

Recommendations contained on pages 1 & 2



global witness

A Conflict of Interests

The uncertain future of Burma's forests

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1 RECOMMENDATIONS

THE INTERNATIONAL COMMUNITY

The international community should bear a responsibility for guaranteeing the fundamental rights of all the people of Burma. It is essential that the international community encourages the State Peace and Development Council (SPDC) and all insurgent groups currently involved in armed conflict to instigate a nationwide ceasefire as a first step towards peace.

The SPDC, the National League for Democracy (NLD) and other political parties, insurgents and ceasefire groups must engage in a dialogue to bring about an equitable, long-term solution to the conflicts and to effect the transition to civilian rule. The international community should encourage the development of civil society through its participation in the decision making process, and promote transparency and freedom of information at all levels.

It is also essential that natural resource exploitation, one of the main causes of conflict and environmental destruction (both of which undermine the prospect of future sustainable development^a), is adequately addressed.

THE INTERNATIONAL COMMUNITY SHOULD:

- Increase the provision of aid directly to the people of Burma, following stakeholder consultation, in a way that prevents its diversion and that does not perpetuate military rule and human rights abuse.
- Provide support for Burmese independent NGOs, in the form of technical assistance, to raise their capacity to administer their humanitarian programmes and to manage increasing levels of foreign funding.
- Assess objectively the impact of current sanctions, and of proposed sanctions as they arise, so that decisions are made from a fully informed standpoint.
- Consider the provision of assistance for planning a demobilisation programme to reduce the size of the armed forces and other groups of combatants, when appropriate in the context of future peace initiatives.

IN RELATION TO THE EQUITABLE AND SUSTAINABLE MANAGEMENT OF BURMA'S FORESTS THE INTERNATIONAL COMMUNITY SHOULD:

- Ensure that timber imported from Burma does not fund conflict, or lead to human rights abuse or increased poverty, and that it is harvested from a legal, sustainably managed source and produced in accordance with Burma's international obligations.

- Make all data relating to the importation of timber from Burma publicly available; including volumes, value, and origin.
- Facilitate a forest sector review and forest value assessment, to determine how to protect and sustainably manage all of Burma's forests in the best interests of the people of Burma. This should include a forest cover survey and meaningful public consultation.
- Assist all ceasefire groups to carry out Environmental and Social Impact Assessments (ESIAs) for all development projects, and any commercial activities involving the exploitation of natural resources. Such a process should include meaningful public consultation.
- Help rebuild society at a local level through the promotion of educational projects including environmental awareness, encourage the continuation of sustainable resource use and protection, and support grassroots environmental initiatives.
- Take unilateral, bilateral or multilateral action to make it illegal to import conflict timber (*see page 49*) and timber that has been logged, transported or traded illegally and to punish those companies and individuals involved.^b The country where the timber was logged should be clearly labelled; this should include processed wood products.
- Encourage the United Nations Security Council to recognise conflict resources as natural resources that should be banned from international trade.
- Make money earmarked for forest conservation and rehabilitation projects in China and Thailand contingent upon the cessation of destructive logging practices by Chinese and Thai companies in other countries.

THE SPDC

The current situation regarding the exploitation of Burma's forests is inseparable from the wider political process in Burma. Destructive and unsustainable logging, as exemplified by Chinese logging companies operating in Kachin State, is inextricably linked to many things, including conflict, SPDC management of internal and foreign relations through the control of access to natural resources, coercive, non-transparent and poorly planned ceasefire arrangements, and corruption. The large standing army, the dire state of the formal economy, and inadequate and inequitable application of forest legislation exacerbates the situation.

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

^b A particular consignment should be considered illegal when the timber has been harvested, transported, or traded in violation of relevant laws and regulations.

IN RELATION TO THE EQUITABLE AND SUSTAINABLE MANAGEMENT OF BURMA'S FORESTS, THE SPDC SHOULD:

- Implement the results of the proposed forest sector review and forest value assessment, increase transparency and accountability. This should include the cessation of all unsustainable logging practices and logging that is detrimental to the best interests of the peoples of Burma.
- Ensure the formal participation of local communities in the decision-making process relating to forest conservation and exploitation.
- Abide by international environmental commitments including the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
- Ensure forest related legislation is implemented equitably.
- Make public the terms relating to the control of natural resources in all ceasefire agreements.
- Ratify and adhere to the International Labour Organisation (ILO) Convention relating to Indigenous and Tribal Peoples in Independent Countries (ILO No.169), in particular as this relates to the plunder of natural resources.
- Allow free access for community development and environmental initiatives, particularly in the ethnic minority areas.

CEASEFIRE GROUPS

Ceasefire groups bear a responsibility for ending the unsustainable exploitation of forests and other resources in the areas they control. Widespread forest loss, the result of poor management and corruption, is leading to serious environmental and social problems, and will ultimately undermine development in the ceasefire areas.

IN RELATION TO THE EQUITABLE AND SUSTAINABLE MANAGEMENT OF BURMA'S FORESTS THE CEASEFIRE GROUPS SHOULD:

- Consider the suspension of development projects and commercial operations that are unsustainable or are of questionable economic or social value pending the results of the proposed Forest Value Assessment and ESIA's for all projects relating to natural resource exploitation.
- Implement the results of the proposed forest value assessments and ESIA's and ensure meaningful public consultation in the decision-making process related to the future extraction of natural resources under their control. This should include the development of a Forest Policy, which should be made available to the public, and increased transparency and accountability in the forest sector.

- Ensure the equitable distribution of the benefits of any development project, or commercial activity, involving the exploitation of natural resources in ceasefire areas.
- Give full support and access to grassroots initiatives that aim to protect the environment, and to other sustainable development activities at a community level.

NEIGHBOURING COUNTRIES

The demand for natural resources in China and Thailand has fuelled conflict and environmental destruction in Burma. Logging in Burma by Chinese and Thai companies has provided these companies with a cover for cutting timber illegally in their own countries, too.

Peace, stability, sustainable development, and environmental security in Burma are in China and Thailand's best interests. China and Thailand should play a positive future role in national reconciliation in Burma, and ensure that the development of their economies is not detrimental to Burma's people.

CHINA SHOULD:

- Immediately stop logging in Burma pending the results of the proposed Forest Value Assessment and ESIA's for all commercial and development projects relating to natural resource exploitation. Priority should be given to a cessation of activity on the N'Mai Hku Project (*see page 104*).
- Stop the importation of logs and processed timber across the China-Burma border.

THAILAND SHOULD:

- Stop the importation of logs and processed timber across the Thai-Burma border.

CHINA AND THAILAND, IN ACCORDANCE WITH THEIR COMMITMENTS MADE IN THE SEPTEMBER 2001 FOREST LAW ENFORCEMENT AND GOVERNANCE (FLEG) DECLARATION, SHOULD:

- Play a more proactive role in the Regional Task Force on Forest Law Enforcement and Governance established to advance the objectives of the FLEG Declaration.
- Take immediate action to strengthen bilateral collaboration with the Burmese Forestry Department, and the forestry administrations of ceasefire groups, to address violations of forest law and forest crime, in particular illegal logging, associated trade and corruption.
- Develop mechanisms for the effective exchange of experience relating to forest protection and forestry, and information including log and timber import data.
- Encourage the participation of the Burmese Forestry Department, and the forestry administrations of ceasefire groups, in the FLEG initiative (*see Appendix II, page 119*).

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ACRONYMS

AAC	Annual Allowable Cut
ADB	Asian Development Bank
AFPFL	Anti-Fascist People's Freedom League
ASEAN	Association of South East Asian Nations
BIA	Burma Independence Army
BP	Border post
BSS	Brandis (later Burma) Selection System
BSP	Burma Socialist Programme Party
CPB	Communist Party of Burma
CRPP	Committee Representing the People's Parliament
DDSI	Directorate of Defence Services Intelligence
DKBA	Democratic Karen Buddhist Army
DSI	Defence Services Institute
DZGD	Dry Zone Greening Department
FAO	Food and Agriculture Organization of the United Nations
FPJVC	Forest Products Joint Venture Corporation
GDP	Gross Domestic Product
GNP	Gross National Product
ILO	International Labour Organisation
KDA	Kachin Defence Army
KESAN	Karen Environmental and Social Action Network
KHRG	Karen Human Rights Group
KIA	Kachin Independence Army (The armed wing of the KIO)
KIO	Kachin Independence Organisation
KNA	Karen National Association
KNLA	Karen National Liberation Army (The armed wing of the KNU)
KNLP	Kayan New Land Party
KNPLF	Karenni National People's Liberation Front
KNPP	Karenni National Progressive Party
KNU	Karen National Union
KR	Khmer Rouge
MCSO	Myanmar Central Statistical Office
MDA	Mongkoe Defence Army
MoF	Ministry of Forestry
MI	Military Intelligence
MTA	Mong Tai Army
MTE	Myanmar Timber Enterprise
MNDAA	Myanmar National Democratic Alliance Army (Kokang)
MNLA	Mon National Liberation Army (The armed wing of the NMSP)
MSS	Myanmar Selection System
NATALA	Ministry for the Development of Border Areas and National Races
NCGUB	National Coalition Government Union of Burma

NCUB	National Council Union of Burma
NDA	National Democratic Alliance Army (Eastern Kengtung)
NDA(K)	New Democratic Army (Kachin)
NDF	National Democratic Front
NLD	National League for Democracy
NMSP	New Mon State Party
NUP	National Unity Party
OSS	Office of Strategic Studies
PNO	Pao National Organisation
PSLP	Palaung State Liberation Party
RGC	Royal Government of Cambodia
RTFD	Royal Thai Forest Department
SLORC	State Law and Order Restoration Council
SPDC	State Peace and Development Council
SSA(S)	Shan State Army (South)
SSA(N)	Shan State Army (North)
STB	State Timber Board now the Myanmar Timber Enterprise (MTE)
STB	Company Sahavanakit (2499) Co.
TPS	Thone Pwint Saing Co. Ltd
UMEHC	Union of Myanmar Economic Holdings Company
UMEC	Union of Myanmar Economic Corporation
UNDCP	United Nations International Drug Control Program
USDA	The Union Solidarity & Development Association
UWSA	United Wa State Army (The armed wing of the UWSP)
UWSP	United Wa State Party
WADP	Wa Alternative Development Project

GLOSSARY

Ceasefire Group: A term given for insurgent groups that have come to an accord with the Burmese regime. The ceasefires are not formal political settlements. Generally ceasefire groups keep their armies, retain some administrative control in their areas and engage in some economic activities.

