



APPETITE FOR DESTRUCTION

China's trade in
illegal timber



ACKNOWLEDGEMENTS

This report was written and edited by the Environmental Investigation Agency (EIA).

EIA thanks the following organisations for supporting our work on combating illegal logging; UK Department for International Development, Anthony Rae Foundation, and JMG Foundation.

This material has been funded by UKaid from the Department for International Development. However the views expressed do not necessarily reflect the department's official policies.

Designed by:
www.designsolutions.me.uk

Printed on recycled paper

November 2012



ENVIRONMENTAL INVESTIGATION AGENCY (EIA)

62/63 Upper Street, London N1 0NY, UK

Tel: +44 (0) 20 7354 7960

Fax: +44 (0) 20 7354 7961

email: ukinfo@eia-international.org

www.eia-international.org

COVER PHOTO:

Logs smuggled across the land border from Myanmar into Yunnan province, China, April 2012. © EIA

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EXPLANATORY NOTE:

In calculating timber flows into China used in this report, EIA has analysed official trade data obtained from the following sources: United Nations Commodity Trade Statistics Database (UNCOMTRADE), China Trade Information and Global Timber.

INTRODUCTION



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In November 2011 China hosted the annual Asia-Pacific Forestry Week meeting conference at an impressive and vast centre near the Olympic Stadium in Beijing. During the week-long event participants from around Asia and beyond discussed a range of issues, encompassing China's impressive reforestation programme to the links between deforestation and climate change.

The meeting coincided with the tenth anniversary of the landmark Bali Declaration agreed at the East Asia ministerial meeting on Forest Law Enforcement and Governance in 2001. This event marked the first time governments from the region, including China, had come together to address the threat posed by widespread illegal logging.

Yet meaningful discussions on illegal logging were strangely absent from the Beijing conference. This was probably out of deference to the hosts, as over the past decade China has emerged as the world's leading trader in illegally logged timber.

During the last decade, the major timber consumers of the United States, European Union and Australia have taken action to exclude illicit timber from their markets. Timber producing countries such as Indonesia have improved enforcement against illegal logging. Meanwhile, China has largely stood on the sidelines.

The astounding economic growth of China attracts a host of superlatives; its position as the largest importer of stolen wood is one of the more undesirable ones. Since the late 1990s the country has taken strong measures to protect and grow its own forests. At the same time it has built a vast wood processing industry, reliant on

imports for most of its raw materials supply. It is in effect exporting deforestation.

Although much of the wood processing sector is export-oriented, the vast construction effort in China, coupled with increasing wealth, is creating a surge in domestic demand for timber products. A vivid example is the fashion for reproduction furniture made from rare rosewoods, which has created an upsurge in illegal logging from the Mekong region to Madagascar.

The Environmental Investigation Agency has been conducting field investigations into flows of illicit timber since 2004, covering a host of producer countries such as Indonesia, Myanmar, Russia, Laos, Mozambique and Madagascar and, of course, China itself. The findings from these investigations, laid out in this report, show the impact of illegal logging to feed China's market; destruction of vital forest ecosystems, loss of revenue for developing countries, increased corruption and conflict.

This report also includes analysis of trade data showing flows of illicit timber into China worth billions of dollars a year, and highlights imports from countries known to have high rates of illegal logging and instances where national regulations such as log export bans are disregarded.

The evidence makes a clear case for action by China. It needs to take measures to exclude illegally logged timber from its market. The fate of many of the world's natural forests depends on this.

**Environmental Investigation Agency
November 2012**

ABOVE:

Shanghai's futuristic riverfront skyline reflects the country's position as a leading global economic and political power.



THE GLOBAL ILLEGAL TIMBER TRADE

ABOVE:
Tropical logs landed at one of
China's numerous timber ports.

Illegal logging and the trade in stolen timber are among the most destructive environmental crimes occurring today and directly threaten the world's vital forest and peatland ecosystems.

Illegal logging underpins a multi-billion dollar global trade in millions of cubic metres of illicit timber. A study by INTERPOL and the United Nations Environment Programme reports that up to 30 per cent of annual timber production, and a massive 50-90 per cent of timber harvested in tropical countries, is illegal, creating a \$30-100 billion global trade in illegal timber.¹ A 2010 study estimated more than 100 million cubic metres of illegal timber is cut annually.²

Illegal logging thrives in areas with poor forest governance, where transparency and law enforcement are weak, and fosters corruption. With such problems common in developing countries with natural resource-focused economies, these states experience the worst impacts of illegal logging, further undermining development. Illegal

logging causes developing countries to lose an estimated \$15 billion a year in revenue and taxes.³

Environmental impacts are equally if not more significant than financial losses; the World Bank calculates that an area the size of a football field is cleared by illegal loggers every two seconds. Another study found that illegal logging contributed to the destruction of five million hectares of forest in 2008, and that a 22 per cent reduction in illegal logging over the past decade prevented over one billion tonnes of carbon dioxide emissions.⁴

Illegal logging is often a precursor to forest clearance as pristine forests are degraded by illegal loggers and full conversion for plantations follows. The huge financial flows generated by illegal logging have also exacerbated armed conflicts in numerous countries, including Sierra Leone, Liberia, Cambodia and Myanmar. Violence and murder are often associated with the illegal timber trade, with loggers, journalists and local activists being targeted.⁵

PROGRESS IN TACKLING ILLEGAL LOGGING

The sheer scale and threat posed by illegal logging has prompted concerted actions in many parts of the world during the past decade. Such measures are having an impact; a 2010 analysis found that global illegal timber production had reduced by 22 per cent since 2002.⁶ The reduction was largely credited to improved law enforcement in key producer countries, along with the development of legislation and market reforms in consumer countries, principally the European Union and United States, prohibiting trade in illegal timber and promoting legal timber trade.

The EU's 2003 Forest Law Enforcement Governance and Trade Action Plan includes two key components; Voluntary Partnership Agreements establishing licensing systems for verified legal timber imported into the EU from partner countries, and the EU Timber Regulation, which from March 2013 bans the imports of illegal timber.

The 2008 Amendment to the Lacey Act, which prohibited trade in illegal timber in the US, established the concept of due care as a core mitigation incentive and required importers to file declarations on the nature and origins of timber imports.

Australia followed suit on November 19, 2012 and similar measures are also under discussion in other markets, such as Japan.

CHINA'S LACK OF ACTION

China's role as the world's biggest timber trader means that further progress against illegal logging depends on the nation taking measures to exclude illicit timber from its market. Yet while other major consumer markets have acted, China remains firmly on the sidelines.

To date, China's response has been to conclude a series of bilateral agreements with both producer and consumer countries, including a 2002 Memorandum of Understanding (MoU) with Indonesia, a 2006 MoU with Myanmar, a 2008 MoU with the US, and a 2009 EU-China Bilateral Coordination Mechanism on Forest Law Enforcement & Governance.

While these agreements have resulted in some limited progress, such as a drop in cross-border timber trade with Myanmar, generally they provide a mechanism for discussion rather than action and have failed to regulate China's rising imports of illegal timber. Since signing its MoU with Indonesia, China has imported about one billion

dollars worth of illegally exported timber from that country.⁷

A major barrier to the effectiveness of China's anti-illegal logging response is the country's stated unwillingness to explicitly prohibit illegal timber trade. Although China's State Forestry Administration (SFA) has engaged with the international community on illegal logging in recent years, it has explicitly resisted calls for legislation prohibiting illegal trade into and within the country.

A tentative proposal for a China Timber Legality Verification Scheme focuses on government-to-government bilateral agreements with timber supplying countries and trade association-led procurement codes of conduct for Chinese businesses abroad.⁸ Both are valid initiatives, but the proposal rules out any legally binding prohibition on illegal timber trade, a feature essential for credible implementation.

Further, the SFA's remit covers domestic forestry rather than international trade policy, meaning it alone cannot implement the measures required to align Chinese policy with emerging global timber trade reforms. Instead, the active involvement of the ministries of commerce and foreign affairs is needed. China is now the world's biggest trader in illicit timber. Further progress to remedy the damage caused by illegal logging depends on the country taking the necessary regulatory measures to close its market to illegal supplies.

BELOW:

Merbau planks on sale in Yuzhu timber market, Guangzhou Province, 2005.

BOTTOM:

Merbau logs from Papua New Guinea in a log yard in Panyu, Guangzhou Province, in 2005. China's imports from PNG rocketed following law enforcement in Indonesia.



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CHINA – THE WORLD'S BIGGEST TIMBER TRADER



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ABOVE:

Illegal merbau logs from Indonesia and Papua New Guinea, in Zhangjiagang port, China, 2004. Up to 300,000 cubic meters of such logs were smuggled to China from Indonesia every month until law enforcement reduced supply.

CHINA'S TIMBER DEFICIT

Demand for timber and wood products in China for domestic consumption or re-export as processed wood and paper products has soared during the past 15 years. The country is now the world's biggest importer, consumer and exporter of timber and wood products. China's rise as a vast manufacturing hub has included rapid expansion of its wood processing industry. A six-fold increase in gross domestic product since 2002 has generated huge wealth, prompting a rising demand for wood and paper products within the country. By 2007, China's consumption of wood products had reached 371 million cubic metres a year; at current rates of growth, it will rise to 477 million cubic metres by 2020.⁹

In 1998, the unparalleled growth of China's wood manufacturing sector began, even as the Government imposed strict logging controls following floods. With domestic forests incapable of meeting such phenomenal growth in demand, a gaping timber deficit has emerged which poses a direct threat to global forests.

Despite commendable efforts at reforestation which have led to an increase in the country's forest cover, domestic supply can at best meet only 50 per cent of the wood and paper industry's required raw materials. With demand expected to continue growing at around eight per cent a year, the deficit between demand and domestic production had risen to 150 million cubic metres per year by 2010.¹⁰

In 2006, China's National Development and Reform Commission warned of the wood deficit reaching 150 million cubic metres and called for policies such as boosting domestic production to close the gap. And yet it continues to grow; in 2009, domestic supplies accounted for only 38 per cent of consumption.

To bridge the gap, China has become the world's biggest importer of wood products. In 1997, it imported 35 million cubic metres of wood products; by 2009, it reached 113 million cubic metres. Demand in China is now being felt around the world as the number of countries from which it sources wood increases.

