO-controlled areas. Wun Rawt is mainly involved in the taxation of timber transport and to a lesser extent also logging, and mineral extraction. It has customs taxation gates close to the town of Laiza, on the China-Burma border, and by the Jubilee Bridge as well as a roaming customs unit inside KIO territory, which includes the N’Mai Hku area. In late 2004, the checkpoint in Laiza, which is manned jointly by KIA soldiers and Wun Rawt staff, was charging 700 yuan (US$83) and 900 yuan (US$104) per m³ for teak and tamalan respectively, and 100 yuan (US$12) for other timber, exported to Yingjiang in China.

In 2004, the KIA and Wun Rawt opened the Laiza Bank, apparently to facilitate trade with China. Wun Rawt’s closest business associates included Layeng Wun of the Wun Chung Company (which
constructed the Chipwe Bridge across the N’Mai Hka River), Lau Ying, Aw Tawng Mai and Lau Lu, Nban La’s adopted son.

The third company, Jadeland, which is owned by the wealthy jade dealer and former major KIO patron Yup Zau Hkwng, is the most prominent of the Kachin-owned companies involved in natural resource extraction in Kachin State. Jadeland is predominantly involved in logging, taxation of timber and road building. Its logging operation has expanded dramatically in the Southern Triangle region (see ‘10.4.4.1 The Southern Triangle’, pages 61-62) since 2002-03 and its base camp is situated in the centre of the Triangle, at Hpawlamhpya. Jadeland taxes timber transported via the Jubilee Bridge, which spans the N’Mai Hka River, at 380 yuan (US$45) per m³. The company’s operations also extend to the southern part of the N’Mai Hku area, between border posts 27 and 28, where it has carried out extensive surveying for valuable timber.

Jadeland has been contracted by the KIO to construct the Myitkyina-Sumprabum-Putao road and the Myitkyina-Waingmaw-Bhamo road, which the KIO paid for by granting logging concessions.256

Like Sut Masa, Jadeland has also been involved in disputes over timber volume declarations. In one instance, the Chinese company Jinxin claimed that Jadeland had recorded double the amount of timber that it, Jinxin, had actually logged in the Triangle area. It was alleged that Nban La in his supervisory capacity, at the Economic Department, ruled in favour of Jinxin.164
11 WA STATE

“It [logging] is the biggest mistake we’ve made”… “We’ve destroyed our environment.” 257 Bao You Xiang, UWSA Chairman, 2004

Wa State, (Shan State Special Region 2) is located south of Kachin State in northern Shan State between the Salween River and the Chinese border; the majority of people here speak Chinese rather than Burmese.258 The United Wa State Army/Party (UWSA/P), under the leadership of Bao You Xiang, controls most of the region, including the 400,000 opium farmers that live there.65, 259 At 16,000-20,000 strong, the UWSA/P is perhaps the strongest militarily of all the ethnic ceasefire groups.

The UWSA/P was founded in 1989 by ethnic minority units that broke away from the CPB. The party, which has some senior ethnic Chinese officers and advisers, signed a ceasefire agreement with the SLORC in the same year. Its main aims are: first, for Wa State to be regarded as a state in its own right, under the control of central government rather than through the Shan State administration, and second, autonomy.360

Land in Wa State consists mainly of inaccessible mountain ranges, characterised by broad-leaved evergreen rainforest, sub-tropical and temperate rain forest; the main commercially valuable tree species is pine. By far the largest cash crop is opium. However, according to one party official in 2004, logging was the more important source of funds for the UWSA/P: “Yes it is still the major income for our treasury. The reason we cut trees, they are all over 100 years old. If we do not cut it will die naturally.”