Jao Por: A Thai term given to 'godfather' type individuals; influential people, operating outside the law, usually with close links to politicians. *Jao por* are very active in provincial and border-area business.

National Entrepreneur: A term used by the Burmese authorities that relates to a privileged group of companies/individuals close to the regime, notably involved in natural resource exploitation including logging, agriculture, road building, and tourism in Burma.

Tatmadaw: The Burmese term for the Burmese military.

A note on conversion rates

Unless otherwise stated, the conversion rate of the Myanmar kyat to the United States dollar is based on the unofficial 2001 exchange rate of \$1 = kyat 620. (Most of the fieldwork on which this report is based was conducted in 2001.) Currency conversions from Thai baht to United States dollars, and from Chinese yuan to United States dollars, are calculated using the historically correct exchange rate.^c All currencies are stated to two significant figures.

Burma uses the unusual measurement of a Hoppus Ton to measure timber volumes. 1 Hoppus Ton is equal to 1.8027 cubic metres.

A note on methodology

Global Witness has conducted primary research over a period of three years in Thailand, China and Burma, and interviewed many people from many different backgrounds. To the best of our knowledge, this report reflects the reality of logging in Burma. It should be noted, however, that this was not a scientific experiment and that for every incidence of illegal logging there may be many that go unreported. It should also be noted that

while one cannot extrapolate from a single instance of illegal logging to draw a portrait of logging practices nationwide, many features of the trade, detailed in this report, are widely applicable. Access in terms of travel within Burma and access to individuals was extremely limited, as was the willingness of those individuals to speak. Complete coverage of the country was impossible.

A note on sources

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



Pian Ma, Yunnan Province, China; 2001.

"Take photos of the unspoiled forests, take photos of the lush bamboo forests. When I see gigantic logs carried off to China I feel very sad. Some logs are as big as the truck itself."

KIO Officer, Kachin State, 2002

^c www.oanda.com

3 INTRODUCTION

Burma is resource rich, and principal among these resources is timber. As in many countries, control of natural resources in Burma is the key to power. This report, the result of extensive research and fieldwork in Burma, Thailand and China, examines the roots of the civil war and how conflict and an authoritarian regime (the State Peace and Development Council (SPDC)) have been sustained through the exploitation of Burma's natural resources. The destructive exploitation of Burma's forest has received little attention despite the severe implications for peace, development, prosperity and the environment.

The role of timber in Burma's recent history has been as varied as it has been pivotal. Interest in the teak forests of Tenneserim was instrumental in the British decision to annex parts of Burma in 1824, and victory in the Second Anglo-Burmese War gave Britain control over the teak-rich forests of the Pegu Yomas. The inequitable exploitation of natural resources by the British colonial authorities in

Burma's border areas, caused great resentment amongst the ethnic communities who live there and was a primary cause of the ethnic insurgency at the time of Independence in 1948. Burma has been at war ever since, in large part due to the desire of the combatants to control access to these natural resources. Countries such as China and Thailand have supported the insurgent groups, often in exchange for access to natural resources including timber.

Since 1988, the ruling military regime has been the ultimate arbiter of forest resources both within Burma and internationally and this control, together with the revenue derived from the timber trade, continues to play a significant part in the maintenance of its grip on power. At the same time timber revenue and control of the trade on the border has enabled the ethnic insurgents to finance their side of the conflict. The human rights abuses of the military regime are well documented and abhorrent, but none of the combatant groups is entirely blameless. This report does not go into the detail of these abuses but it is clear that perpetual conflict has not benefited the average person in Burma. It is equally clear

that whilst the civilian population has suffered, combatants on all sides have used their privileged positions for personal enrichment to the detriment of the people they claim to be fighting for. It should also be noted that much of the logging currently taking place in Burma not directly financing conflict is, nevertheless, very destructive and ultimately is not in the best interests of Burma's people.

The situation has been compounded by the Thai and Chinese logging companies who, with the backing of their political patrons have taken advantage of the conflict situation to cut deals with the military regime and insurgents alike. Despite the environmental and economic disasters experienced by both the Chinese and the Thais as a result of rampant deforestation, they have encouraged the very same companies to log just over the border in Burma, with the same predictable results.

Burma's resources have been traded by the regime in exchange for political, financial and military support from its neighbours, and the insurgents have mortgaged any prospect of sustainable development in a post-conflict situation against their short-term military ambitions. Whilst the Chinese and Thai economies have benefited greatly from the exploitation of Burma's natural resources, China's border towns have boomed, and Thai loggers and their political backers have got rich, Burma has remained mired in conflict.



Log stockpile in Pian Ma, Yunnan Province, China; 2001.

The regime has also used such *resource diplomacy* in the domestic context. In some instances control over logging operations has been devolved to key figures in the military and military intelligence. In the same way, influential businessmen and companies (the national entrepreneurs) have been awarded lucrative logging contracts in exchange for their support. A fundamental reason for the political intransigence of the regime is the potential loss of these economic perquisites in a more democratic society.

Equally important to the regime has been the exchange of natural resources for peace with the ethnic insurgents. These ‘ceasefire deals’ are seen by the SPDC as one of its major achievements. However, the primary purpose of the deals appears to be to undermine the insurgency, rather than improving the circumstances of the ethnic minority peoples. The potential benefits of peace in Burma should not be underestimated, but whether such deals – characterised by coercion and lack of transparency – will ultimately be good for the ethnic communities is not clear.

Management of the forests by the ceasefire groups, whether by design or force of circumstance, has been poor to non-existent and much of the resource base has already disappeared. Once the natural wealth of these border areas has been exhausted, not only will any real prospect for sustainable development have vanished, but the underlying causes of conflict may well still remain, perhaps even exacerbated by this plunder.

Part 1 (*pages 13 to 26*) of this report is largely historical and examines the roots of conflict in Burma, Burmese politics, and links to the inequitable extraction of natural resources, in particular timber. Part 2 (*pages 27 to 115*) based substantially on Global Witness’ field investigations looks at logging throughout Burma with a focus on border areas. It details the importance of the timber trade to the regime, to the ethnic insurgents, to

Thailand and to China. Information based on Global Witness’ investigations in the field is clearly marked.

Mismanagement, corruption, the all-pervasive military presence, and sanctions have crippled most of Burma’s formal economy. This has led to an increased reliance on timber, which remains a vital source of foreign currency and serves to fund, amongst other things, the fight against the insurgency. Timber cutting targets in Burma’s state-run forests now have as much to do with the financial imperative, as they have to do with sustainability of production. The SPDC’s desire to maintain the territorial integrity of the Union of Burma outweighs its concern for the environment, or the potential impact that environmental destruction might have on future sustainable development. The preponderance of short-term decisions together with logging by the military and impecunious officials, and illegal logging by others has put even more pressure on the forest (*see The Reality of the SPDC-Controlled Timber Trade page 35*).

This report also looks at logging in the border areas, currently the areas of greatest concern. Timber extraction on the Thai-Burma border is very much reduced compared to the levels of the late 1980s and early 1990s, but Global Witness’ investigations along the China-Burma border, and in Kachin State in particular, show that logging here is widespread and extremely destructive (*see page 97*). The massive N’Mai Hku (Headwaters) Project is of particular concern (*see page 104*).

According to Chinese import data, 850,000 m³ of timber crossed the border from Burma in 2001; this is over 160,000 m³ more than the total volume of timber exported to all countries, as recorded by the Burmese authorities. The beneficiaries of this massive trade are the Chinese, their business partners in Burma, and those countries buying timber products from China, not the ordinary people of Kachin State.



A Chinese truck carrying timber from the N’Mai Hku area across the new La Cholo bridge built to open up Kachin State for exploitation of timber and minerals; 2001. Translation of the words on bridge: “Repair a humble bridge, walk on the road to prosperity.”

4 SUMMARY

Burma is the epitome of unrealised potential, a country rich in natural resources and social capital, yet poor. In 1999–2000, Burma’s official recorded timber exports totalled 806,000m³, whilst during the same period importing countries recorded approximately 1.72 million m³, which suggests illegal exports of 914,000m³. Logging has led to environmental destruction, particularly in Kachin State where Chinese logging companies have clear-cut vast swathes of virgin forest.

Struggles over the control of natural resources have been a primary cause of war in Burma for over a century and the exploitation of these resources, including timber, has helped fund all combatants in the current conflict. For over 50 years the civil war has defeated the aspirations of most people in Burma and prevented meaningful development, whilst the elite in both Burma and neighbouring countries take advantage of the situation to plunder this natural wealth for material and political gain.

During this time the rule of SLORC/SPDC has been characterised by intransigence in the face of opposition from within Burma and from the international community. It is the regime’s ability to control access to abundant natural resources within Burma that has made this possible.

Burma is surrounded on all sides by resource-hungry nations and the SLORC/SPDC has used this to its advantage. External relations with both China and Thailand have been carefully managed by controlling their access to fisheries, jade, gold, mineral deposits and forests: resource diplomacy. Not only has the regime obtained political capital and vital foreign exchange earnings but at times it has received tacit support for its war against the insurgent groups.

This tactic has also been instrumental in managing internal relations, and in undermining the majority of the ethnic insurgencies by tying these groups to the formal economy and in some cases corrupting the leadership. Addressing both ethnic concerns and the manner in which natural resources are exploited will be pivotal for the future of peace and development in Burma. To date these issues have been largely ignored by the international community, which has been more focused on the political deadlock in Rangoon.

4.1 Natural Resources and Conflict in Burma

The control of natural resources is key to the past and current conflict. The Anglo-Burmese wars of the 1800s were at least in part motivated by a British desire to control Burma’s teak forests. Following the annexation of Burma to the British Empire in 1885 the colonial administration instigated a dual system of government that divided Burma into two distinct territories: Ministerial Burma, covering the central fertile plains and dominated by Burmans, and Frontier Areas, mostly inhabited by ethnic minorities. The British deliberately accentuated existing differences

between Burmans and the minority groups, which together with the inequitable exploitation of natural resources and minimal development of the Frontier Areas sowed the seeds for later conflict.