CHINA'S WOOD PRODUCTS IMPORTS

EIA's analysis of 2011 trade data shows that China imported around 180 million cubic metres (Round Wood Equivalent, or RWE) of wood products, worth \$9.3 billion. This represents a 28 per cent increase on 2010 volumes and a three-fold increase since 2000.

Composition of the imports demonstrates China's role as a processing centre, with the bulk comprising round logs, sawn timber wood chips and pulp for paper manufacture.

China has registered a dramatic increase in combined paper, pulp and wood chips imports, from 37 million cubic metres (RWE) in 2000 to nearly 98 million cubic metres (RWE) in 2011, accounting for 53 per cent of total wood product imports.

Imports of timber products (logs, sawn timber, furniture, plywood and other products) have also risen rapidly during the past decade, with China's trade policies promoting increased raw material imports such as logs and sawn timber as opposed to higher-value finished and semi-finished products such as plywood.

China relies heavily on timber imports for both hardwood and softwood logs and lumber, in both tropical and temperate species.

Log Imports

China's huge and growing demand for raw logs has dominated the country's timber imports throughout the past decade, with an average 33 per cent of its log consumption met by imports between 2000-09.¹¹ From log imports in 2000 of 13.6 million cubic metres valued at \$1.6 billion, China's imports by 2011 had more than trebled by volume to 42 million cubic metres worth \$8.2 billion. China imported around 30 per cent of all logs traded worldwide in 2011.

Russia was by far China's top log supplier in 2011, with exports of 14 million cubic metres; this despite a major drop in log shipments to China since 2007, partly as a consequence of a Russian log export tax.

The United States has increased log supplies to China since 2009, reaching second place in 2011 with exports of 4.8 million cubic metres; Papua New Guinea was China's third biggest log supplier in 2011, shipping 2.7 million cubic metres.

Among China's top 10 log suppliers, import volumes from countries with a low risk of illegal logging, such as the US, have increased by 65 per cent from 2010 levels. However, due to the massive overall rise in imports the volume of supplies from countries considered to be high risk have not fallen. Approximately two-thirds of the 32.8 million cubic metres of logs imported by China from its 10 largest suppliers in 2011 came from high risk sources. Of total log supplies to China, 52 per cent came from high risk countries.

Sawn Timber

From a relatively low baseline, sawn wood imports have risen significantly in recent years, reaching 38.8 million cubic metres (RWE) in 2011. Two countries dominated 2011 lumber imports; Canada supplied 12.3 million cubic metres (RWE) and Russia 10.2 million cubic metres (RWE), followed by the US, Thailand and the European Union. As the share of lumber imports from low risk countries in China's top 10 suppliers has risen to 59 per cent in the past year, the share from high risk suppliers in the top 10 decreased to 41 per cent. But

due to a sharp overall rise in imports, supplies from high risk sources actually increased by 4.1 million cubic metres (RWE) to 15.4 million cubic metres in 2011.

Overall, 37.4 million cubic metres (RWE) of the 70.4 million cubic metres (RWE) of logs and sawn timber imports from China's 10 biggest suppliers came from high risk countries in 2011, a 6.5 per cent increase from 2010. More than half of China's current supplies of raw timber material are sourced from countries with a high risk of illegal logging and poor forest governance.

CHINA'S WOOD PRODUCT EXPORTS

China's total wood products exports have increased nearly sevenfold in the past decade, from \$5 billion worth in 2000 to \$34.2 billion in 2010, a volume of 71 million cubic metres (RWE) of timber products, pulp and paper. Excluding paper, its 2010 wood product exports amounted to 48.4 million cubic metres (RWE) valued at \$24.7 billion.

In terms of wood products, wood furniture is by far China's biggest export category by value, with 2010 sales of \$15.8 billion, using 19 million cubic metres (RWE) of timber. The second largest category is paper, with exports of \$9.57 billion, using 23 million cubic metres (RWE) of timber, followed by plywood and wood panel shipments worth \$3.26 billion and a volume of 16.5 million cubic metres (RWE). Remaining exports comprise a wide array of wood products, including flooring, mouldings and joinery.¹²

BELOW:

Illegal merbau logs feeding one of hundreds of wood flooring factories in Nanxun, Zhejiang province, China, 2004.



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“China is now a significant end market in its own right.”

The major markets for these exports include the US, EU, Japan and the Middle East. In 2010, the US remained China's biggest market, importing 11.9 million cubic metres (RWE) of wood products valued at US\$7.7 billion, and a further 2.99 million cubic metres of paper sector products worth US\$1.5 billion. The US was followed by the EU, which imported 8.48 million cubic metres of wood products valued at US\$5 billion, and a further 2.4 million cubic metres of paper sector products worth over US\$1.3 billion. Japan was China's third biggest export market in 2010, importing four million cubic metres of wood products valued at US\$2.1 billion, and a further 2.1 million cubic metres of paper sector imports valued at US\$920 million.

CHINA'S DOMESTIC TIMBER CONSUMPTION

Despite a lack of robust data on China's domestic consumption of wood products, a range of anecdotal information and snapshots of specific sectors of the economy show that as the country becomes wealthier its demand for wood is rapidly rising. When previously confronted with concerns about imports of illegally logged timber, Chinese officials responded by claiming most of the wood was re-exported as finished products and that China was merely a processor, with most of the value accruing in end markets such as the US. This is clearly no longer the case and China is now a significant end market in its own right.

BELOW:

A luxury table set made with Himalayan Yew from Myanmar, on sale for \$6,000 in Tengchong, Yunnan, China, April 2012. Himalayan Yew is listed on Appendix II of the Convention on International Trade in Endangered Species (CITES).



The construction sector is the key driver of increased domestic wood product consumption in China, with 36 million new affordable homes to be built by 2016 under the Government's five-year plan.¹³ The increase in construction and home ownership is spurring a rising demand for a range of timber products such as flooring, furniture, panels and plywood.

Domestic wooden furniture sales grew from about \$10 billion in 2006 to around \$29 billion in 2011 – a nearly threefold increase in four years and equivalent to 84 per cent of the value of China's total wood product exports worldwide in all product types. This includes high-end products made from rare and precious hardwoods. In 2010, Chinese wood flooring sales reached 398 million square metres, a 26 per cent increase in one year.¹⁴

In 2007, Deutsche Bank estimated that only 16 per cent of the country's wood products output was destined for export, with the remainder consumed domestically.¹⁵ Other sources have estimated domestic consumption at similar proportions of between 75-85 per cent of overall production.

CHINA'S ILLEGAL TIMBER IMPORTS

As China has risen to become the world's biggest importer of timber products, it has also emerged as the leading destination for illegally logged timber, especially logs and lumber. As illegal logging and wood smuggling are by nature clandestine and criminal activities, an exact quantification of the volume of illicit wood entering China is challenging. Yet by combining material flows with rates of illegal logging in source countries, credible estimates can be made.

A 2009 study found China had the highest total supply and use of illegally harvested timber worldwide, consuming between 39-69 million cubic metres (RWE) of illegal timber in 2008.¹⁶ With these estimates representing 37-66 per cent of China's 2008 imports of 104 million cubic metres (RWE), applying these percentages to China's 2011 imports of 180 million cubic metres (RWE) implies that between 68-120 million cubic metres of imports may have been illegal.

Another 2010 study calculated that 20 per cent of China's wood imports in 2008 were of illegal origin.¹⁷ Applying this percentage to 2011 imports suggests China might have imported around 36 million cubic metres (RWE) of illegal wood products last year, worth \$6.9 billion.



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ILLEGAL LOGS AND LUMBER IN 2011

EIA has sought to update estimates of China's imports of illicit timber by scrutinising trade data for logs and sawn timber for 2011 and assessing the flows based on illegal logging rates for 36 high risk supplier countries. These rates have been derived by taking lower-end estimates from previous studies, with a weighting given to more recent assessments.

From this analysis, EIA estimates China imported at least 18.5 million cubic metres (RWE) of illegal logs and sawn timber in 2011, worth \$3.7 billion. These constituted 10 per cent of China's total wood products imports in 2011. The volume of illicit timber would be enough to fill Beijing's Olympic Stadium more than six times, or around 900,000 standard 20ft shipping containers.

While these volumes are lower than other overall estimates, EIA has only analysed logs and sawn timber imports which constitute just 45 per cent of total wood product imports by China. The focus on raw timber material is deliberate, as EIA's field investigations into flows of illicit wood into China focus on these commodities.

EIA's analysis indicates that illegal log imports alone reached 11.8 million cubic metres, worth \$2.7 billion. Illegal logs

made up 54 per cent of the volume and 58 per cent of the value of all log imports from the 36 countries in question.

Major flows of illegal logs include 5.6 million cubic metres from Russia, 2.5 million cubic metres from Papua New Guinea, 1.5 million cubic metres from the Solomon Islands, 500,000 cubic metres from each of Myanmar and Congo Brazzaville, 270,000 cubic metres from Equatorial Guinea and 183,000 cubic metres from Mozambique.

The assessment also shows that China's 2011 imports of illegal sawn timber reached 6.7 million cubic metres (RWE), worth \$1.05 billion and equivalent to 39 per cent of the volume and value of total imports from the countries concerned. Major flows of illegal sawn timber include 4.3 million cubic metres (RWE) from Russia, 1.3 million cubic metres (RWE) from Indonesia, 141,000 cubic metres (RWE) from Myanmar and about 85,000 cubic metres (RWE) from Peru, Thailand and Malaysia.

DELIVERING THE GOODS

While China's emergence as the world's biggest importer of illegal timber is due to its emergence as a major wood processing hub and its burgeoning domestic market, it is also a consequence of Government policies.

ABOVE:

Tropical logs stored at Nanwei Port, near Nansha, Guangdong, November 2005.

"China imported at least 18.5 million cubic metres (RWE) of illegal logs and sawn timber in 2011, worth \$3.7 billion - enough to fill Beijing's Olympic Stadium more than six times"

“Chinese state-owned companies imported 46 per cent of all tropical logs shipped to the country in 2007, including 45 per cent of all log imports from Papua New Guinea and Mozambique.”