Logging increased dramatically following the ceasefire and is mostly carried out by Chinese companies controlled by the UWSA/P, from its headquarters in Pangsan, and exported across the land border to China. A representative, from the Ministry of Forestry in Rangoon, told Global Witness that, “until three years ago on both sides of the road there was still a lot of forest of pine wood trees… Now there are no more trees.”262 With the loss of good forest around the villages, there is decreased availability of spring water, soil erosion, impoverishment of the forest soil for shifting cultivation, and depleted fish stocks in part through siltation of local streams.262 Villagers have to travel longer distances to find non-timber forest products and pinewood used in construction. Logging has also led to landslides, flash floods and forest fires.262

As the timber supply in UWSP-controlled areas is nearly exhausted, logging companies in eastern Shan State are now moving south and west into SPDC-controlled parts of Shan State. In late June 2005, the new SPDC Triangle Region Commander (former Western Region Commander), Major General Min Aung Hlaing, ordered all logging activities in eastern Shan State to be suspended. Whether this is a genuine move to crack down on destructive logging, or simply an attempt to control the industry and thereby take a cut of revenue, has yet to be seen.

The commander subsequently invited the companies affected by his order, which include consultation between the logging companies and local communities. The companies, with their mainly Chinese workforce, usually work unsupervised.262

All commercially valuable timber is logged including teak, and this often results in the clear-cutting of large areas. For instance, press reports suggest that the teak forest in Kenglom (south of Kunhing-Takaw road) has been severely depleted in recent years. Teak cut in this area has been shipped along the Salween upstream to China, where it has been exchanged for machinery and dry goods. According to the same report, one of the logging companies involved is Lo Hsing-han’s Asia World (see ‘6.4 Opium, drug abuse and logging’, pages 18-19). Ta Hsarm, commander of the UWSA’s 418th Division and a Chinese businessman are thought to own the shipping company.266

The main land route for timber transported to China from the Wa areas used to be the Muse-Ruili border crossing.266 However, this crossing point has been under SPDC-control for many years and interviews with logging companies at Ruili suggest that the main crossing is now from Pangsan to Meng’a, from where timber is transported to Mengliang, Simao and Kunming.261

Villagers have been refused access to the logging areas and forbidden from selling any timber.262 Locals do not appear to have the power to stop the loggers and they fear reprisal from above rather than support if they complain to the UWSP. One village headman told Global Witness that, “until three years ago on both sides of the road there was still a lot of forest of pine wood trees… Now there are no more trees.”262 With the loss of good forest around the villages, there is decreased availability of spring water, soil erosion, impoverishment of the forest soil for shifting cultivation, and depleted fish stocks in part through siltation of local streams.262 Villagers have to travel longer distances to find non-timber forest products and pinewood used in construction. Logging has also led to landslides, flash floods and forest fires.262

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The commander subsequently invited the companies affected by his order, which include

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Central Dragon, Asia World and the UWSA/P-controlled Hongpang, to meet with him. These companies had, according to a press report, won a three-year contract to export teak logged in the Mongton/Monghsat/Mongpiang area, opposite Chiang Mai in Thailand, to Yunnan Province via the Mekong.

The same article reports that Chinese loggers operating in the same area have been transporting logs, by truck, to Pangsan via Nawngkheo, Mongngen, Mongkhark and Mongnoong. After letters of protests were sent to the local authorities, 120 Chinese loggers were arrested in late May and sent to Kengtung. But, “...a representative from Pangsan was already there to pick them up... So they got away without being punished.”

In 2004, the SPDC withdrew special privileges, concessions and business activities and blocked the importation of rice to Wa State from other parts of Burma. It is not known what prompted this action, but the uneasy relationship between the UWSA/P and the SPDC has been put under additional strain following the ouster of General Khin Nyunt in October 2004 (see ‘Box 3: Chinese foreign policy and conflict in Burma’, page 15). This, and the shortage of timber has made the future of logging in Wa State uncertain.

In the past, the UWSA has been accused of smuggling opium and heroin into Thailand. It is also seen as Burma’s major producer of Amphetamine Type Stimulants (ATS), which are consumed in epidemic proportions across the border in Thailand. Senior UWSP members have admitted receiving tax from both opium (7% according to some reports) and ATS in the past, but claim refineries and laboratories are now routinely destroyed as soon as they are discovered.