Soon after Independence from the British in 1948, the Communist Party of Burma (CPB) led an armed rebellion against the government under U Nu. In 1949, ethnic groups joined the insurgency and much of Burma remained in the hands of insurgent groups throughout the 1950s. In 1962, the army (known as the *Tatmadaw*), under General Ne Win, seized power from the government and established a military dictatorship. The paramount concern of the military has been the preservation of the Union of Burma, an aim that in its view could only be realised through defeat of the ethnic insurgents. This has led to hundreds of thousands of deaths, the creation of 300,000 refugees, and one million internally displaced people (IDP) and, as a result of the *Tatmadaw*’s Four Cuts counterinsurgency campaign, widespread human rights abuse. As a result of these tactics, resistance to the regime became more entrenched.

Both the military regime and the groups that it has been fighting have been financed through the exploitation of opium and natural resources, predominantly precious stones and timber.

Following the collapse of the CPB in 1989, the SLORC negotiated ceasefire deals with several insurgent groups. This meant that the *Tatmadaw* could be deployed elsewhere, increasing pressure on the remaining insurgents. An integral part of these deals was to give the ethnic groups economic interests and the control of natural resources. This created tension between many of the groups and provided them with a focus that diverted their attention away from pursuing their political ambitions. In some instances such deals tied the groups into the formal economy and hence central control. One case in point is the Nam Hti sugar mill, which was given to the Kachin Independence Army (KIA); other fixed assets such as sawmills and mines have been used in a similar way.

Little is known about the degree of coercion involved in these deals, but as almost all the ethnic groups relied on the support or at the very least tolerance of China and/or Thailand, these countries were in a very good position to apply pressure. In most instances the natural resources have been rapidly depleted through mismanagement and in some cases corruption. The climate of instability, and uncertainty about the future, have also led to ‘natural resource fatalism’ whereby forests have been logged because, as is commonly said, ‘they would in any event, be logged by someone else.’ To compound these problems, most of the timber cut in Kachin State, for example, has fuelled development in China, not Burma. Such unsustainable exploitation has already led to environmental destruction and undermines prospects for future sustainable development, whilst the underlying political grievances, which have not adequately been addressed, remain or will become worse.

4.2 SLORC/SPDC-controlled logging

Commercial logging in areas of central Burma is probably not as destructive as that seen on the China-Burma border, but nevertheless chronic mismanagement has led to a situation that does not correspond to the picture of sustainability in the forest sector painted by the regime.

The Burma Selection System (BSS) was designed to ensure sustainable timber production but fell into decline after Independence. In the first instance, an annual allowable cut (AAC) that had been calculated for the whole of Burma was harvested from ever-decreasing areas, as forests became inaccessible due to the insurgency. More recently, the regime's need for foreign currency has resulted in cutting levels being set according to the economic imperative rather than sustainability of production. In 2001, logging, much of it teak production, represented about 11% (\$280 million) of legal foreign exchange earnings. The problem of over-cutting has been exacerbated by corruption, institutional decline and inaccurate data, and Myanmar Timber Enterprise (MTE) loggers cutting additional timber to meet 'welfare' needs. Logging and transportation is often sub-contracted to favoured individuals, the national entrepreneurs, several of whom have founded their business empires on drugs money. High quality teak from the Pegu Yomas and other central areas is exported all over the world.

Burma's large army represents the reality on the ground of the regime's preoccupation with 'stability through the armed force'. Defence expenditure accounts for 40% of public sector costs but is insufficient to support the large standing army, which engages in informal business activities such as logging and mining to make up the shortfall. This has led to arbitrary taxation and the confiscation of productive land by the *Tatmadaw*. *Tatmadaw* units are involved in logging on several levels: conducting logging operations themselves, transporting illegal timber, using forced labour, giving permission to log, and taxing legal and illegal log cutting and transportation.

4.3 China-Burma relations and logging in Kachin State

In 2001, total Burmese timber exports were just over 688,000m³, whilst China alone recorded imports of 850,000m³. China needs Burma's natural resources to fuel development on the border and in Yunnan Province as a whole. In August 1988, China signed an official border trade agreement with Burma, the first such agreement following the pro-democracy demonstrations in July of the same year. Having supported insurgent groups such as the CPB in the past, China quickly became a major ally of the regime. Such economic cooperation became increasingly important, following the imposition of a logging ban in Yunnan in 1996 and a nationwide Chinese ban in 1998. It appears that China's concern for the environment ends at the border.

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A Shan State Army (South) Soldier. The SSA(S) are the second largest insurgent army.

Burma's Kachin State, sandwiched between China and India, has been described as some of the most valuable real estate in the world due in large part to its forests, but also its jade, gold and mineral reserves. The forests of Kachin State form part of an area said to be "very possibly the most bio-diverse, rich, temperate area on earth;"¹ they also suffer from the highest rate of deforestation in Burma. Global Witness has estimated that the volume of timber, both softwoods and hardwoods, exported from Kachin State to Yunnan is no less than 500,000 m³ a year.

Marginalisation of the Kachin people, in particular the lack of socio-economic development and the inequitable distribution of the benefits of resource extraction in Kachin State, was in part responsible for the insurgency. The KIA and CPB insurgent economies were based on the jade trade and Chinese support. The timber trade also played a significant role, but it was not until the collapse of the CPB in 1988 and the KIA ceasefire in 1994 that logging took place on an industrial scale.

Logging in Kachin State is chaotic, in part because it is controlled by many groups including the New Democratic Army (Kachin) (NDA(K)), KIA, *Tatmadaw* and Military Intelligence (MI). Little is known about the interrelationships of these groups, which are many and varied, but it is clear that the demand for natural resources has resulted in the increased militarisation of Kachin State. The local population has benefited little in economic terms but the powerful have enriched themselves as the environment, and thereby the prospect for future sustainable development, has been destroyed. In addition, the presence of many migrant workers has led to an increase in prostitution, HIV/Aids, drug abuse, and gambling.

Most of the logging is carried out by Chinese companies, and the vast majority of the timber and other resources are exported to China. Very little, if any, timber processing takes place in Kachin State. At the same time the Chinese are setting up multi-million dollar factories just across the border a few kilometres from Burma. Companies in the Chinese border town of Pian Ma, most of which were involved in the timber business, expanded from four in 1984 to over 150 in 2001.

The N'Mai Hku Project is of particular concern (*see page 104*). This area of Kachin State has been described as one of the world's 'hottest' biodiversity hotspots, but it is also the site of a combined logging and mining project. The deal was reached between the Kachin Independence Organisation (KIO) and private and state interests from China and Malaysia. Implications for local communities and the environment are likely to be catastrophic, with little economic benefit derived by the KIO. Over the past few years, Chinese interests have been building an extensive road network to facilitate the project, paid for by logging.

On the Chinese border logging and the opium trade are inextricably linked: drug traffickers have invested in logging to launder money, and logs have been hollowed out to conceal drugs (*see page 56*). Perhaps more disturbing is that drug eradication schemes have been used to justify large-scale logging, by providing opium farmers with an alternative income. However, the reality is that logging revenue is not invested in the region, and unsustainable logging results in ecological problems, which in turn affect agriculture and food security. Thus forests are destroyed and this destruction directly leads to the conditions that force people to grow opium as a reliable cash-crop.



The Peoples Liberation Army; The People's Republic of China transporting Burmese logs from Pian Ma; 2001.

4.4 Thailand-Burma relations and logging in Karen State

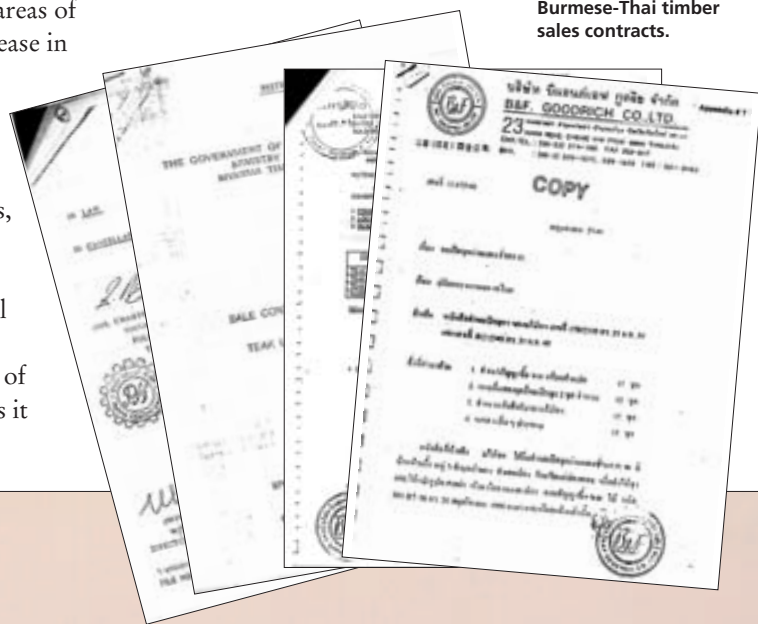
Thai support for the insurgencies in Burma was closely associated with a defensive 'buffer zone' strategy whereby the presence of insurgent groups on the border prevented direct clashes between Thai forces and the Burmese military. In 1988, in an attempt to influence Thai foreign policy toward the regime, the SLORC granted logging concessions to Thai companies with connections to high-ranking Thai politicians and the military. Key amongst these Thai politicians was General Chavalit, then Commander in Chief of the Thai armed forces, who played a similar role in the importation of timber from Khmer Rouge-held areas of Cambodia. This move, which saw a massive increase in logging on the Thai-Burma border until 1993, spelled the beginning of the end for Thai support of the insurgent groups.

Currently logging on the border is much reduced compared to the levels of the early 1990s, but timber still crosses the border from conflict areas under the control of the Democratic Karen Buddhist Army (DKBA) and the Karen National Union (KNU). Thai timber continues to be laundered across the border, with the complicity of Thai border authorities, in much the same way as it was during the Salween Scandal (see page 62).

In Karen State, as in Kachin State, the ethnic insurgency has a great deal to do with control over natural resources, in particular timber. Logging in contested areas also has strategic implications: logging reduces forest cover, logging roads allow the rapid deployment of troops, and logging companies become directly involved in the conflict by providing combatants with intelligence and transportation.