In response to severe flooding in 1998, China adopted a Natural Forest Conservation Programme which instituted a logging ban across 41.8 million hectares of natural forests. It also embarked on a massive programme of reforestation, which has seen its forest cover increase to 20.36 per cent by 2008, compared with 18.5 per cent four years earlier. The Government spent \$31 billion on tree planting between 1999 and 2009.¹⁸

While the domestic forest conservation policies of the Chinese Government are admirable, the tree planting has focused on relatively low grade plantation forests of fir, poplar and pine and is insufficient to meet the ever-rising raw material demands of the country’s wood processing industry, especially for slow-growing hardwoods.

The gap between domestic timber supplies and the volume of timber used by the industry has in effect led to China exporting deforestation to a host of countries around the world.

China’s preference for raw timber to feed its factories has also created an unprecedented situation where long supply chains from South America, Africa and Asia have emerged to funnel logs into the country for processing. It is undoubtedly the policy of the Chinese Government to promote imports of raw materials and exports of finished wood products. For example, by 2001 import tariffs levied on logs and sawn timber had been eliminated. Taxation rates also play a role in reinforcing this policy. In

2007, China introduced a 10 per cent tax on exports of solid wood flooring, yet a full rebate is given to companies using imported raw materials.

In addition, China’s state-owned companies play a strategic role in securing supplies of forest resources from overseas. EIA’s analysis of China’s trade data for 2007 reveals that state-owned companies imported 4.7 million cubic metres of tropical logs, equivalent to 46 per cent of the total volume.¹⁹ Overall, state enterprises imported 12 per cent of all logs entering China in 2007, including significant flows from countries with weak forest governance. For example, 45 per cent of all logs from Papua New Guinea were shipped to state enterprises and 44 per cent from Mozambique.

Many of the companies are owned by provincial governments, often established to drive economic growth within their jurisdictions. The biggest state-owned importer of tropical logs in 2007 was SIIC Shanghai International Trade Group, which alone imported a massive 847,000 cubic metres of tropical logs – eight per cent of China’s total and more than double the biggest private sector importer.

EIA research also shows that state-owned firms have imported logs from countries where such exports are banned, such as Indonesia and Mozambique and are directly involved in logging operations in countries where illegal logging is rife, such as Myanmar.

BELOW:

Flooring blanks in a Nanxun factory, June 2009. Chinese tax policies enable exporters to recoup a 10 per cent export tax on solid wood flooring if they import raw materials themselves.





ASIA PACIFIC

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The Asia Pacific region, including the Russian Far East, is the biggest supplier of raw timber to China, providing about two-thirds of total imports of logs and sawn timber.²⁰ When China's wood processing industry began its huge expansion in the late 1990s, it naturally sought supplies from nearby countries, aided by extensive networks of ethnic Chinese businesses in the region. By 2002, 52 per cent of China's 10.5 million cubic metres of hardwood log imports came from South-East Asia alone.²¹

During the past decade, the forests of the Asia Pacific region have been progressively stripped of valuable timber to supply China's wood processing industry. A report on 'peak timber' shows production is in decline due to over-exploitation in a host of countries in the region, notably Indonesia, Malaysia, Laos and the Solomon Islands.²²

While China's imports of logs from Asia Pacific (excluding the Russian Far East) grew by 49 per cent from 2000-11, reaching six million cubic metres, there have been significant shifts in terms of source countries. In the first half of the past decade, Malaysia was China's largest recorded supplier of hardwood logs in the region, reaching 2.7 million cubic metres in 2004. Analysis by EIA reveals most of these logs actually came from Indonesia, where a log export ban came into force in 2001, and were falsely declared as Malaysian in origin.

When enforcement against timber smuggling in Indonesia strengthened in 2005, China's recorded imports of Malaysian logs fell by half the following year. To meet this shortfall of illegal logs from Indonesia, Chinese traders switched to Papua New Guinea (PNG)

and the Solomon Islands. During 2005-11, China's imports of logs from Papua New Guinea rose from 1.8 million cubic metres to 2.8 million; shipments from the Solomon Islands escalated from 652,000 cubic metres to 1.7 million cubic metres.

Illegality is rife in China's timber trade with Asia Pacific countries. Illegal trade both within and from the Asia Pacific region is estimated to be worth \$11 billion a year, about 30 per cent of total trade in wood products. Unsurprisingly, China is at the heart of this trade, receiving substantial flows of illicit timber from PNG and the Solomon Islands, Myanmar and Indonesia.

Such rampant illegal trade is having a dire impact on the forests of Asia Pacific and local communities. In the Solomon Islands, exports to China are seven times higher than the sustainable logging rate, with forests predicted to be emptied of commercial timber by 2015.²³ While PNG is now the third largest supplier of logs to China, its forest sector is riddled with illegal and corrupt practices; for example, in 2011 a Malaysian logging company was fined \$100 million for cutting outside its concession area. At the current rate, commercial forests could be exhausted in a decade.²⁴

Within the region, increasing amounts of timber are being obtained from land concessions such as rubber and oil palm plantations and from infrastructure projects such as hydropower dams. Such developments can cause conflict with local communities and act as a front for illegal logging. In 2012, Cambodian activist Chun Wutty was killed by police while investigating the illegal logging of rosewood by a Chinese company involved in a dam construction project.²⁵

ABOVE:

A barge of merbau logs illegally logged in Raja Ampat, West Papua, Indonesia, 2003. Such logs were the mainstay of China's wood flooring export sector during the middle of the past decade.

CASE STUDY:



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INDONESIA

Indonesia contains the third largest expanse of tropical forests on Earth. From the late 1990s until 2005, these forests were ransacked by organised criminal syndicates, pushing the country's illegal logging rate up to 80 per cent and resulting in the highest deforestation rate in the world. Exhaustive investigations by EIA show China to be the main recipient of illicit timber from Indonesia.

In 1999, EIA investigations revealed widespread illegal logging of ramin, a valuable timber species found in peat swamps. The logging had moved into protected areas with populations of endangered orang-utans, such as Tanjung Puting National Park in Central Kalimantan. Industrial-scale theft of ramin from the park was being led by local timber tycoon Abdul Rasyid.²⁶

EIA's findings prompted the Indonesian Government in 2001 to ban all cutting and export of ramin. Yet in 2003, EIA investigations revealed a sophisticated ramin smuggling operation centred on the Malaysian port of Pasir Gudang. Small boats were ferrying illicit ramin to the port from neighbouring Sumatra island, Indonesia. The wood was then packed in containers, declared as Malaysian in origin and shipped to Shanghai and Hong Kong. About 4,500 cubic metres of illicit ramin was moving along this pipeline every month.²⁷

As Indonesia had listed ramin under the Convention on International Trade in Endangered Species (CITES), China was obliged to seize all imports of Indonesian ramin. Yet even after EIA publicly exposed the Pasir Gudang fraud, more than 2,000 cubic metres of illegal ramin which had been temporarily detained in Malaysia was still allowed to enter China.²⁸

As well as banning ramin exports, the Indonesian Government also instituted a log export ban in 2001 in an attempt to rein in rampant illegal logging. This did little to deter the criminal groups determined to keep the stolen wood flowing to China. In October 2001, the Indonesian navy seized three cargo vessels carrying 25,000 cubic metres of illegal logs bound for China. The ships were seized in the vicinity of Tanjung Puting and were owned by companies linked to Abdul Rasyid.²⁹

The 'Three Ships' seizure proved to be the exception rather than the norm; huge amounts of logs were being successfully smuggled out of Indonesia on cargo ships heading to China. By 2004, large-scale illegal logging operations had gravitated eastwards to the dense forests of Papua, in Indonesia. The prime target was merbau trees, destined to be made into wooden flooring in eastern China.

EIA field investigations revealed the existence of an international criminal syndicate shipping huge amounts of illegal merbau logs from Papua to China. The syndicate comprised corrupt Government, police and military officials in Indonesia, Malaysian logging gangs, Singapore-based shipping companies and financiers, and timber brokers in Hong Kong and mainland China. At its peak, the smuggling of merbau logs reached 300,000 cubic metres a month.³⁰

EIA tracked the stolen timber to the port of Zhangjiagang in China's Jiangsu Province, a hub for trade in illicit tropical logs. The consignments were declared as originating in Malaysia to cover breaches of Indonesia's log export ban. Most of the merbau logs were then sold on to factories in the town of Nanxun in Zhejiang Province, the hub of China's wooden flooring industry.

The release of EIA's findings in early 2005 prompted the Indonesian Government to launch an unprecedented crackdown on illegal logging in Papua; within a few months a team of more than 1,000 enforcement personnel had staunched the flow of illegal merbau shipments to China. By August 2005, the price of merbau logs in China had trebled to reach \$700 per cubic metre as the supply of illegal logs dropped. In late 2005, EIA investigations found many Chinese wood traders bemoaning the decline in availability of cheap illicit timber from Indonesia and switching sourcing to PNG and Africa to compensate.³¹

Yet on-going demand for merbau led to more sophisticated smuggling methods, including a scam to ship prohibited merbau square logs to China in the guise of earthquake reconstruction materials and bridge components. In 2009, Indonesian customs officers intercepted 23 containers of illegal merbau logs; part of the consignment was destined for the Chinese firm Jiangsu Skyrun, a state-owned enterprise.³²

China's wood industry profited greatly from the illegal logging crisis which hit Indonesia in the first half of the past decade. At its peak, at least 1.6 million cubic metres of logs a year were being smuggled from Indonesia to China.³³ Improved



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enforcement in Indonesia finally stemmed trafficking of timber from the country's forests. For its part, China did nothing to tackle its imports of illicit Indonesian timber, despite signing a 2002 agreement with Indonesia to address the problem.

Trade statistics show how China continues to profit from illegal trade in logs and sawn timber from Indonesia, despite export bans on both of these commodities in the latter. In 2011, Chinese customs reported imports of 17,000 cubic metres of logs from Indonesia, worth \$10 million. In the same year, China imported 800,000 cubic metres of sawn timber from Indonesia, worth \$230 million. Indonesian customs recorded just \$8.8 million worth of sawn timber and zero log exports in 2011.

In total, China's trade data shows the import of 600,000 cubic metres of logs from Indonesia since that country's log export ban came into force in 2001, and imports of nine million cubic metres of sawn timber since exports were banned in Indonesia in 2004.