The forests covering the hills in northern Shan State have been almost completely destroyed by logging. These hills have been the prime poppy-growing areas. UWSP-stated policy is for the Wa region to be an opium free zone by 26 June 2005. In 2004, the area under poppy cultivation did fall by 18% in Wa State according to the United Nations Office of Drugs and Crime. However, given that opium production provides more than two-thirds of annual income for many households, many fear a humanitarian crisis when the ban is fully implemented. In 2003, a similar ban in Kokang Special Region 1 resulted in almost a third of the total population abandoning their homes in search of employment elsewhere, the closure of health clinics and a huge drop in school attendance figures.

In January 2005, Wei Hsueh-kang and seven other UWSA leaders were named in an indictment in the federal court in Brooklyn, New York. According to the US Drug Enforcement Agency, Wei had smuggled more than a ton of heroin with a street value of US$1 billion into the US since 1985. A spokesman from the UWSA denied their involvement, but the news has already led to the UNODC and all but one international NGO working in UWSA-controlled areas withdrawing their international staff on a temporary basis.
12 CONCLUSION

It is in China’s best interest that there is peace, political stability and economic growth in Burma. To this end, the government of the People’s Republic of China, in cooperation with the international community, should encourage all relevant stakeholders\(^{ii}\) to engage in a dialogue to bring about an equitable, long-term solution to conflict throughout Burma and to effect a transition to civilian rule.

Ending the destruction of Burma’s frontier forests and the illegal export of this timber to China is also in the best interests of the people of northern Burma, the armed ethnic opposition groups, the SPDC and the Chinese authorities, both in Yunnan Province and in Beijing. Each of these groups shares a responsibility for ensuring that the forest resource is responsibly managed in the best interests of the people of Burma and for future generations.

For the Kachin people their way of life and future prospects are being undermined; for the ceasefire groups their credibility and popular support, perhaps even their long-term future viability, is under threat. Indeed, senior KIA/O officials claim that they would forgo this significant source of income rather than see the forests of Kachin State destroyed.\(^{269}\)

As recently as 5 September 2005 leaders of the EU and China: ”pledged to work together to tackle the problem of illegal logging in the Asian region”.\(^{336}\) Being seen to permit the importation of massive amounts of illegally exported timber is highly damaging to the Chinese government’s reputation, especially since the authorities already have sufficient powers in law to halt the trade. Nor does it reflect well on the Chinese government for prosperity in China to increase, seemingly at the expense of a neighbouring country.

The risks to China’s standing in the international community are significant but are not the only ones. There is also a real possibility that the destructive logging in Kachin State will increase instability on the border as the armed ethnic opposition groups compete for control of what is left of the forest. Indeed, once the forests are gone not only will this have a detrimental impact on sustainable development in Kachin State, but thousands of Chinese jobs in the timber industry could be lost.

As a first step the government of the PRC could and should suspend the importation of timber from Burma, whilst at the same time encouraging aid, investment and further development in northern Burma that is not dependent on the unsustainable exploitation of natural resources. This suspension should remain in place until such time as the importing companies can demonstrate that their Burmese timber is of verifiable legal origin.

Ending illegal logging in Burma’s northern forests would eliminate a significant amount of off-budget revenue for the SPDC Northern Command. It would also reduce the immediate pressure on the forests and buy time for participatory land use planning in a region that has, so far, benefited little from its own natural resource wealth. This can only happen with the active support of the international community, especially the government of the PRC.

Under the new Burmese constitution it seems likely that the forests will continue to be managed centrally. However, there must be meaningful public consultation and participation by forest-dependent communities which the Chinese authorities could help the SPDC and ceasefire groups to coordinate. Natural resource exploitation should be just, equitable, sustainable, transparent and legal. This would set a positive precedent for Chinese companies operating in other countries, and would be a significant first step towards ensuring legality and sustainability of supply for all natural resources imported into China.

In the broader context, the Chinese government should take advantage of its cordial relations with both the SPDC and the armed ethnic opposition to help ensure a smooth transition to the civilian administration of Burma. All stakeholders should be encouraged to take part in a meaningful and transparent dialogue, free from restrictions and the coercive environment that characterise the current climate in Burma. The likely result of increased economic prosperity and political stability throughout Burma, is also in China’s best interests.