Logging has resulted in environmental destruction in Karen State and has provided very little material benefit to the average Karen, but the Karen elite, Thai *jao por* (mafia) and their political patrons have become rich.

Burmese-Thai timber sales contracts.



Thai log trucks carry Burmese teak on the Thai-Burma border; late 1980s/early 1990s.

PART ONE: BACKGROUND

5 THE ROOTS OF CONFLICT

“The conflict in Burma is deep rooted. Solutions can only be found if the real issues of conflict are examined, such as territory, resources and nationality...”² Dr Chao-Tzang Yanwngwe, Burmese academic, December 2001

5.1 Strategic location, topography and natural resources

Burma^d is the largest country on mainland Southeast Asia bordering the Andaman Sea and the Bay of Bengal, between Bangladesh and Thailand.³ It has a total area of 678,500 square kilometres and land boundaries of 5,876 km (Bangladesh and India in the west, with borders of 193 km and 1,463 km respectively and China, Thailand and Laos in the east with borders of 2,185 km, 1,800 km and 235 km³.

Rugged mountain ranges form a horseshoe surrounding the fertile plains of the Irrawaddy River in the centre, which comprise both Burma’s agricultural heartland and the cultural heartland of the Burman people. In the west, the Arakan Yoma mountain range extends almost to the Irrawaddy Delta creating a

barrier between Burma India, and Bangladesh. In the east there is the Shan Plateau and the Bilauktaung mountain range, which forms part of the border with Thailand. In the far north, the border with China follows the line of the Gaoligongshan Mountains. North-south travel within Burma is relatively easy as the Chindwin, Irrawaddy and Salween rivers run almost the full length of the country but at the same time east-west travel is made more difficult.

Burma’s position is of key strategic importance in the region being at the crossroads of Asia, where south, east and Southeast Asia meet, and located close to major Indian Ocean shipping lanes. Sandwiched between the regional superpowers, China and India, Burma has, to a certain extent, been protected in the past by its mountains. But the existence of these mountain ranges and the consequent inaccessibility of many of the border areas hindered nation building and the remote and lengthy borders are both vulnerable and difficult to control.

These remote border areas are also rich in natural resources including timber, but the benefits derived from this natural wealth have historically bypassed the ethnic minority peoples that live there, a cause of great resentment.



Northern Kachin State, Burma.

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

5.2 The Peoples of Burma.

Burma has a population of about 50 million people, three quarters of whom live in rural areas, predominantly as subsistence farmers. The main religion, Buddhism is practiced by over 80% of the population⁴ but there are also Christians, Muslims and animists, the latter mainly among ethnic minorities.

Under the 1974 Constitution Burma was split into divisions and states. The majority of the people in the seven divisions are Burman, in the seven states the majority are ethnic peoples; four additional states [Chin, Mon and Rakhine (Arakan)] having been added under the new constitution.

It has been estimated that Burmans make up 65% of the population, the Karen 9%, the Shan 7%, the Chin 2%, with smaller groups such as the Mon, Kachin and Wa at 1% each.⁵ There is also a sizeable population of Indians and Chinese, among the latter of whom many have recently settled in Mandalay and the northeast of Burma.

The SPDC however, claims that ‘Myanmars’ (meaning Burman), account for 80%.⁶ In most countries such figures would be a matter of fact but in Burma these statistics have become highly politicised. The SPDC has consistently and deliberately underreported the number of ethnic minority peoples in Burma; any arguments for power sharing let alone federalisation or self-rule, by extension, become less tenable. Ethnic minority organisations have made their own estimates, but these should also be treated with caution; none of these sets of data are based upon a nationwide population census.

The SPDC places emphasis on the concept of a Burmese family of races that “*lived in union for thousands of years*”, but there is serious doubt from historians on the unitary version of the government⁴ particularly regarding the degree of influence that Burman kingdoms had over ethnic groups before the colonial era.

5.3 Ethnic diversity and politics

*“Whilst many states face challenges relating to ethnicity and religion, Burma’s are acknowledged to be exceptional.”*⁵ Bruce Matthews, academic, 2001

Burma’s location at the crossroads of Asia and physical geography has helped shape the way in which it has been settled by its peoples and is largely responsible for its exceptional ethnic diversity. Understanding ethnic differences and how these have been both promoted and suppressed is important to understanding the current situation in Burma.

The British colonial forces accentuated and



Padaung woman.

© Tom Kramer

amplified this diversity to successfully ‘divide and rule’ Burma for over 100 years. In contrast, successive, Burman-dominated, governments since independence have systematically, and forcefully, downplayed ethnic differences. These governments have tried to foster a national Burmese identity in order to help unify and pacify the country. But such policies of cultural assimilation have only served to create more resentment and most likely have prolonged conflict in Burma.

Before the start of British colonial rule in 1826 a distinction could be made between the valley-kingdoms of the Burman (Bamar), Mon, Rakhine (Arkanese) and Shan and the hill peoples such as the Chin, Kachin, Karen, Karenni and Wa. The people of the central valleys were wet-rice farmers, literate, and practiced Theravada Buddhism. In contrast the peoples of the mountainous border regions were mostly dry-rice farmers, practicing slash and burn agriculture, enjoyed an oral tradition rather than a literate one and were mostly spirit worshippers. At this time royal Buddhist rulers presided over city-

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5.4 British Colonial Rule

5.4.1 *The First Anglo-Burmese War (1824-1826)*

Burma was annexed into the British Empire as a province of India in three wars from 1824 to 1885.⁸ The desire to control Burma's natural resources and general trade, in particular the rich teak forests, was a significant factor in Britain's decision to progressively assimilate Burma into the Empire.

In the late eighteenth and early nineteenth centuries the Konbaung Dynasty had reached the height of its power, culminating in the annexation of Arakan and Assam and the replacement of the King of Manipur with a Burman vassal. The remnants of the forces opposing the Burman troops regrouped in Bengal, ruled by the British, and in territory controlled by the East India Company. When, following a number of border skirmishes, the Burmese forces positioned themselves along the border, the British reacted and defeated the Burmese. This first Anglo-Burmese war ended with the Treaty of Yandabo (1826). The Burmans gave up their claims to both Assam and to Manipur and ceded Arakan and Tenasserim to the British.⁸

Following the depletion of British forests and suitable forests in the British colonies, in particular the exhaustion of the teak forests of Malabar, the acquisition of the Tenasserim teak forests was extremely timely. The British needed teak to maintain the naval fleet and also for railway sleepers throughout the Empire.

5.4.2 *The Second Anglo-Burmese War (1852-1853)*

In 1852 King Pagan repudiated the Treaty of Yandabo following increased tension with the British and renewed skirmishes at the India-Burma border. The Burmese administration increasingly refused to show deference to the British, impeding the activities of British merchants through greater regulation. The antagonism culminated in fining of two British traders for breaching customs regulations; extortion according to the traders. The British dispatched two warships to resolve the dispute. The Second Anglo-Burmese War ended in 1853 with the British annexation of the remainder of Lower Burma; effectively the old kingdom of Pegu. In drawing up the new border, following the conflict, the British took as much of the Pegu Yomas teak forests as possible.⁹

states in the centre whereas the hill peoples tended to vest authority in local village chiefs. It was only in the late eighteenth century, just prior to British annexation, that the authority of the royal court of Ava, in the upper Irrawaddy plains, was extended to borders roughly equivalent to those of modern day Burma.⁷

In excess of 100 distinct languages and dialects have been identified in Burma and although these can be categorised into four main linguistic groupings [Tibeto-Burmese, Mon-Khmer, Shan (Tai) and Karen (Kayin)]^c many distinctive minority cultures exist, such as the Salon sea-gypsies in tropical Tenasserim, the 'long-necked' Kayan (Padaung) of the Shan/Karenni borders and the Nung-Rawang in mountains of the north.⁷

^c These linguistic groupings should not be considered definitive or representative of cultural or political identities.

5.4.3 The Third Anglo-Burmese War (1885)

By 1885 the British, concerned at the increasing influence of French (King Thibaw had granted the French a railway concession and the right to manage the royal monopolies on teak and petroleum) and Italian traders and keen to open up a land route to China, were ready to expand control to Upper Burma. Disputes over teak were a precipitating cause of this third Anglo-Burmese war;¹⁰ the Burman Royal Council fined the British Bombay-Burma Corporation 2.3 million rupees for fraudulently withholding royalties on exported timber.^{8,10} The British issued an ultimatum, which was repudiated by King Thibaw. The resultant war lasted just two weeks in November 1885. The British annexed Upper Burma on 1 January 1886.¹¹

5.4.4 British colonial administration and the amplification of ethnic differences

“Such a governing system might have sustained the ‘pax Britannica’ but...it was ‘order without meaning’¹²...it also set the peoples of Burma on different paths of political and economic development. It became the source of many resentments as well.” Martin Smith, Burma (Myanmar): Time for Change. Minority Rights Group, 2002

The British operated a dual system of government under which Burma was administered as two distinct territories. ‘Ministerial Burma’ covering the central fertile plains was dominated by Burmans, ‘Frontier Areas’ were mostly inhabited by ethnic minorities. This dual system of administration deliberately amplified ethnic differences in order to ‘divide and rule’ Burma.⁷

The British priorities were to increase regional security and trade. To this end, mass immigration by Indians and Chinese into Ministerial Burma was

encouraged which was deeply resented by the Burmans. After the Third Anglo – Burmese War, King Thibaw was exiled to India, the monarchy was abolished and replaced by a form of parliamentary home rule. By the 1920s Ministerial Burma had become the world’s largest exporters of rice and the economy was strong.⁷

In contrast the frontier areas were exploited for their natural resources particularly timber, and received very little investment. This relative underdevelopment, particularly the infrastructure, and exclusion from the benefits of the economy were later often significant factors in the emergence of insurgency.

At the same time missionaries promoted the Christian religion and education, including the transcription of minority languages into writing. They were particularly successful among ethnic minorities, such as the Karen, Kachin and Chin. This strengthened a sense of ethnic identity that until that point had been rather disparate. The formation of cultural and political organisations followed, for example the Karen National Association (KNA), established in 1881. For some Karen there was a notion that British rule had liberated them from the historical oppression by the Burman kings.⁴ At the same time this raised suspicion among the Burman Buddhist population.