China's stance is best summed up by an anecdote from a bilateral meeting with Indonesia in 2010 to discuss the anti-illegal logging agreement. While Indonesia sent police officers and customs officials to seek enforcement cooperation, the Chinese delegation was more concerned with persuading Indonesia to lift its export controls on raw timber.

TOP:

Illegal merbau logs cut to fit into shipping containers are guarded by special forces troops in Jayapura, Papua, Indonesia, July 2007.

ABOVE LEFT:

The Fonwa Star - one of "Three Ships" involved in major log smuggling from Indonesia to China. Such bulk smuggling secured up to 1.6 million cubic metres of illegal Indonesian logs for China's wood factories each year in the middle of the past decade.

ABOVE RIGHT:

Indonesian police crack down on illegal logging in Tanjung Puting National Park, Central Kalimantan, in 2005. Chinese demand for threatened Ramin logs made forest crime boss Abdul Rasyid a multi-millionaire, while decimating the national park.

CASE STUDY:



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MYANMAR

Myanmar contains some of the most significant natural forests left in the Asia Pacific region, host to an array of biodiversity and vital to the livelihoods of local communities. Forests are estimated to cover 48 per cent of the country's land.³⁴ Yet other recent estimates put forest cover at just 24 per cent.³⁵

These vital forests are disappearing rapidly. Myanmar has one of the worst rates of deforestation on the planet, with 18 per cent of its forests lost between 1990 and 2005.³⁶ Myanmar's forest sector is rife with corruption and illegality, leading to over-harvesting and smuggling. Natural teak from Myanmar is especially sought after on the international market for its unique characteristics and availability.

Since the late 1990s, neighbouring China has imported large volumes of timber from Myanmar, the bulk of which have been logged and traded illegally. In 1997, China imported 300,000 cubic metres of timber from Myanmar; by 2005 this had risen to 1.6 million cubic metres.³⁷

Myanmar's northern forests bordering the Chinese province of Yunnan have borne the brunt of the onslaught. Unique forests in Myanmar's mountainous Kachin State have been plundered to supply the Chinese market. Reports by the NGO Global Witness estimated that 900,000 cubic metres of illegal timber crossed the border from Myanmar to Yunnan in 2003, with two-thirds of it coming from Kachin State.³⁸ By 2005, the volume of logs from Myanmar imported by land into Yunnan reached one million cubic metres a year.

International exposure of the environmental and social costs of widespread illegal logging in northern Myanmar, including fuelling conflict between insurgent groups and the military, led to action in 2006. The China and Myanmar governments signed agreements effectively closing the border with Yunnan to timber trade. Instead, all log exports deemed legal by Myanmar had to be shipped out from Rangoon port under the auspices of the state-run Myanmar Timber Enterprise. By 2008, illegal log imports across the border had declined by 70 per cent.³⁹

But this respite has proven to be temporary; illegal log exports across the Yunnan border have risen during recent years, reaching almost 500,000 cubic metres annually by mid-2012.⁴⁰

Large discrepancies exist in trade data between the two countries, indicating widespread illegal trade. In 2010, China recorded \$281 million worth of imports of wood products from Myanmar, while Myanmar recorded exports of only \$40 million.

This on-going depletion of Myanmar's northern forests to supply the Chinese market is reaching a crisis point. Timber traders in Kunming, the provincial capital of Yunnan, are pushing ever deeper into Myanmar to secure supplies as areas closer to the border are logged out, with wood supplies predicted to be exhausted within a decade. As one trader told a journalist: "When you cross the border to the Myanmar side, you can see the mountains that no longer have any trees on them. Soon the trees will be all cut. Without the trees there will be only mountains. So we will look into mining them."⁴¹

EIA INVESTIGATIONS

In April 2012, EIA investigators travelled to the southern Chinese provinces of Guangdong and Yunnan to examine current dynamics of the illicit cross-border trade in logs from Myanmar, especially Kachin State. The investigation involved monitoring crossing points on the Yunnan-Kachin border, surveying wholesale timber markets to assess the origin of wood supplies, and undercover meetings with Chinese firms trading and processing timber from Myanmar.

The investigation revealed continuing transport of logs across the border, despite the 2006 agreements between the two countries to halt such trade. Chinese traders confirmed that as long as taxes are paid at the point of import, logs are allowed in despite a commitment from the Yunnan provincial government to allow in only timber accompanied by documents from the Myanmar authorities attesting to its legal origin. As the authorities dictate that all wood exports must be handled by the Myanmar Timber Enterprise and shipped via Rangoon, logs moving across the land border to Yunnan cannot possibly be legal.

Field visits uncovered movement of temperate hardwood timber species from the mountains of Kachin State into central Yunnan

via several crossing points, with trade in teak and rosewood centred around the border town of Ruili further south. The contrast in the condition of the forests along the border was striking; while forests in the mountainous region on the Chinese side of the border are relatively intact, with large areas protected in the Gaoligong Nature Reserve, across the border in Kachin the devastation wreaked by logging is clearly visible.

Chinese wood traders confirmed that supplies were coming from further inside Kachin, as timber within a hundred kilometres of the border has been logged out, and told how deals are done with insurgent groups to buy up entire mountains for logging. One local community elder in Kachin interviewed by EIA summed up the situation: "Myanmar is China's supermarket and Kachin State is their 7-11."

BORDER CROSSINGS

EIA visited five border crossings on the Yunnan-Kachin border in mid-April 2012. Local traders confirmed on-going imports of a range of timber species, such as chempaka, alder, laurel, hemlock, viburnum, oak and fir, although supply through some crossings was being disrupted by an outbreak of fighting between an insurgent group and the military. EIA also documented the sale of furniture made from Himalayan yew from Myanmar, which is protected under the international CITES agreement, in the town of Tengchong, Yunnan.

ZIZHI: Investigators observed a succession of trucks laden with logs using a river bed to move timber from the border with Myanmar 10 kilometres away. A series of log yards in town were stocked with timber, including trees with root systems still attached which are used for ornamental purposes in China. A local trader said the main species brought across from Myanmar were hemlock and laurel, which sell for about RMB5,500 (\$870). Timber which had crossed via Zizhi was also found stored in log yards in the nearby town of Gudong.

DIANTAN: Formerly a major crossing point for timber, the town was deserted with no evidence of current wood trade. Local sources claimed the lack of activity was due to higher payments being imposed on the Myanmar side of the border, causing a switch to other routes.

HOUQIAO: Although the border crossing itself was quiet, with only a few trucks carrying logs observed, the nearby town of Guyong was found to have about 40 sawmills processing logs brought from Myanmar via Houqiao. The owner of one of the mills described how his company had bought the rights to log an entire mountain in Kachin and was itself carrying out the logging and transportation.

PIANMA: A row of log yards located on a former airstrip in the town were full of Myanmar logs. Local workers claimed most of the timber was owned by a company called Yuandong which was carrying out logging in Kachin connected with the construction of a hydropower dam. This is believed to be the Myitsone dam, although construction of this controversial project had been suspended by the Myanmar Government in 2011.

GANGFANG: Traders in Pianma told investigators that much of the timber in town had been transported via the nearby crossing at Gangfang. At the time of EIA's visit the crossing was closed due to military activity across the border.



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A LOGGER'S TALE

While in Pianma, EIA investigators fell into conversation with a 20-year-old local man of the Bai ethnic minority encountered in one of the log yards.

It transpired he had recently returned from a logging expedition into Kachin, and his harrowing story shows the exploitative nature of Chinese-controlled logging operations across the border.

Out of work and desperate for money, the man was recruited by a logging company called Nujiang Sanyuan Wood to cut trees in Myanmar. He was offered RMB100 (\$15) a day. He joined a group of 29 other loggers and embarked on a trek by foot to the logging site, which took seven days without sleep. After working for a week, the group was attacked by soldiers and forced to flee. It took him 10 days on foot to get back to Pianma. He was waiting in town in the hope of being reunited with his colleagues, but after a week none of them had returned. He said he would never go back to Myanmar.



Truck carrying logs from Kachin to Zizhi, Yunnan, April 2012

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MYANMAR CASE STUDY (CONTINUED)

WHOLESALE TIMBER MARKETS

Investigators visited the Yuzhu timber market in Guangzhou, a hub for wood trade in southern China. During a previous visit in 2005, EIA had discovered wide availability of Myanmar timber, especially keruing, but by 2012 most of the timber in the market originated in Africa, with only about 20 per cent of the stock coming from Myanmar. Traders gave a range of reasons for the decline, including dwindling supplies and higher transport costs in Myanmar, Government controls and the impact of conflict in Kachin on trade. Investigators were also told that despite the overall drop in Myanmar timber, a handful of major traders still have access to large supplies.

EIA also inspected the Xinan timber market in Kunming, provincial capital of Yunnan. Here also the share of Myanmar timber was declining. One trader said it used to comprise 70 per cent of his business but the share had fallen to 20 per cent, with African timber increasingly found in the market. Similar reasons were given for the change; sporadic border closures, fighting between the army and insurgent groups, and the need for logging operations to venture much deeper into Myanmar to find timber. One trader confirmed that all the Myanmar timber was logged illegally, adding: "Over there, the environmental destruction is very bad. I've been there before. Even as a Chinese, it is quite heartbreaking to see it. The mountains ... just completely mined out ... mountain after mountain. It's actually quite horrific".

COMPANY MEETINGS

EIA undercover investigators posing as buyers of teak products and hardwood logs held a series of meeting with Chinese wood companies in Guangzhou and Kunming which confirmed the existence of businesses still actively sourcing large quantities of illicit timber from Myanmar.

GUANGZHOU MUNIAN WOOD COMPANY: Investigators met with company owner Wen Shuonian and his wife Shen Zue at their office in a prestigious district of Guangzhou. During the course of an hour-long discussion it emerged that the firm deals solely in Myanmar teak brought across the border as logs and processed into flooring and other products at its factory in

Ruili. Wen displayed a live closed circuit television feed from the Ruili factory showing a huge operation. He claimed to own 30 per cent of the available stock of Myanmar teak for flooring in China, adding that he can influence the market price through the sheer scale of his purchasing.

The firm buys its teak from suppliers inside Myanmar and does not deal with the Myanmar Timber Enterprise. The teak logs are brought by suppliers to the Myanmar side of the border across from Ruili. Munian staff then inspect the timber, pay the taxes to import it into China and pay for the wood once it has safely crossed the border via one of seven crossings used by the firm. The company targets the luxury market, with 90 per cent of its teak products sold within China. During the meeting, Wen was also in discussion with a group of buyers from eastern China seeking 100,000 square metres of teak flooring. The company's brochure claims it has sold teak flooring to Cartier and Louis Vuitton showrooms in China.