\(^{ii}\) This should include but not be limited to: the State Peace and Development Council (SPDC), the National League for Democracy (NLD), other political parties, and the armed ethnic opposition.
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...” Dr Chao-Tzang Yawnghe, 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. 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. 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” and the enjoyment of democratic “rights and privileges”. 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, amongst others. 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. 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.

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
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’, 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. 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. 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) 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. Many of these are thought to be prisoners of conscience.

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1. The CPB was determined to institute a communist state through an armed revolution.
2. Tatmadaw was Burmanised in the late 1940s-early 1950s.
3. The USDA is a mass mobilisation organisation of 12 million members headed by Than Shwe and designed to rally support for the SPDC.
4. People imprisoned solely for their peaceful political or religious beliefs; that have not used or advocated the use of violence.
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, 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. 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. 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 and is chairman of the influential Trade Council.

Power in Burma is highly personalised; it resides with individuals more than institutions. Personal loyalties are often developed and maintained through cronynism 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.” 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.”

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
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. 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". 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. 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 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.

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. Nevertheless, speculation is rife that it was halted.

The KIO, the New Mon State Party, the Shan State Army-North, the Shan State National Army, the Kayan New Land Party, and the Karen 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. They announced that peaceful diplomacy had failed, and that the National Convention is a farce.

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.

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. 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. 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”.

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.

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. This Common Position was renewed for one year on 25 April 2005 without any major changes.

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 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.

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. 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.”

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.

Contrary to the green image projected by the military regime, the forest industry in Burma is characterised by unsustainable logging, corruption, cronynism 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%.

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 m³ was exceeded by about 1.5 million m³ 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), the Planning and Statistics Department and the Institute of Forestry. 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 of teak (Tectona
**grandis** and is the biggest exporter, producing 75% of all internationally traded teak.309

The Forest Department is responsible for the conservation of wildlife and sustainable management of the forest resources of the whole country.310 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.311 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 2000.312 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”.313

Military involvement in logging has resulted in civilians being forced to cut, transport and process timber.314 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.315

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**Notes:**
1. Minimum quantity of illegal exports equals total imports of Burmese wood (according to importing countries) minus total exports according to SLORC/SPDC.

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17 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.”

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.
- Since the publication of ‘A Conflict of Interests’ world imports of Burmese timber have increased by roughly 20% to about 2.2 million m³ RWE.
- China, India and Thailand are the most important export markets for Burmese timber.
- China imported 1.3 million m³ 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).

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 means that the Tatmadaw has moved towards a system of ‘self-reliance’. 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.”

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
Appendices: Background / 14 Appendix II: Forests and Forestry in Burma

A CHOICE FOR CHINA

CHART 7: TIMBER EXPORT EARNINGS AS A PERCENTAGE OF THE TOTAL

% of Export Earnings

0% 5% 10% 15% 20% 25%


CHART 8: BURMA’S TIMBER** EXPORTS (KYAT VALUE, BY PRODUCT GROUP).

Source: Myanmar Central Statistical Office (MCSO)/EIU

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).

The composition of Burma’s exports changed greatly during the period shown due particularly to major developments in Burma’s natural gas sector.

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’. The EIU includes the categories referred to in MCSO data with the addition of ‘veneer and plywood’. 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’.

Data was not available for ‘other timber products’ from 1998-99 to 2003-04.
“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). 286

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. 320

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. 321

The Ministry of Forestry website states that 189,000 workers (1.03% of the total workforce) were employed in the forestry sector in 1998 327, far less than 1% of the country’s then population of 47 million. 322 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. 329 By 2003-04 the percentage was 15%, 324 equivalent to about US$377 million (see ‘Chart 7’, previous page). 320

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. 325 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. 326

According to the Forestry Department raw logs comprise 85% of timber export value, whilst sawn timber accounts for 12% and value added products 3%. 327 Chart 8, however, suggests that logs account for an even more significant part of export earnings.
14.2 The scale of world timber imports from Burma