Ethnic minorities in particular the Chin, Kachin and Karen were also favoured for recruitment into the British colonial army.⁷ The use of ethnic minorities in the armed forces to suppress Burman rebellions against British colonial rule became a particular source of resentment.¹³

As a result of these actions by the British, anti-colonial feelings were stronger in the Burman majority than ethnic groups and antipathy between the two groupings increased.

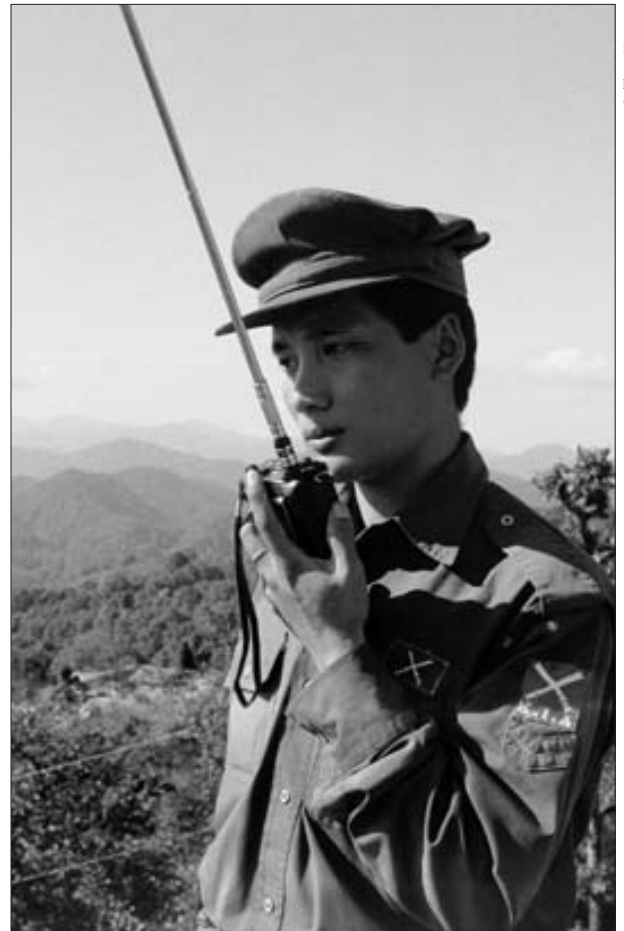


5.4.5 *The road to Independence and the 'constitutionalisation' of ethnic inequalities*

Anti-colonial sentiment, amongst Burmans, led to the formation of the Dobama ('We Burmans') and student movements in the 1930s led by Aung San. With the outbreak of the Second World War, nationalists of the Burma Independence Army (BIA) fought alongside the invading Japanese, who had promised them independence, against the British, whereas many of the ethnic minorities, in particular the Kachins and Karens allied themselves to the British. They continued to put up armed resistance to the Japanese, supported by the British and the US, until the end of the war.

Thousands of Karen and other ethnic groups were killed or tortured as 'collaborators' after the British retreated to India.⁴ Towards the end of the war the BIA, under Aung San, changed allegiances but this move did little to dispel the enmity that had developed between the war-time leaders.⁷

The British returned to Burma having defeated the Japanese and discussions were held with Burmese leaders about Burma's future independence; several ethnic groups including the Kachin, Karen, Karenni and Shan demanded separation. The road map for Burma's



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KIA soldier.



© Tom Kramer

KNU parade.

independence was finally agreed at the Panglong Conference in February 1947. Under this agreement the Frontier Areas were guaranteed 'full autonomy in internal administration',¹⁴ and the enjoyment of democratic 'rights and privileges'.¹⁵ However, critically several of the main ethnic groups were not represented and the Karens attended only as observers. Later in 1947 Aung San's Anti-Fascist People's Freedom League (AFPFL) won constituent assembly elections. But, the elections were boycotted by the Karen National Union (KNU) [successors to the KNA] and the Communist Party of Burma (CPB)^f amongst others.⁷

At this time a constitution was drafted with the dual aims of creating a sense of Burmese identity and cohesiveness, whilst at the same time enshrining ethnic rights and their aspirations for self-determination.⁴ But the constitution failed to deal with the ethnic groups evenhandedly and did not adequately address separatist concerns. Only the Kachin, Karen, Karenni and Shan were assigned territories, in the form of ethnic nationality states. Of these only the Karenni and Shan were granted the right of secession. A 'special division' was created for the Chins but the Mon, Pao and Rakhine were not given any territories.⁷

^f The CPB, originally a member of the AFPFL, split into two factions – the 'Red Flag', who went underground before independence and the 'White Flag' – that went underground after independence. Both factions were determined to institute a communist state through an armed revolution. (Fink, C. (2001))

6 INDEPENDENCE AND THE PERPETUATION OF CONFLICT

Since Independence there have been hundreds of thousands of deaths among both combatants and non-combatants. War-related displacement has led to 300,000 refugees, in official camps, in neighbouring countries and one million internally displaced people (IDP) in Burma.^{4,16} In some instances, as characterised by the Four Cuts counterinsurgency campaign, large areas have been forcibly depopulated, non-combatants forced to carry supplies and extra-judicial executions were widespread.

6.1 Conflict following Independence and rise of Ne Win

General Aung San, led the pre-independence Executive Council, and was considered by many to be the one person with the vision and diplomatic skills necessary to resolve the inherent problems in developing an independent state of Burma.⁷ Aung San reached out to non-Burmans by, amongst other things, bringing them into the new Burma Army. He appointed Smith-Dun, a prominent Karen, as commander in Chief of the Armed Forces and visited ethnic leaders, selecting other non-Burmans for high-ranking positions. Tragically for Burma, Aung San and most of the cabinet were assassinated on 19 July 1947.

In January 1948 Burma gained independence. Less than 12 weeks later the CPB led an armed rebellion, against the government under U Nu. This was followed by the KNU in January 1949 and other ethnic groups soon after. Weapons, ammunition, and combat experience were everywhere, the legacy of the Second World War.

On 31 December 1949 Smith-Dun was forced to resign and was replaced by his deputy Ne Win. With the withdrawals of other senior Karen military figures and the two remaining Karen cabinet ministers the Karens lost their links with the AFPLF government. Smith Dun's ousting led to the defection and subsequent internment of whole Karen army and police units, leading to even greater political and economic chaos.¹⁷ At the same time Ne Win built up the army around the nucleus of his old regiment, the Fourth Burma Rifles, recruiting mainly ethnic Burmans. By 1952 the government although itself weak had regained control of much of the countryside, with the help of Britain and India¹⁷ and through the deployment of the army under its uncompromising leader. Central government authority was restored by General Ne Win but much of Burma lay in the hands of insurgent groups throughout the 1950s.

A number of ceasefire agreements were reached in 1958 but widespread ethnic disillusion and the CPB challenge with the government remained. The ethnic leaders felt that the move to a federal Burma, and equal rights for ethnic minorities, was not taking place quickly enough and they feared domination of the government in Rangoon by Burmans. By the early 1960s the civil war

had spread to Shan and Kachin States with formation of Kachin Independence Organisation (KIO) and the forerunner of the Shan State Army (SSA). In 1961 U Nu's attempt to make Buddhism the state religion was seen by the Christian Kachin as particularly provocative.

Senior figures within the armed forces, or *Tatmadaw*, were also highly critical of the government for its economic failings and for other very different reasons. They felt that the politicians had failed to deal both with splits in the government and with the insurgents.

There were genuine attempts to address the problems, and as the civil war spread throughout Burma several ethnic minority politicians, including members of the Shan government and some prominent MPs, formed the Federal Movement,¹⁷ which sought to ensure equal rights for ethnic minorities by changing the constitution through political means. General Ne Win, however, viewed devolution of power, to the ethnic regions, as tantamount to separatism. On 2 March 1962 he seized power, arresting U Nu and other leaders in the process. At the time of the coup U Nu was attending a Federal Seminar in Rangoon with the leaders of the Federal Movement.



The Secretariat building where Aung San and the cabinet were assassinated in 1947.

6.2 Burma under the Burma Socialist Programme Party (BSPP)

After the coup Ne Win established a military dictatorship and one party rule under the BSPP. His political vision the “*Burmese Way to Socialism*” was an amalgam of Buddhist, nationalist and Marxist principles. Ne Win, convinced that foreigners were to blame for Burma’s problems, and certain that with its rich natural resources Burma could go it alone, forced Burma into a period of isolation, idiosyncratic rule and serious decline.

The BSPP was preoccupied with centralising power, defeating the insurgencies and eliminating foreign control over business. The pluralism of the 1947 Constitution was rejected in favour of a Burmese national identity to be shared by all ethnic groups; religious based schools were closed and publications in minority languages were severely restricted. In addition the government and *Tatmadaw* became increasingly Burmanised as ethnic minority peoples were increasingly excluded from positions of power. Key areas of the economy were nationalised in the early 1960s, and 300,000 Indians and 100,00 Chinese, who were active in trade and commerce, were forced to leave. Although still part of the UN, international relations during this period were minimal. Civil society and independent organisations were repressed.

For 20 years CPB (backed by China since 1968), Karen, Kachin and more than 20 other ethnic forces ran extensive ‘liberated zones’ in the border areas. By the early 1980s two main opposition groups had emerged: the CPB and the National Democratic Front (NDF). The CPB was led by Burmans but its People’s Army was largely made up of ethnic troops, whereas the NDF was a coalition of 11 ethnic minority parties, which was fighting for the creation of a federal union of Burma. Both groups financed their insurgencies, and forms of limited governance, through involvement in black market trading, and the extraction of natural resources, including timber. The regime, for its part, was spending in excess of 40% of the national budget on the military. Hundreds of thousands of people were killed during these decades of constant and bloody conflict as the 190,000 strong *Tatmadaw* fought the 50,000 insurgent troops.

6.3 The Four Cuts counter –insurgency campaign

The Four Cuts campaign started in the late 1960s. At its heart lay the intention to deprive opposition groups of food, funds, recruits and intelligence. Areas in Burma were classified by the *Tatmadaw* as being ‘white’ or



The peoples desire?