KUNMING RIYUAN TIMBER: EIA investigators met the owner Tsai Rong at his factory on the outskirts of Kunming. He explained how he used to deal in a variety of Myanmar timber species but since 2005 had focused solely of processing Myanmar teak into flooring and decking. Previously, most of his sales were to overseas buyers in Europe and Japan but, due to the economic slowdown, he was now focusing more on the Chinese market.

He explained how he sources teak lumber through connections with traders and sawmills in Myanmar and brings in the raw timber through two border crossings – Ruili and Pangsang. Sellers usually demand 20 per cent payment as deposit, with the balance on delivery to the Myanmar side of the border. Tsai confirmed payment of import taxes at the Chinese side, adding that as long as taxes are paid the Chinese authorities consider the timber to be legal, regardless of its origin.

In discussing how trade in Myanmar timber works, he distinguished between *bianmao* (border trade) and *damao* (big trade). He uses the first option, sourcing from areas where there is an ethnic insurgency and which the central Government does not control. It involves multiple payments at roadblocks which can reach up to RMB10,000 (\$1,500) per cubic metre. This still works out cheaper than buying from the Myanmar Timber





Enterprise, which is the 'big trade' method. He confirmed that the price he pays for Myanmar teak has been rising due to the need to secure wood from hundreds of kilometres inside the country, increasing transport costs and payments at roadblocks.

Tsai also confirmed that all of the timber coming across the border from Myanmar is illegal: "In Myanmar, they cut whatever species there is there. You know, you see a mountain that is covered in green ... the next morning when you wake up, it's all just yellow soil. It's illegal. It's only because their Government is corrupt, so you're able to pave the way using money. But so long as you pay the tax, then it's legal. You know what I mean?"

CHINA INTERNATIONAL FORESTRY GROUP: EIA investigators met with Li Conggen, field manager for the company Yunnan Jipeng Biological Resource Development. Li stated that the company is part of a larger enterprise called China International Forestry Group (CIFG), a Government-owned company directly controlled by the State Forestry Administration.

Li explained how being state-owned gave the company a huge advantage in securing wood supplies from Myanmar. Speaking of government-to-government relations, he said CIFG is able to secure large annual quotas for logs, dealing with Myanmar's Foreign Ministry rather than Myanmar Timber Enterprise. Through this channel the company secures about 180,000 cubic metres of Myanmar logs a year, equivalent to about 10 per cent of the country's total annual cut authorised by the Government. The company is one of the five biggest logging operations in Myanmar and oversees the cutting itself. About 40 per cent of the logs are teak, with the remainder keruing, pyinkado and padauk.

Most of the logs are exported directly from Myanmar to overseas buyers, with 40 per cent of the total imported into China, half of which enters by land via Ruili. Li explained how shipments of Myanmar logs to countries where direct trade is prohibited by sanctions are routed via Singapore, with certificates of origin issued to mask Myanmar as their source.

The walls of the meeting room were lined with framed photographs of CIFG bosses meeting senior members of the Myanmar military and Government, testament to the high level connections which pave the way to securing large supplies of logs. Based on a price list for different log species provided by Li, the company generates \$25 million a year from sales of logs from Myanmar.



OPPOSITE PAGE:

Traders inspecting Myanmar logs, Pianma, Yunnan, April 2012.

TOP LEFT:

Logs from Kachin being unloaded at Zizhi, Yunnan, April 2012.

TOP RIGHT:

China imported 500,000 cubic metres of illegal logs via its land border with Yunnan in the year to June 2012.

ABOVE:

Photos on the wall of CIFG's Kunming office showing high-level links to the Myanmar Government.

ILLEGAL LOGGING IN RUSSIA'S "WILD" FAR EAST

Illegal logging and the illegal timber trade is a serious problem in Siberia and the Russian Far East (RFE), regions that provide the biggest single source of timber supply to China.

It is estimated 35-50 per cent of the total harvest in the Primorsky region is illegal, and around 35 per cent of the harvest in Khabarovsk Krai is of similarly dubious origin. Such systematic criminality is driven by a nexus of factors, including the exponential growth in Chinese demand for high value logs, a corresponding boom in local logging and exporting companies, chronic forest management failure, and rampant corruption.

Illegal loggers respond to Chinese industry's demand for oak, ash, birch and Korean pine by harvesting in conservation or protected areas, fish spawning sites, along riverbanks and by illegal clear-cutting. The misuse of so-called "sanitary" logging licenses - meant for clearing dead or diseased trees - is also a major source of illegal timber.

The timber is commonly laundered by bribing corrupt officials to obtain false transportation and export licenses. In May 2007, for example, two high-ranking officials in Khabarovsk Territory, bordering China, were charged with providing protection for Chinese companies involved in illegal logging and export of timber. In this way vast volumes of timber exports to China are not registered by Russian customs. In 2006 the Russian Federal Service for Veterinary and Plant Control registered exports of over four million cubic metres, while the customs service registered just one million.

Millions of cubic meters of Russian logs flood into Suifenhe, China.

The volume of illegal wood smuggled to China from Siberia and RFE is actually far higher. Analysis by EIA of trade data suggests that at least 5.6 million cubic metres of illegal logs and a further 4.3 million cubic metres of illegal sawn timber crossed into China in 2011, an illicit trade flow worth \$1.3 billion.

Both Chinese and Russian organised crime networks are known to shadow the 'legitimate' actors working in this sector - a factor that Chinese importing companies have openly admitted to EIA investigators posing as timber buyers.

Illegal timber cut in Russia's Far East flows to China through major border trade corridors, including Erenhot, Manzhouli, Heihe and the Chinese border town of Suifenhe - where imports have risen fivefold over the past decade.

The biggest timber mill in Suifenhe is run by Longjiang Shanglian Import & Export Company, which imports around 600,000 cubic metres of logs a year, making it one of the largest timber importers in China. The company sells to companies across China, which in turn supply wood products to both national and global markets.

When EIA investigators posing as buyers met Longjiang representatives in Suifenhe, they admitted to travelling to Russia with briefcases stuffed with cash for paying bribes to ensure timber exports proceeded unhindered, including to Russian organised crime groups.⁴²





AFRICA

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Trade between China and Africa has risen dramatically during the past decade, with an average annual growth since 2001 of 33 per cent.⁴³ It is predicted to reach \$220 billion in 2012, a 25 per cent increase on the two-way trade total of \$166 billion recorded in 2011. Africa is predicted to overtake the EU and US to become China's largest trading partner within the next five years.⁴⁴

In 2011, the balance of trade favoured Africa, with exports to China of \$93.2 billion compared with imports of \$73.1 billion.⁴⁵ Exports from Africa to China are dominated by natural resources, principally oil and gas, minerals and wood products. The return flow mostly comprises machinery and manufactured goods.

As part of this pattern of trade growth, exports of wood products from Africa to China are also rising, progressively replacing Europe as the main destination. In 2006, China imported 2.6 million cubic metres of wood products from Africa worth \$737 million.⁴⁶ By 2010, the value had risen to \$1.3 billion.⁴⁷

While exports from Africa to Europe include a significant proportion of processed wood products, trade to China is overwhelmingly dominated by logs. In 2006, 85 per cent by volume of forest products shipped from Africa to China were logs, compared with just 36 per cent of China's total worldwide forest product imports.

This hunger for logs is hindering the development of wood processing industries in African countries which export most of their timber to China, notably Gabon, Republic of Congo, Equatorial Guinea and Mozambique. Soaring demand is also combining with weak forest governance to drive illegal logging.

A host of reports have highlighted China's role in illegal logging and timber smuggling in a range of African countries; these include:

- from 2000-03, exports of timber from Liberia to China rose faster than any other African country, reaching a peak of 600,000 cubic metres of logs a year. Accusations that this trade was funding the brutal regime of Liberian President Charles Taylor and fomenting regional conflict led to the United Nations imposing unprecedented sanctions on trade in timber from Liberia in 2004;⁴⁸
- illegal logging in Tanzania in the period 2004-05 cost the Government \$58 million a year in lost revenue. China imported 10 times more timber from Tanzania than was recorded in Tanzania's export records, indicating rampant smuggling;⁴⁹
- in 2008, Sierra Leone's Government banned timber exports, complaining of indiscriminate plundering of forests by Chinese and other foreign companies.⁵⁰ After the ban, a series of seizures were made of timber in containers bound for China.

ABOVE:

Pemba port, Mozambique; a hub for timber shipments to China.

CASE STUDY:



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MOZAMBIQUE

Mozambique provides a stark illustration of the chronic failure of forest management which ensues when China's insatiable demand for logs converges with weak law enforcement and corruption.

The country's slow-growing semi-arid and dry tropical forests contain highly valuable hardwoods, and cover 41 million hectares or 51 per cent of the land area.⁵¹ Of this, productive forests containing commercial timbers cover 26 million hectares, mostly found in the four northern provinces of Cabo Delgado, Niassa, Tete and Zambezia.⁵²

Mozambique's hardwood logs are highly sought after in the Chinese market. The main targets are pau ferro, mondzo, pau preto, chanate, jambire and umbila woods, processed in China into reproduction antique furniture and flooring, mostly for the domestic market.

China's dominance of Mozambique's timber exports has surged since the late 1990s. In 2001, China replaced South Africa as the largest importer of forest products from Mozambique, and from 2000-05 it received 85 per cent of the 430,000 cubic metres of logs shipped from Mozambique.⁵³ Log shipments were worth about \$8 million in 2001, reaching \$100 million in 2010. While just 10 per cent of Mozambique's timber exports went to China in 2001, its share has risen to 80 per cent by 2010.⁵⁴

In theory, Mozambique has a range of forestry regulations intended to provide income for Mozambican nationals through 'simple licences', management plans for sustainable logging in concession areas, and log export bans for most of the commercial timbers to promote the development of domestic wood processing. In reality, the rules are routinely flouted and illegal logging is commonplace. Over-harvesting is the norm, and smuggling of logs to China is rife.