Based on information from importing countries, Burma exported roughly 1.8 million m$^3$ RWE of timber in 2001; by 2003 this had increased by about 20% to around 2.2 million m$^3$ 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.\[zz\]

**CHART 9: THE VOLUME OF TIMBER COUNTRIES HAVE IMPORTED DIRECTLY FROM BURMA (IMPORTING COUNTRY DATA)** \[ww, xx, 328\]

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)** \[xx, yy, ww\]

\[ww\] This chart excludes wooden furniture, the RWE volume of which is small relative to Burma’s other timber exports. It also excludes fuel wood.

\[xx\] Countries whose annual timber imports from Burma are consistently below 10,000 m$^3$ RWE volume are included in ‘Others’.

\[yy\] 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.

\[zz\] 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 m³ 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.

As can be seen from the preceding charts, the information derived from Burmese export data 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.

aaa 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.

bbb 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.”*330* 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.*331* 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 M3 RWE

<table>
<thead>
<tr>
<th>Year</th>
<th>Official exports</th>
<th>Minimum quantity of illegal exports:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>– of which other timber</td>
</tr>
<tr>
<td>1995-96</td>
<td>0.0</td>
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</tr>
<tr>
<td>1996-97</td>
<td>0.5</td>
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<tr>
<td>1997-98</td>
<td>1.0</td>
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<td>1998-99</td>
<td>1.5</td>
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<td>1999-00</td>
<td>2.0</td>
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<td>2002-03</td>
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<td>0.5</td>
</tr>
<tr>
<td>2003-04</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

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. 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. 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.

*ccc* 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.

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It is probable that the MCSO records most available data relating to the formal timber industry in Burma, including legal exports. To get some idea of the scale of illegal exports from Burma, one can compare import data from consuming countries with Burma’s export figures. The difference between these two figures approximates to a minimum figure for illegal exports.

As can be seen from Chart 13 opposite, there is a considerable mismatch between the quantity of timber that the MCSO has recorded as being exported and the quantities recorded by the customs authorities of importing countries, in particular China. It is clear that large volumes of timber are not being recorded in the Burmese export statistics.

In 2003-04 about 2.2 million m$^3$ RWE of timber was recorded as entering consuming countries, roughly two and a half times greater than that recorded leaving Burma. It is likely therefore that a minimum 1.3 million m$^3$ RWE of timber, almost two thirds of the total trade and equivalent pro rata to an import value of roughly US$300 million, was illegally exported from Burma in 2003-04. This represents an increase of about half a million m$^3$ RWE of illegal timber exports since 2000-01. Chart 14 below shows that although exports and imports do not match up, so far as logs and sawn wood are concerned, rather than being a general problem, this is largely due to trade from Burma to China. In 2003, China recorded imports of 1.3 million m$^3$ RWE of timber from Burma but according to the Myanmar Ministry of Forestry, Burma exported less than 50,000 m$^3$ of timber to China in 2003-04 (see ‘7.3 Illegal Timber exports from Burma to China – a statistical analysis’, pages 21-23).

**CHART 14: COMPARISON BETWEEN OFFICIAL EXPORTS BY, AND IMPORTS FROM, BURMA (LOGS AND SAWN WOOD) MILLION M$^3$ RWE**

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ddd Assuming that the MCSO records all timber exports not just MTE exports.

eee Timber, ‘logs and sawn wood’, exports from Burma and declared imports of logs and sawn wood can be compared directly.

fff The sum of the import values for the importing countries assessed was c.US$470 million in 2003.

ggg It is possible that Indian customs officials have underestimated imports of timber from Burma, in the process of converting weights into volumes. One ton of timber is equivalent to 1.4 m$^3$; one hoppus ton is equivalent to 1.8 m$^3$. It is also possible that the timber is being smuggled into India, circumventing customs.
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
Since the adoption of the G8 ‘Action Programme on Forests’ in May 1998, the rate of illegal logging has actually increased. 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…” 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. 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. 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) 291 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 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.
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Front cover photograph: On the road to the major logging town of Plan Ma, Nuijjang 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”