© Tom Kramer

insurgent free, ‘black’ or insurgent controlled and contested or ‘brown’ areas. Some areas were designated ‘free-fire’ zones and local people were forcibly relocated to defended settlements under government control. Anyone caught in the free-fire zones risked being shot on sight. In practice, this has been implemented by systematic intimidation and repression of the civilian population until they no longer dare support the opposition, and by making them so destitute that they are unable to provide any material support. In essence the insurgent groups have been undermined by directly attacking the civilians who support them, often referred to as ‘*draining the ocean so the fish cannot swim*’.

The SLORC/SPDC has made its implementation much more systematic than ever before, using military offensives and large-scale forced relocations.¹⁸ Predictably, these brutal tactics led to an increase in the resolve of the insurgent groups.

6.4 The 1988 uprising and the State Law and Order Restoration Council (SLORC)

In the late 1980s the thriving black market economy was worth about \$3 billion, equivalent to 40% of Gross Domestic Product (GDP)⁸, and much of this benefited the insurgent groups financially. In 1987, in an attempt to undermine the black market, and through this the insurgents, the BSPP invalidated all large denomination banknotes, equivalent to 70% of the currency. Government employees were permitted to exchange these notes, but the move hit the remainder of Burma’s population hard wiping out their cash savings.

In addition, mismanaged economic liberalisation resulted in large price increases for basic foodstuffs, in particular rice. This, together with the currency reforms,

⁸ GDP: The total market value of all goods and services produced by labour and property within the political boundaries of an economy during a given period of time. It is normally measured over 1 year and is the government’s official measure of how much output an economy produces.

lead to popular unrest. In July 1988 as Burma faced bankruptcy Ne Win resigned. The resignation was followed by mass pro-democracy demonstrations throughout Burma.

Martial law was imposed on 18 September 1988 by forces loyal to Ne Win, under Senior General Saw Maung, which had crushed the protests and resumed power as the State Law and Order Restoration Council (SLORC). Thousands of students and pro-democracy demonstrators fled violent crackdowns to Burma's ethnic minority-controlled borders. It is thought that about 10,000 people, many of them unarmed civilians, were killed as a direct result of the conflict during 1988.⁷

The SLORC's violent response to the nationwide civil unrest in 1988 was condemned by much of the international community and most donors suspended their aid packages to Burma. Export earnings had dropped from \$426 million in 1983-4 to \$258 million in 1987-8¹⁰ and the foreign trade deficit was \$359 million.¹⁰ In 1988, foreign debt stood at over \$4 billion, requiring hundreds of millions of dollars each year in service payments, whilst foreign currency reserves, used amongst other things to finance imports into Burma, were a minuscule \$9.5 million.¹⁰

At a time when the SLORC's economic situation was desperate, it was logging and fishing concessions that provided Burma with crucial foreign exchange. The logging concessions, granted to Thai companies on the Thai-Burmese border following General Chavalit's visit to Rangoon in December 1988 (see page 64), brought in over \$112 million a year. This boosted SLORC's income from the timber trade to an annual average of \$200 million making it Burma's largest single earner of legal foreign exchange providing 42% of the total.¹⁹

6.5 The 1990 General Election and the drafting of a new Constitution

Despite the economic lifeline thrown to the regime by the Thais and their logging companies the SLORC still faced ostracism from most of the international community. After the violence of 1988, the military leaders of the SLORC promised that they would deliver multi-party democracy and economic reform as soon as they had restored law and order.

In 1989, after the sudden collapse of the CPB, the SLORC quickly brokered ceasefire deals with several ethnic minority insurgent groups, the remnants of the CPB, including the United Wa

State Party (UWSP), the New Democratic Army (Kachin) (NDA(K)) and the SSA(N). Other ceasefire deals followed throughout the 1990s (see *Ceasefires*, page 46).

Multi-party elections, held in May 1990, were won by the National League for Democracy (NLD) led by Aung San Suu Kyi, the daughter of General Aung San. The NLD, with 52.9% of the vote and 392 seats (80%), in alliance with 19 ethnic minority parties won the majority of the constituencies. The SLORC-sponsored National Unity Party (NUP) took 25% of the vote, but only 10 seats.

Subsequently the SLORC disputed the purpose of the elections and claimed that they were not to form a government but instead to elect a constituent assembly that would draft a new constitution. When the newly elected politicians attempted to call a parliament the military arrested over 80 of them. Other MPs fled to territory controlled by the NDF where they formed the exiled National Coalition Government Union of Burma (NCGUB). The NCGUB, NDF and other pro-democracy groups later united to become the National Council Union of Burma (NCUB). In November 1999 the NDF became the nucleus of the 23 party Democratic Alliance of Burma (DAB). Aung San Suu Kyi was placed under house arrest until 1995.

In January 1993 the SLORC introduced a hand-picked National Convention claiming that it was a more suitable forum at which to draft a new constitution. The NLD withdrew from the Convention in 1995 citing restrictions on freedom of expression.⁷

In 1998 the NLD and several elected ethnic minority politicians convened the 10-person Committee Representing the People's Parliament (CRPP) but this was broken up by the military authorities with several hundred more pro-democracy supporters being arrested.⁷ Aung San Suu Kyi was placed under house arrest again in 2000 and by 2001 there were 1,850 political prisoners in Burma's jails.²⁰



UWSP leadership.



© Tom Kramer

KNU soldier.

7 RECENT DEVELOPMENTS

Most foreign donors, including the International Monetary Fund, World Bank and Asian Development Bank, suspended aid to Burma after the 1988 popular uprising.

Foreign aid now represents less than 1% of GDP and UN agencies recently estimated annual overseas development assistance to Burma to be at around \$1 per capita compared to \$35 for Cambodia and \$68 for Laos.⁷ Burma receives grants of technical assistance, mostly from Asia, limited debt relief and grants for grass roots projects and the agricultural, health and forestry sectors from Japan, limited humanitarian aid from Japan, and loans from China, India, Thailand and Singapore.²¹

The SLORC ended the period of isolationism, engaging increasingly with the international community and in particular with neighbouring countries. In 1997 the SLORC, renamed the State Peace and Development Council (SPDC), joined the Association of South East Asian Nations (ASEAN).

The imposition of investment sanctions led by the US, and withdrawal of most aid has, to some degree, been countered using natural resources and its strategic location to reach accord with neighbouring countries such as China and Thailand and the ASEAN nations. The SPDC's closer ties with ASEAN and its neighbours, especially China and Thailand, have been key in cementing the regime's hold on power. Burma's 'natural resource diplomacy' has been instrumental in shaping these foreign relations.

There has been increasing engagement between the SPDC and international bodies in the last few years.⁷ The International Labour Organisation (ILO) for instance re-engaged in the early 1990s; Burma had ratified the ILO's forced labour convention in 1955. In 1999 the ILO took steps towards expelling Burma because of continued evidence of forced labour. It also took the unprecedented decision, in June 2000, to recommend that its members (governments, employers and trade unions) review their economic ties with Burma and take appropriate action to ensure that they did not abet the widespread and systematic use of forced labour. In 2001 a high level delegation was sent to Burma to carry out an assessment of the practical implementation and actual impact of measures taken by the SPDC in order to put an end to the practice of forced labour. The team was allowed to move freely throughout the country and in essence found that although new legislation had been put in place its impact had been limited. In particular, it found that forced labour was practised in areas affected by military presence and especially in border areas where fighting may still be taking place. Since 2002 there has been an ILO liaison officer based in Rangoon.

The UN Special Rapporteur on the Situation of Human Rights in Myanmar has had a fact-finding mandate granted by the UN Commission on Human Rights since 1992. The current rapporteur is Professor Sergio Pinheiro. The UN Special Envoy began visiting Burma in 2000. The role of the special envoy is to facilitate 'democratisation and reconciliation.' Razali

Ismail, the envoy at the time of writing, has been involved in the ‘confidence building’ talks, which started in October 2000, between the NLD and the SPDC.

Some 330 NLD prisoners have been released since January 2001 and other prisoners have been released on ‘humanitarian grounds.’ A report issued in February 2002, by the US State Department, said that the US would consider lifting the sanctions on investment, imposed in 1997, in the event of “*significant steps*” towards political reform.²² Significantly, Aung San Suu Kyi was released on 6 May 2002 after 20 months of house arrest, and was allowed to travel across the country. In addition some of the restrictions on the activities of legal political parties have been lifted. For instance the NLD offices were allowed to open but the party has not been given permission to print material. On 10 May 2002 the Japanese government donated 628 million yen for the renovation of an hydroelectric power plant. This was the first instalment of a ‘humanitarian’ aid grant worth between 3 and 3.5 billion yen (\$24-28 million) to repair the Baluchaung No.2 hydroelectric power station, in Karenni State. The loan was said to be a gesture of support from the Japanese government to the SPDC for the talks with Aung San Suu Kyi.

But the regime has detained some 60 political activists, including Sai Nyunt Lwin a well-known Shan leader between May 2002, when Aung San Suu Kyi was released, and February 2003; many with lengthy jail terms.²⁴ No political detainees have been released since November 2002.²⁴ According to Amnesty International, between 1200 - 1300 political prisoners remain throughout the country. Many of these are thought to be prisoners of conscience.^{h, 25}

Closed-door talks between the SPDC and the NLD continued in 2002 but did not move onto substantive dialogue, and ethnic minority groups have not been included. At the time of writing the talks have, by all accounts stalled and the SDPC has started to attack the NLD in the state-run press again.²⁴

The SPDC’s regressive change in approach is probably linked to recent diplomatic success with its near neighbours that will have heightened the SPDC’s confidence²⁴ and morale. In January 2003 the SPDC secured a \$200 million loan from China. Relations with Bangladesh have thawed and trade is on the increase, as it is with India.

Relations with the Thai government throughout 2002 were tumultuous and relations deteriorated early in the year following violent clashes on the border involving the Thai army, the *Tatmadaw*, UWSA, and SSA(S). The SPDC accused Thailand of assisting the SSA(S) in the planning and execution of an attack on UWSA and Burmese military outposts near the Thai-Burma border. This led to the closure of the border on 22 May, which hit Thai business interests hard.