A detailed report in 2006 on forestry activities in Zambezia found that log exports from the province were four times the annual allowable cut and estimated that half of all timber felled was illegal, with trade to China the main cause.⁵⁵

The intention to create a sustainable forest industry in Mozambique is being subverted by Chinese wood traders and logging companies, ably assisted by political patrons and corrupt officials. Seizure records indicate the huge volume of illicit logs being smuggled to China in defiance of export regulations; examples include:

- **January 2007:** Following a tip-off, authorities in the port of Pemba, Cabo Delgado, seized 47 containers with over 1,000 logs banned from export. The logs were owned by the Chinese-run company Mozambique First International (Mofid).⁵⁶
- **January 2009:** Four companies fined for attempted smuggling of 958 cubic metres of logs to China through Pemba port. The companies - Mofid, Pacifico, Kingsway and Tienhe - are all Chinese-owned.⁵⁷
- **December 2011:** Authorities in Pemba port detain the vessel Kota Mawar after discovering 161 containers of illegal logs. The logs are owned by five Chinese firms - Mofid, Tienhe, Pacifico, Senlian and Alphaben.⁵⁸
- **July 2011:** 501 containers of illegal timber seized at the port of Nacala, Nampula province, en route to China. Chinese-owned firms involved in the smuggling attempt include Casa Bonita, Zhen Lomg, Chanate, Senyu, Tong Fa and Yihou.⁵⁹ The eight companies implicated in the fraud are allowed to buy the logs back and ship them to China.⁶⁰

Most of these seizures occurred due to tip-offs after the consignments had already been approved for export by forestry and customs officers. Evidence shows large amounts of smuggled logs from Mozambique arrive in China unhindered. For example, Chinese customs statistics show the import of 230,000 cubic metres of logs from Mozambique in 2011;⁶¹ conversely, Mozambique's data shows just 36,000 cubic metres of logs being shipped to China that year.⁶² This indicates widespread mis-declaration at the point of export, with containers of logs banned from export being falsely described as sawn timber.

Documents obtained by EIA reveal how this fraud is carried out. A shipping bill of lading shows 40 containers of logs from Mozambique - pau ferro, umbila and jambire, all of which are banned from export - being shipped from Hong Kong to the port of Shatian in south China in January 2011 to the state-owned company China Meheco Import & Export Corporation. This document is a switch bill of lading, covering only the final part of the journey, with the voyage from Mozambique to Hong Kong covered by a separate document listing the consignment as sawn timber. This was one of several log shipments from the port of Nacala in Mozambique to arrive at Shatian in early 2011, with the exporter named as Oceanique Lda. This firm is linked to the company Green Timber, which has been accused of a host of violations of forestry law in Mozambique.⁶³

Demand for hardwood logs in China is driving illegal and unsustainable logging in Mozambique. The Chinese logging



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companies and traders operating in the country could not flout the law so easily without the connivance of corrupt officials and the support of powerful patrons. Logging operations are moving into more remote areas such as Niassa and Tete as commercial supplies of easily accessible logs run out. With at least 50 per cent of logging in Mozambique estimated to be illegal, there is speculation that valuable hardwoods will be stripped from the country within five years.⁶⁴

EIA INVESTIGATIONS

In September 2012, EIA investigators posing as timber buyers travelled to two of Mozambique's well-known timber production hubs of Beira in Sofala Province and Pemba in Cabo Delgado Province. The aim of the investigation was to ascertain the current level of illegal exports of timber to China and to look into the backgrounds of the some of the companies implicated in previous seizures of illicit wood.

CABO DELGADO

Investigators travelled to the northern province of Cabo Delgado and held a series of meetings with timber companies based in the main city of Pemba. The investigation coincided with the five-yearly congress of the ruling Frelimo party, which was being held in Pemba for the first time. While the presence of the country's leaders had led to a hiatus in illicit log exports, the timing revealed fascinating linkages between Chinese companies and political allies.

TOP:

Log truck en route to Beira, September 2012.

ABOVE LEFT:

Nacala port, Mozambique, where 501 containers of illegal logs bound for China were seized in July 2011.

ABOVE RIGHT:

Container of illegal logs from Mozambique, Shatian port, southern China, January 2011.

MOZAMBIQUE CASE STUDY (CONTINUED)

MOZAMBIQUE FIRST DEVELOPMENT CO LTD (MOFID):

Mozambique First Development Co Ltd (Mofid) was one of the first Chinese timber companies to become established in Pemba. Since starting operations in 2000, it has become a major player in Cabo Delgado and claims to own about one million hectares of forest concessions in the province and neighbouring Niassa, which yield an estimated 40,000 cubic metres of timber a year for export.

EIA investigators met with the boss of Mofid, Liu Chaoying, first at his home in the upmarket Wimbe Beach area and then at his factory on the outskirts of Pemba. In conversation, Liu revealed how his close relationship with current Minister of Agriculture Jose Pacheco had helped in securing forest concessions. The pair first met when Pacheco was the governor of Cabo Delgado and Liu was setting up in the province.

Virtually all of Mofid's timber is exported to its Guangdong-based company Senfeiyuan Timber. While most companies EIA met faced difficulties with declining sales in China, Mofid had increased its exports from 1,600 containers in 2011 to a projected 2,000 in 2012. Liu also confirmed his company is one of the few still able to export large amounts of logs of controlled species to China, a clear breach of Mozambican law.

When asked about the regulation requiring commercial timber species to be sawn to a maximum thickness of 12.5 centimetres before export, Liu boasted: "That can be taken care of easily. It's not a problem, only for our company, not for other companies".

During a tour of the log yard, Liu revealed that the presence of the President of Mozambique in Pemba for the Frelimo Congress has led to a temporary halt of Mofid's illegal log exports, stating: "Once the President leaves, there'll be no problem. Because there's no need to create problems. Besides, my friend (Pacheco) is here, so I don't want to put him in a difficult situation".

The meeting with Liu also demonstrated the ease with which Mofid circumvents inspections by Government officials. When told by one of his associates of a pending visit by Ministry of Agriculture officials to his log yard, he said he would just arrange to go through the charade of loading ebony logs, which are allowed to be exported, into containers on the day of the visit.

A phone call to Mofid's Chinese affiliate in November 2012 confirmed that the company had prohibited Mozambican logs in stock in China; the price for pau ferro logs was \$950 per cubic metre, and \$800 for jambire logs.



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Mofid has been caught on numerous occasions attempting to export prohibited logs to China and yet continues to willfully break Mozambican law, protected by high-level political allies.

SENLIAN CORPORATION: In Pemba, EIA investigators also met with Mr Xu from Senlian Corporation, a subsidiary of the Chinese state-owned firm Shanghai Senlian Timber Industrial Development Co Ltd.

According to Xu, who has handled Senlian's operation since 2007, the company has 60,000 hectares of forest concessions in Cabo Delgado and Niassa, and trades about 10,000 cubic metres of timber a year to China.

Senlian also enjoys influential political patronage. During the meeting at Xu's home, investigators were introduced to Tomas Mandlate, formerly Minister of Agriculture and current member of parliament, who was staying at the house while attending the Frelimo congress. Mandlate explained his role is to "help the company solve some problems", in return for which he has a 10 per cent stake in it and receives a monthly payment.

One problem Senlian faced occurred in April 2012 when 34 of its containers of logs were seized during export. Senlian incurred hefty fines and financial losses as a result, leading the company to halt log shipments for the rest of the year. Xu said he was working with Mandlate to resume the illegal log shipments: "He said no problems; he will sort it out for me next year. He was the Minister of Agriculture ... all the directors in this province were beneath him. Next year there should be some good illegal supplies."

Prior to the seizure, the company's annual turnover in Mozambique was about \$15 million, mainly derived from the export of up to 800 containers annually of wenge, pau ferro and mondzo logs to China.

As well as smuggling logs out of Mozambique, Senlian is also implicated in illicit trade in elephant ivory. In July 2009, customs officers in the Vietnamese port of Haiphong intercepted 600 kilos of ivory tusks, concealed in a shipment of timber. Documents obtained by EIA reveal that the consignment was shipped from Mocimboa da Praia port in north Mozambique by Senlian.

PINGOS MARINHA: Another Pemba-based Chinese operation EIA encountered is Pingos Marinha, headed by brothers Zheng Fei and Zheng Xudong. The company runs two forest concessions in Cabo Delgado and exports nearly 1,000 containers of timber a year to its Guangdong-based affiliate Dongguan Yetong Trading.

According to Zheng Xudong, the company regularly exported wenge and other controlled logs to China until February 2012, when the authorities began to clamp down on illegal shipments. Although now mostly trading in rough sawn timber, the company still circumvents export laws by adding simple relief carvings to the sides of oversized wood blocks and reclassifying them as "finished products". After explaining this scam, Zheng said: "This is our secret. When you're outside, don't tell people about it".

BEIRA

EIA investigators travelled to the port city of Beira, a major hub for timber exports from Mozambique. Travelling around industrial areas on the main road into the city, EIA observed a succession of Chinese-owned log yards. Local sources claimed there are at least 45 Chinese timber companies in the area, compared with about 10 firms five years ago.

The Chinese firms deal almost exclusively with pau ferro, mondzo and chanate timber. Since the clampdown, most firms are observing the law by only exporting rough sawn wood,

although the provenance of much of the wood is suspicious as it is derived from simple licence-holders often bankrolled by the Chinese firms. Illegality at the point of export is still occurring; for example, the firm Verdura, owned by an Indian businessman, still sends logs to China concealed in containers behind a layer of legally compliant sawn timber. During the course of the investigation, it emerged that the dominant player in the timber sector around Beira is the Chinese firm Fan Shi Timber.

FAN SHI TIMBER: EIA first encountered Fan Shi Timber while conducting investigations in Guangdong, southern China, in April 2012. EIA met with Fan Liyu of Huadian Timber in the belief that the company dealt in Myanmar wood, but it quickly emerged it had switched focus and was now sourcing timber mostly from Mozambique to supply reproduction furniture manufacturers in China.

Fan explained how Fan Shi Timber is a group of family-run businesses owned by three relatives from Fujian – Fan Guoyong, Fan Jinglin and Fan Jinghui. None of the companies have forest concessions in Mozambique and rely on logging quotas for specific species and volumes which are negotiated and purchased from the Ministry of Agriculture. With monthly exports of about 100 containers for each of the three companies, Fan Shi combines to export between 3,000-4,000 containers to China every year, mostly mondzo, chanate and pau ferro. According to Fan Liyu, bribes are paid as a matter of routine to customs officials in Beira to ease exports and “secretly clear customs”.

EIA observed huge quantities of logs at Fan Shi’s storage facilities outside Beira. At one of the sites, a foreman told investigators it was no longer exporting round logs as authorities were clamping down on offenders and stiff penalties were imposed. Instead, EIA observed containers being loaded with oversized lumber that exceeded the maximum thickness requirement. The origin of Fan Shi’s raw material supplies is also suspicious, given the large amounts it exports despite not operating a Mozambique forest concession.

EIA’s field investigations document how demand for specific types of hardwoods for reproduction furniture in China is driving unsustainable and illegal logging practices in Mozambique. Although improved enforcement against log smuggling in the wake of large seizures in 2011 is having an impact, some of the more influential Chinese firms are either continuing to ship logs or plan to resume next year. This influence is an important factor in understanding illegal logging in Mozambique; without the connivance of senior politicians and corruption of Government officials, illegal activities by Chinese timber firms would not be as widespread.

It is apparent that a ‘timber rush’ has taken place in Mozambique, with Chinese firms rapidly dominating logging and timber trade in the country. Scarcity of commercial timber species in heavily logged provinces such as Zambezia and Sofala is being reported, with logging operations moving into more heavily forested and remote areas of the country, principally Niassa and Tete provinces.

Although several firms bemoaned the impact of economic slowdown in China on prices for Mozambican timber, others believed it was simply due to a glut in the market and that both demand and prices in China will soon rise again. EIA also met with several Chinese firms which have just entered the timber business in Mozambique, indicating that the pressure on the remaining forests will become even more intense and ensuring that the prediction of commercial timber exhaustion within five years will become reality.



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OPPOSITE PAGE:
Liu Chaoying, boss of Mofid.

TOP:
Mozambique member of parliament Tomas Mandlate with Xu of Senlian.

ABOVE:
Workers at one of Fan Shi’s logyards, Beira.



ROSEWOOD ROBBERY

© EIA, 2012

ABOVE:
Chinese demand for rosewood and other precious woods is driving a violent illegal logging upsurge in tropical countries worldwide, including Laos.

Surging domestic demand in China for rosewood is directly driving illegal logging of these rare tree species around the world, from neighbouring countries such as Myanmar and as far afield as Africa and Central America. This illicit trade is booming fuelling crime, corruption and violence.

In China, rosewood is mainly used for expensive reproduction furniture, imitating ornate designs from the Qing and Ming dynasties known as *hongmu*. The emergence of wealthy elites has created a growing market for replica *hongmu* constructed using dense, richly hued species which accord with cultural tradition, even prompting speculators to stockpile rosewood in the country in anticipation of future price hikes. By definition, *hongmu* is derived from rare trees with unique qualities, and rising demand in China is threatening some of these precious species with extinction.

Chinese customs data for rosewood log imports indicates a huge rise in demand in the past decade, from 66,000 cubic metres in 2005 to 565,000 cubic metres in 2011. The surge has been most pronounced in the past two years, with a six-fold increase between 2009-11, reaching a value of at least \$700 million.

The *hongmu* trade within China is regulated by law, principally to protect unwitting consumers from buying 'fakes' made from cheaper wood, with 33 listed species regarded as legitimate *hongmu*.⁶⁵ Many of these species are protected in range states, and over one-third are designated as either endangered or vulnerable. While Chinese laws protect

domestic consumers, scant regard is shown for regulations in rosewood range states.

The bulk of China's rosewood supplies have traditionally come from nearby countries and this is still the case. In 2011, just under half of all rosewood logs imported by China came from the greater Mekong region, despite a series of logging and trade bans protecting endangered rosewood species in these countries.

As demand has increased, a growing volume has been sourced from Central America and Africa. In Belize, a sudden spike in rosewood logging to supply China led to a Government ban on further cutting.⁶⁶ In Madagascar, exports to China increased by 340 per cent in one year, reaching 22,000 cubic metres in 2010 and posing a severe threat to Madagascar's northeastern rainforests and unique biodiversity.⁶⁷

In China, the main centre for the manufacture of rosewood furniture is Zhongshan in Guangdong Province, accounting for 60 per cent of the country's production.⁶⁸ Secondary centres are found around Shanghai and the border towns of Ruili near Myanmar, Fangchenggang near Vietnam and Mohan near Laos. Imports of rosewood logs mirror the industry locations; the main entry point is by sea into Guangdong, followed by Shanghai ports and land borders in Yunnan and Guangxi.

The price of high-end rosewood furniture in China is staggering, reaching a

"While Chinese laws protect domestic rosewood consumers, scant regard is shown for regulations in rosewood range states."



© EIA3

million dollars for individual pieces made from the rarest woods and displaying the most exquisite craftsmanship.⁶⁹ Furniture made from the most highly prized rosewoods costs up to \$720 per kilogramme, with a set of chairs and sofa fetching \$320,000.

A combination of rising demand, market speculation and growing scarcity is driving up the price for raw rosewood materials. Prices for rare rosewood logs in Laos have reached \$18,000 per cubic metre, and reach up to \$50,000 per cubic metre in other range states.⁷⁰ The price of one type of rosewood, known locally as *huanghuali*, saw a six-fold price increase in two years, reaching \$190,000 per tonne on the China market, with overall prices for rosewood typically rising by 25 per cent a year.⁷¹

While vast profits from the destructive illegal trade in rosewood are being accrued by Chinese businesses, a fraction of the end-value remains in the source countries where demand is pushing logging into protected forests and creating a climate of corruption and conflict. Investigations by EIA confirm this to be especially true in the Mekong region, the largest source of rosewood logs for China.

ROSEWOOD CRIMES IN THE MEKONG

The countries of the greater Mekong region – Myanmar, Cambodia, Laos, Thailand and Vietnam – are home to a number of species belonging to the



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Dalbergia and *Pterocarpus* genera that have been predominantly targeted for the Chinese rosewood market.

National regulations to protect these rare trees are in place across the region, ranging from a total logging ban in natural forests in Thailand to specific rules outlawing the cutting of certain rosewood species and export controls. Yet an illegal trade worth several hundred million dollars a year persists.

In Thailand, illegal logging of rosewood has reached epidemic proportions, especially *Dalbergia cochinchinensis* or Siam rosewood. During the past six years, Thai enforcement agencies have seized *Dalbergia* in 3,000 cases with a market value in excess of \$3 billion.⁷²

TOP:

Illegal Thai rosewood seized at a checkpoint in Laos. Chinese rosewood traders scour the Mekong region collecting illegal logs and flitches from anyone who can supply them.

ABOVE:

Hongmu furniture on sale in China. Such sets are much sought after by China's super wealthy, and can fetch hundreds of thousands of dollars.

“A host of threatened rosewood species are at the mercy of China’s burgeoning domestic demand.”

The Thai Government estimates that only 100,000 trees remain in the wild, scattered in protected areas lying along the border with Cambodia and Vietnam. Logging in the border area has become increasingly violent; a spate of fatal shootings by police of Cambodian loggers encroaching into Thai territory has occurred, with 13 reported deaths in the first six months of 2012.⁷³

The illicit trade in rosewood is equally violent in Cambodia, where logging in protected areas and in connection with land concessions is rife.⁷⁴ Collusion by powerful interests, including the police, threatened those who seek to expose the trade.

In April 2012, environmental activist Chut Wutty was shot dead by military police while accompanying two journalists in an area of Cambodia where rosewood logging had previously been exposed.⁷⁵ In September 2012, Hang Serei Odom, a journalist who had written about illegal logging for luxury wood in north-east Cambodia, was found dead in the boot of his car; he had exposed the involvement of powerful individuals in illegal logging.⁷⁶

In 2011, Vietnam exported 123,000 cubic metres of rosewood logs to China, accounting for almost half of all exports from the Mekong. Rosewood is illegally felled within Vietnam from protected areas, especially in Quang Binh province and even city centres, with reports of Chinese buyers being backed up by criminal gangs from north Vietnam.⁷⁷

However, the majority of Vietnam’s rosewood exports originate in Laos, Thailand and Cambodia.

Although Laos exported 80,000 cubic metres of rosewood logs directly to China in 2011 in contravention of log export and rosewood harvesting bans, the bulk of the illegal timber is transported through Vietnam and controlled by Vietnamese traders. In 2012, EIA investigators were offered *Dalbergia cochinchinensis* from Laos by the Vietnamese firm Nicewood, which boasted of its ability to circumvent export restrictions and had previously shipped Lao rosewood to Yantian in southern China.⁷⁸ Another Vietnamese firm, Vinaca Maiphuong, offered EIA investigators 1,000 cubic metres of *Dalbergia oliveri* at a price of \$38.5 million, explaining that the logs were being stored in Laos awaiting a buyer.

Chinese and Vietnamese traders scour villages in central and southern Laos for rosewood, which is extracted by farmers and sold at the roadside by the kilo. In April 2011, EIA investigators met Xie Rongjian, a China-based rosewood trader in Thakek, central Laos, who said he would travel anywhere in the country to buy a few cubic metres, adding that rosewood would be exhausted in Laos within five years.⁷⁹

Lao companies and officials are also complicit in the illicit business. One of the main culprits is the firm Phonesack Group, which uses connections to the upper echelons of the Government to procure rosewood from protected areas and in mining concessions.⁸⁰

Access to rosewood in Myanmar is facilitated by the corruption that permeates the Myanmar log trade. Myanmar also acts as a route for smuggling Red Sanders, a species protected in India, from the subcontinent to China.⁸¹

EIA investigations reveal that enforcement of national laws intended to protect rosewood across the Mekong region is incapable of stemming the illicit flow into China. The criminality inherent in this trade is spurring corruption and violence.

This dire situation has led Thailand and Vietnam to propose listing *Dalbergia cochinchinensis* on Appendix II of CITES. Such a measure would regulate international trade in the species and compel China, which has so far ignored national laws in rosewood range states, to seize logs of this species entering the country. Nevertheless, a host of other rosewood species remain at the mercy of China’s burgeoning domestic demand.