Relations have since improved and the Burmese Foreign Minister was invited to Thailand in late September

2002 and the border subsequently reopened in October. Thailand has yielded to the SPDC’s demands. Thaksin Shinawatra, the Thai Prime Minister, replaced several senior army figures known for their tough stance on Burma. The Thai government has also ‘cracked down’ on Burmese pro-democracy groups based in Thailand, leading to the closure of offices, arrests and some deportations and repatriations.

Dealings with the Thai government improved further with the Thai Prime Minister’s visit to Rangoon in February 2003.²⁴ Five ethnic minority groups (the SSA, the KNU, the Karenni National Progressive Party (KNPP), the Chin National Front, (CNF) and the Arakan Liberation Party (ALP)) were reported to have agreed in late February 2003 to let Thailand mediate truce talks between them and the SPDC.²⁶ The KNU, KNPP and SSA with bases along the Thai-Burma border had been subjected to increasing pressure from the Thais. The ALP stronghold is in western Burma and the CNF is based along the India-Burma border in the northwest.²⁷

7.1 The Detention of Aung San Suu Kyi

On Friday 30 May 2003 Aung San Suu Kyi’s convoy was stopped and then set upon by Union Solidarity & Development Association (USDA)ⁱ members as it approached the village of Depayin in Sagaing Division, 500 miles north of Rangoon. The Burmese military regime reported that four people were killed in the attack but the real figure could be higher. The SPDC then placed Aung San Suu Kyi in “*protective custody*”, and closed all universities, colleges and NLD offices.

A press release issued by the British Foreign and Commonwealth Office on 19 June stated that Aung San Suu Kyi was being held in Insein Jail under Section 10(a) of the 1975 State Protection Law; which allows for detention without access to family or lawyers for 180 days at a time, up to a total of five years, with no prospect of appeal. As a result the EU Foreign Ministers brought forward strengthened measures (extending the EU travel ban and assets freeze against members of the regime, their families and associates, and tightening the arms embargo) on 16 June 2003. Also on 16 June Asean Foreign Ministers meeting in Phnom Penh broke their long-standing rule of non-interference and pressed the regime of her release.²⁸

In the US the Senate voted 97-1 in favour of banning all imports from Burma and freezing of SPDC assets, and the House of Representatives expected to vote soon on a similar sanctions bill.²⁹ According to press reports on 24 June Japanese Vice-Foreign Minister Tetsuo Yano met General Khin Nyunt to convey a message from Prime Minister Junichiro Koizumi that Aung San Suu Kyi be released immediately; these sentiments have been echoed by UN Secretary General Kofi Annan. At the time of writing the International Committee of the Red Cross had been denied access to her.³⁰

^h People imprisoned solely for their peaceful political or religious beliefs; who have not used or advocated the use of violence.

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

8 THE ADMINISTRATION OF BURMA: WHERE POWER LIES

*“Power in Burma is not based solely on command structures or titular office, however, as institutions are secondary to individuals.”*¹⁰ David I Steinberg, academic, 2001.



Burmese military regional commands. Source Karen Human Rights Group.

The exercise of power and the control of natural resources are synonymous. However, there is a dearth of available information, and a great deal of myth and rumour surrounding the distribution and dynamics of power and control in Burma; for example how events on the ground reflect policy and specific decisions taken in Rangoon, or more locally.

Whilst regime is authoritarian and has pervasive influence in many areas of society down to the village level, control by the centre can be tenuous or absent in many parts of the country, be that in areas controlled by insurgents, ceasefire groups or the Tatamadaw's Regional Commanders. This in no way absolves the regime from the variety of abuses carried out by the military, but it does need to be factored in to analysis of how such abuses takes place and how it can be stopped.

Power in Burma is considered to be highly personalised with power generally understood to reside with individuals more than institutions.¹⁰ This leads

easily to power struggles and factionalism and underlies a real fear of splits in the Burmese military and other institutions. However, this has also been used to its advantage by the regime through offering ceasefire deals to local commanders of insurgents who might defect with their troops.³¹

Personal loyalties are developed and maintained through cronyism and corruption. Such client-patron relationships based on mutual support is typical in most areas of business including the natural resource sector and logging and are an overshadowing feature within the regime and between the state, the ceasefire groups and the business community.

The national entrepreneurs are trusted business people, often employing relatives of the senior SPDC members. Several of the companies set up by these individuals were financed in the first instance by drugs money. It has been argued that this was an attempt by the regime to lead the drugs barons away from their illicit trade but it is debatable as to whether or not this was the intention and, if it was, to what extent it has succeeded. The favoured companies include Htoo Trading Company (see page 75), Yuzana Co., Asia World Co. Ltd., Shwe Than Lwin, Myanmar Billion Group Ltd., Woodlands Group Ltd., Dagon, Kanbawza, and Olympic.

The national entrepreneurs receive privileges such as exemptions from certain taxes, freedom from certain import restrictions and special access to credit that are not afforded to less well-connected individuals and companies. They also have access to imported goods that in the logging context includes earth-moving machinery, log skidders and subsidised fuel. According to the Burma Country Commercial Guide Burma Financial Year 2002 this is *“a deliberate policy of corporate favouritism... [that] creates a business environment in which personal connections to the generals, rather than business skill or technical merit, are the most important factors for corporate success.”* Such a sharing of power to increase your sphere of influence is balanced by a widely held belief in Burma that power is finite i.e. that the sharing of power will necessarily result in a reduction in your own.¹⁰ This dilemma is faced by the regime with respect to the Regional Commanders of the *Tatmadaw* (see page 25).

The Burmese government has a history of managing the power bases of strong local leaders. For example, in Shan State beginning in 1963, General Ne Win established Kaw Kwe Ye (KKY) village militias to counter the Shan separatist movement. The KKY was built around established strongmen and their armed followers. They were allowed to retain their arms and given economic freedom as a reward for fighting against the insurgents. The KKY also became involved in the opium trade; both Khun Sa and Lo Hsing Han (see page 114) were heads of KKY units in the 1960s.

Information in Burma does not flow simply according to a bureaucratic system but is closely linked to power. Most people have to make do with poor information

simply because more accurate information is not available. It is also the case that information is fabricated either to mislead deliberately or because people fear the potential consequences of telling the truth; officials, at all levels are known to inflate figures to feign progress. Access to the internet is strictly limited and the media closely controlled. Some of the SPDC leadership and some of the regional *Tatmadaw* commanders are believed to have their own intelligence gathering networks to provide them with 'real' information.

8.1 The State Peace and Development Council (SPDC)

The SPDC replaced the SLORC in November 1997 and is the highest state organ. It is not constrained by any legal provisions that limit its executive power. The Council is a 193-member body that is exclusively made up of senior military officers. The Council used to include all 12 Regional Commanders but they are currently not represented. The SPDC in general, and the triumvirate of generals at the top in particular, are considered to be the ultimate arbiters of power in Burma. The SPDC has a pervasive influence in many parts of Burma, through formal administrative structures that reach all the way down to village level, the *Tatmadaw* and the USDA.

The SPDC controls all the organs of state power, consistently working to consolidate its position whilst weakening unarmed and armed opposition groups. Threats to its power are subverted through direct military intervention, control of the economy and developing relationships with the business community, alliances and ceasefire agreements, control of the media and a pervasive influence through civil society organisations.

8.2 The Cabinet

A few civilians were appointed to the cabinet in 1992. In 1997, there were 28 portfolios held by military officers and eight by civilians. However, all cabinet ministers are currently active, or retired, military officers. Below cabinet level, the ministries are also dominated by the military. The SLORC/SPDC change led to a diminution in the power of the cabinet following the dismissal of several powerful cabinet ministers; some of who were very wealthy former Regional Commanders.

8.3 The Three Generals

Until 2001 power in Burma was largely concentrated in the hands of five generals. 2001 however, saw the loss of Secretary 2 and Secretary 3. Secretary 2, Tin Oo, was killed in suspicious circumstances in a helicopter crash in the Salween River.³² Secretary 3, Win Myint was removed from office in late 2001.³³ Tin Oo was close to Maung Aye and Win Myint was close to Khin Nyunt.³⁴

Until recently General Ne Win retained some influence, though it was believed to be on the wane prior to his death in December 2002.³⁵ At the time of

his death Ne Win was under house arrest with his daughter, Sandar Win.³⁶ On 26 September 2002 his son in-law Aye Zaw Win, and grandsons Aye Ne Win, Kyaw Ne Win and Zwe Ne Win, were found guilty of high treason following their arrest on 7 March 2002.³⁷ They had been arrested for supposedly organising a coup. However, this may have had more to do with punishment for dubious business practices and conflicts within the military leadership.³⁸

Than Shwe, Maung Aye and Khin Nyunt form the triumvirate that controls Burma. Almost every decision of political importance is passed by at least one of these generals. Because of the climate of fear that has been created there is general reluctance on the part of those below the generals to make their own decisions, which has resulted in the most banal of issues being passed up the command chain. This can lead to almost complete paralysis of the decision-making mechanisms in the ministries.

Crackdowns on different groups, typically engaging in business or activities broadly described as ethnic politics, are thought often to be motivated by power struggles within the leadership.³⁹

8.3.1 General Than Shwe

Executive power is supposedly vested in Senior General Than Shwe. Than Shwe joined the army when he was 20 and served in psychological warfare posts before being made a Brigadier General by the time he was 50. The former South West Commander (1980-1985) now holds the position of Prime Minister, Commander In Chief of the Armed Forces and Defence Minister.⁴⁰ Born in 1933, and a member of the SLORC since its formation 1988, he is believed to be in poor health. Than Shwe is considered to be somewhere between Khin Nyunt and Maung Aye in outlook; a reformist and hardliner respectively.³⁴ The fact that he is senior general, titular head of the regime and of the army, does not necessarily mean he is in charge. For instance his predecessor, SLORC Chairman, Senior General Saw Maung, had no real power.⁴⁰ However, recent events suggest that he has, to a certain extent, consolidated his position at the top.