BELOW:

A map produced by the Thailand police illustrates rosewood smuggling routes in the Mekong region, and clearly highlights China’s key role.



© Royal Thailand Police

LOOTING MADAGASCAR'S UNIQUE FORESTS

Over the past decade the forests of Madagascar, one of the world's poorest states, have been pillaged to provide precious hardwoods for the wealthy in Europe and the US, but principally China.

The illegal, unsustainable trade has provided scant benefit to impoverished Madagascans and has led to the degradation of thousands of hectares of unique, biodiverse rainforests.

Successive governments have sought to curb the trade through a series of measures, culminating in an outright ban on harvesting and export of rosewood and ebony species in 2006.⁸² However, this ban was dramatically flouted in the wake of a military coup in 2009, which led to a complete breakdown in the rule of law in the forests of the north-east. In the first months of 2009, up to 200 trees were illegally extracted from two national parks in the north-east SAVA Region each day. The trade was estimated at between \$88,000 and \$460,000 daily.⁸³

Investigations by EIA in 2010 indicated that Chinese traders in SAVA Region were buying more than 95 per cent of the supply. Almost all of this reached end users in China, with a small and shrinking demand in the US and Europe.⁸⁴

In March 2010, under intense international pressure, the transitional government reinstated the export ban on ebony and rosewood, yet illegal trade persists.⁸⁵ In 2010, China recorded "rosewood" log imports of more than 22,000 cubic metres, up from 4,708 the previous year – and just 55 cubic metres in 2007.

The targeting of luxury species has prompted Madagascar to unilaterally list all *dalbergia* and *diospyrus* native to the island on CITES Appendix III and seek an Appendix II listing in 2013.

A challenge to the enforcement of this listing will be the disposal of vast stockpiles of timber, estimated at up to 15,000 tonnes in 2010.⁸⁶ This is a legacy of the Government's inconsistent approach to export bans; repeated 'one-off' sales of stockpiles that benefit an elite group of timber barons have encouraged continued exploitation in the expectation they will be repeated. It has been claimed that a Chinese company offered to buy the entire stockpile in 2012.⁸⁷

The decline in China's rosewood imports from Madagascar over the past two years has coincided with a huge rise in imports from Central America, from negligible volumes in 2009 to 29,310 cubic metres in 2011. As a result, Belize banned the harvesting and export of rosewood in March 2012, Nicaragua has formed an "eco-battalion" to address the illegal trade and Guatemala announced a crackdown on trafficking in 2011.⁸⁸



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TACKLING CHINA'S ILLEGAL TIMBER TRADE

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ABOVE:
Factory worker processing
illegal timber into flooring,
Nanxun, 2004.

China is now the biggest importer, exporter, and consumer of illegal timber in the world. Its footprint impacts vital forest ecosystems ranging from neighbouring countries such as Myanmar to remote areas of Africa.

With domestic forests incapable of meeting surging demand, China has a gaping and growing timber deficit that can only be filled by imports. In 2011, China imported a massive 180 million cubic metres (RWE), a three-fold increase since 2000.

Recently, supply restrictions from key timber producing countries and demand for legal timber by China's main environmentally sensitive export markets have led to increased imports from countries with a low risk of illegal logging. Nonetheless, China's unprecedented import boom has resulted in ever-increasing timber supplies from high-risk countries where illegal logging is rife. Accounting for logs and sawn timber alone, EIA estimates China imported at least 18.5 million cubic metres (RWE) of illicit timber in 2011, worth \$3.7 billion. This is an extremely cautious estimate; the overall figure is likely to be far higher.

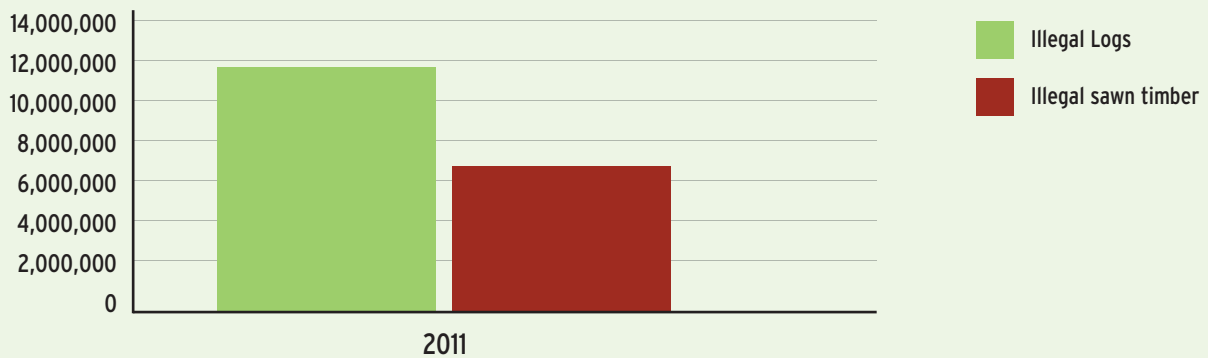
Aside from statistical analysis, EIA's investigative case studies contained in this report detail the actual methods used by Chinese businesses – both private and state-owned – in securing illegal timber supplies from some of the world's poorest, most corrupt and forest resource-rich countries

These investigations reveal how Chinese traders thrive on crime, corruption, the purchase of political patronage and poor forest governance in the producer countries from which they source. A displacement effect is also clearly visible as the businesses move from country to country once wood supplies dwindle or enforcement improves in one place. This cut and run strategy, based on shipping raw wood back to China, suppresses the growth of value-adding processing industries in producer countries and strips forests of commercial timber supplies.

China's Government has done virtually nothing to curb illegal imports, while putting in place policies to ensure supply from some of the worst illegal logging hotspots in the world.

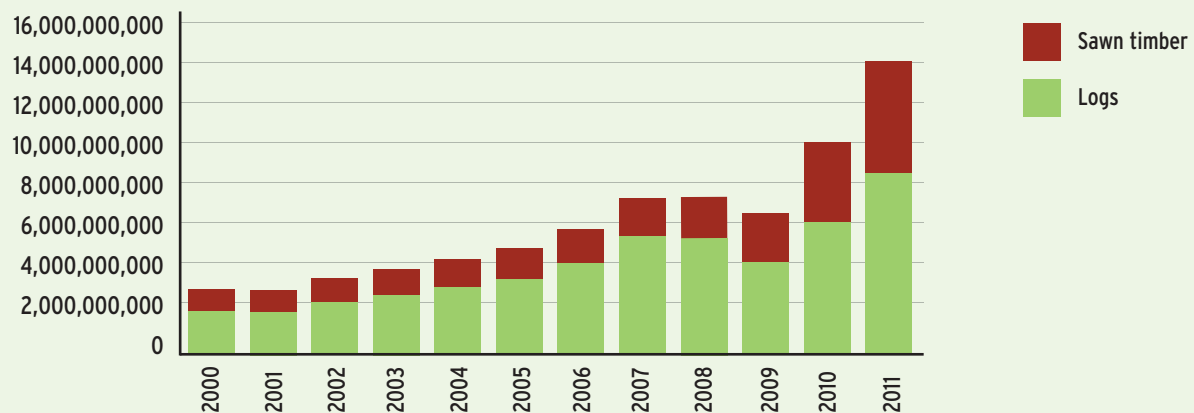
China's estimated illegal logs and lumber imports by volume (M³ RWE), 2011

Source: EIA analysis of COMTRADE data



Value (US\$) of logs and sawn timber imports into China from all countries: 2000-2011

Source: COMTRADE



Historically, large volumes of illegal timber imports into China have been re-exported as finished wood products to consumer markets in the US, EU and Japan. Now China's rapidly growing domestic consumer market is the main absorber of illegal timber imported into the country, and without action will be the chief driver of illegal logging worldwide into the future.

While other leading economies have instituted clear and principled prohibitions on illegal timber trade in recent years, China has to date resisted this leadership role, opting instead to present such policies as "unsuitable" for its circumstances.

With China's emergence as the world's second biggest economy, the country is playing an increasingly high-profile role in global political and economic change. With such power comes responsibility, and it essential that the country acts decisively to cut illegal timber out of its path towards economic growth.

The fate of much of the world's natural forests is in China's hands.



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Illegal logs from Kachin state continue to roll unhindered across the land border into China, April 2012.



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RECOMMENDATIONS

The Government of China should:

- Institute a clear legal prohibition on imports of illegally logged timber
- Place responsibility for eradicating China's illegal timber trade in the hands of a formal coordinating body comprising senior officials from the Commerce and Foreign Ministries, as well as the State Forest Administration (SFA)
- Ensure timber trade associations (both private and those under Government agencies) provide clear information to Chinese importers on laws regulating timber production and trade in all counties from which China imports wood
- Support the inclusion of threatened timber species in the annexes of the Convention on International Trade in Endangered Species (CITES). A clear place to start would be to support proposals from Thailand, Vietnam and Madagascar for the inclusion of key rosewood and ebony species in CITES Appendix II in March 2013
- Show respect to trade partners by reciprocating export controls placed on their timber products, such as log and sawn timber export bans
- Revise the voluntary guidance provided to Chinese companies operating overseas to make it mandatory
- Institute laws that criminalise corruption or bribery of foreign officials by Chinese companies, in line with anti-corruption legislation instituted in the UK and the US

- Ensure that bilateral agreements on illegal logging, such as MoUs, are made meaningful through firm action
- Maximise the potential of existing MoUs and bilateral agreements on illegal logging and trade to help China transition to legal timber procurement, manufacturing and export, so as to ensure ongoing exports to newly regulated markets such as the US, EU and Australia
- Eliminate the role of state-owned enterprises in procuring imports of illegal timber into China

Timber producing countries exporting to China should:

- Clarify forestry and timber trade laws to all export markets, particularly China
- Adequately implement laws regulating forestry and timber trade, through improved law enforcement

The EU and US:

- Ensure that the implementation of the US Lacey Act and EU Timber Regulation with regard to timber products imported from China is robust
- Use existing bilateral dialogues with China to promote trade in legal forest products

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ENVIRONMENTAL INVESTIGATION AGENCY (EIA)

62/63 Upper Street
London N1 0NY, UK

Tel: +44 (0) 20 7354 7960

Fax: +44 (0) 20 7354 7961

email: ukinfo@eia-international.org

www.eia-international.org

EIA US

www.eia-global.org