8.3.2 General Khin Nyunt and Military Intelligence

Khin Nyunt was a protégé of Ne Win and in the early 1990s was thought to be in charge of the regime.⁴⁰ He was instrumental in brokering the ceasefires with ethnic insurgents and drug warlords, and takes a lead in foreign relations; an ethnic Chinese, he is close to the Chinese government.³⁴ He is regarded as the main modernizer and supporter of incremental reforms.⁷ He either chairs or sits on at least fifteen working committees and addresses and controls every cabinet meeting.³⁴

Khin Nyunt is the head of the Directorate of Defence Services Intelligence (DDSI), formerly known as the Military Intelligence (MI) and this, together with his

relationships with the ceasefire groups, is where his power base lies. The DDSI is a pervasive military intelligence network that monitors the civilian population as well as the military. Since the early 1990s the MI companies have reported directly to Rangoon, rather than through regional commands.³⁴ The MI/DDSI is used to help keep the military in line and Khin Nyunt has been associated with purging corrupt ministers, including former regional commanders, when the SLORC changed to SPDC. He is also the Chief of the Office of Strategic Studies (OSS). The OSS was added to the DDSI in 1994 and has become the political wing of the *Tatmadaw* directing key functions of the government. “It [MI/DDSI control of government] works, in a sense, because it is unrepresentative, unidentifiable and unpredictable.”⁴¹

Despite, or perhaps because of his evident power, Khin Nyunt has his detractors. He was not a Thakinⁱ fighter for national independence, and “faces opposition from his contemporaries who believe he was not rightfully promoted via the usual route, namely the battlefield.”⁴¹ Khin Nyunt is unlikely to find any great support among other parts of the *Tatmadaw*, which reportedly “fears the DDSI’s power and resents its surveillance of their own activities.”

In a November 2001 International Labour Organisation (ILO) report it was noted that many military personnel at the local level had failed to follow an order to stop the use of forced labour, and that there was little or no accountability in the case of breaches.

“Thus, when a village head came to complain to the local battalion commander, the answer he received was that the Order came from Secretary-1, Lt.-Gen. Khin Nyunt, that Khin Nyunt did not have responsibility for fighting and that therefore this order did not concern them and that if they wanted to complain they could go to him.”⁴³

On August 26 2003 General Khin Nyunt was made Prime Minister, Secretary 2, Lieutenant-General Soe Win was promoted to Secretary 1 and Lieutenant-General Thein Sein was made Secretary 2.

8.3.3 General Maung Aye

General Maung Aye is determined in his conviction that the *Tatmadaw* can resolve Burma’s problems on its own.⁷ As commander of the Army he appoints Regional Commanders⁴⁴, all Regional Commanders report to him¹⁰ and he is said to have his own military intelligence.⁴⁵ He also has an economic base as the chairman of an industrial committee that gives him a major voice in economic policy.¹⁰



General Khin Nyunt with UWSA leader Pao Yuqiang, billboard in Pangsán, Wa State; 2001.

8.4 The *Tatmadaw*

The Burmese military, or *Tatmadaw*, has expanded from around 190,000 troops in 1988 to about 400,000 in 2002.⁴⁶ There are an additional 72,000 in the Myanmar Police Force, including 4,500 paramilitary police.⁵² This corresponds to roughly one soldier per 100 citizens.

The *Tatmadaw* has acquired a modernised arsenal of weaponry from countries such as China, Singapore, Israel and Pakistan, and has its own defence industry, called ‘Ka Pa Sa’. Burma’s defence spending of about \$2.2 billion in 1997 and \$2.1 billion in 1998⁴⁷ amounts to 14% of the country’s Gross National Product (GNP).^k The defence sector accounts for over 40% of the public sector spending, more than twice the amount that is devoted to health and education combined.

Currently very few *Tatmadaw* soldiers actually experience armed combat. Unlike the era when insurgents could match the *Tatmadaw* in conventional warfare, there is no longer any frontline, the last full scale offensive was in 1997 and the remaining insurgents employ guerrilla style tactics. Thus, soldiers are rarely engaged in military manoeuvres, but instead, often find themselves employed in agricultural enterprises and construction. In other words, the military has adopted a new and insidious alter ego, as a vast commercial enterprise.

Tatmadaw owns banks, construction, agricultural and import-export companies. The largest firm in Burma, the Union of Myanmar Economic Holdings (UMEH) is a *Tatmadaw*-owned corporation.⁴⁸ The army has become big business in Burma, and the military’s autonomous status and power, combined with the SPDC’s desire for foreign exchange and trade has provided numerous opportunities for officers to exercise initiative and line their pockets in preparation for an early and wealthy retirement. This situation is not the same for the rank and file. Soldiers are often coerced into recruiting; training is minimal and wages virtually non-existent.⁴⁹

^j ‘Thakin’ means Master. General Ne Win was one of the 30 comrades who called themselves Thakin.

^k GNP: the market value of all the goods and services produced by labour and property belonging to a country, regardless of where the productive assets which earn the income are located. It equals GDP plus the net inflow of labour and property incomes from abroad. GNP can be calculated as GDP plus income accruing to residents from investments abroad less income earned in the domestic market accruing to foreigners.

It is important to consider the nature of the military which has been said to constitute a state within a state, having become a social caste with access to better healthcare systems, schools supplies and daily necessities.¹⁰ One established observer of Burma's military asserts *"It is difficult to find a family in Burma today that does not rely on some member, distant or immediate, whose service in the armed forces provides the family with access to higher-quality rice, cheaper cooking oil, and other necessities that they cannot afford on the inflationary market."*⁵⁰

8.5 Regional Commanders

*"Senior officers are posted frequently to prevent them from building up personal followings, or individual power bases in particular geographical areas. Some officers are kept away from power centres, for example through diplomatic postings overseas, while others are co-opted into the regime's political structure where they can be more easily controlled"... "There is also a wide range of rewards which can be bestowed on 'loyal' officers in the way of promotions, comfortable postings, special privileges, business opportunities and other perquisites."*⁵⁴ Andrew Selth, academic; 1996.

The power and autonomy of Burma's regional commanders has important implications for resource control. Prior to 1988 there were nine Regional Commands; this has since been expanded to twelve 12 (see table below). The position of Regional Commander can be a route to power and is a very powerful position in itself; General Maung Aye for instance was Commander of the Eastern Division in Shan State and Than Shwe South West Commander (1980-1985).

Under the Burma Socialist Programme Party, the Regional Commanders were rotated every three years to stop them building up power bases. After 1988 the Regional Commanders were made members of the SLORC giving them political as well as military power.⁵¹ This move may also have been an attempt to increase

control over the commanders by bringing them to Rangoon on a regular basis. Under the SLORC in 1990 they were given informal, de facto control over anything they were interested in, in the areas under their control.⁵² They were given authority over economic affairs thereby reducing the power of the ministries and now, amongst other things, they run state factories and implement infrastructure projects.⁵¹ In a speech, on 7 July 2000, Brigadier General Zaw Tun, Deputy Minister for National Planning and Economic Development, stated that Divisional Commanders falsify GDP numbers as some thought their promotion prospects would be determined by these figures.⁵³ Whilst the increase in power of these Regional Commands has increased extended the reach of the SLORC/SDPC across Burma it has also resulted in a rise in centre-periphery tensions, which could ultimately threaten the authority of the generals in Rangoon.

National policy decisions are made in Rangoon yet the influence of the Regional Commanders on these decisions, as part of the ruling SPDC, is thought to be limited. However, these Regional Commanders still enjoy a large degree of autonomy in the areas under their control and there is a constant struggle to keep their power in check. Many Regional Commanders owe their positions to General Maung Aye and this is repaid in their loyalty towards him; their power whilst in check strengthens his position.

The 1988 Regional Commanders were brought back to Rangoon in 1992 where they were given lucrative ministerial positions.⁵⁵ It is thought that the reorganisation of the SLORC into the SPDC in 1997 was in part an attempt by the generals in Rangoon to further restrict the power of the Regional Commanders and their lucrative, but in many cases illegal, activities.³⁴ When their corruption became intolerable many ministers, including Regional Commanders brought to Rangoon after 1992, were removed as part of the shake-up.

Frequently, little distinction is made between the SLORC/SPDC and its regional and local commanders but they might not necessarily be one and the same thing.⁴⁰

TABLE 1: REGIONAL COMMANDERS, INCLUDING CHAIRMANSHIP OF REGIONAL PEACE AND DEVELOPMENT COUNCIL (PDC). SOURCE: THE IRRAWADDY ON-LINE EDITION

Name	Chairman PDC	Command
Major General Myint Swe	Rangoon Division	Rangoon Command
Brigadier General Ye Myint	Mandalay Division	Central Command
Brigadier General Khin Zaw	Shan State (East)	Triangle Region Command
Brigadier General Tha Aye	Tenasserim Division	Coastal Region Command
Brigadier General Khin Maung Myint	Shan State	Eastern Command
Brigadier General Maung Oo	Rakhine State	Western Command
Brigadier General Maung Maung Swe	Kachin State	Northern Command
Brigadier General Myint Hlaing	Shan State (North)	North-East Command
Brigadier General Soe Naing	Sagaing Division	North-West Command
Brigadier General Aung Min	Pegu Division	Southern Command
Brigadier General Thura Myint Aung	Mon State	South-East Command
Brigadier General Htay Oo	Irrawaddy Division	South-West Command

PART TWO: LOGGING IN BURMA

9 THE ECONOMY

“The military view economic progress, reform, or liberalisation as secondary to maintenance of political control, or indeed as a means to such control. The primary function of an improved economy is greater military power, general political acquiescence of the population to military control through military delivery of greater economic rewards for loyalty, and improved political legitimacy, and not directly the betterment of the human condition.”⁵⁶

David I Steinberg, academic, March 2000

At different times Burma has been the world’s largest exporter of rice and oil and several minerals but in recent years Burma’s formal economy has been in a state of ‘collapse.’ Burma’s poor macro-economic environment is characterised by constant budget deficits at 5% - 6% a year, high inflation that averages 28% a year, a hugely overvalued domestic currency (the unofficial kyat/dollar exchange rate, of 1,500 to the dollar, is over 200 times that of the official rate of 6.5),⁵⁷ heavy state spending on loss making State Economic Enterprises. Burma also has a very low ratio of tax to GDP – of 5% of GDP. Burma’s total foreign debt now stands at \$5.9 billion.

In reality, the economy has not collapsed because the majority of Burma’s population live off the land and the informal economy, much of this illicit – notably drug production, is so extensive that there is an inherently high level of subsistence and self-sufficiency.⁵⁶ Burma is essentially an agrarian economy with two-thirds of the population engaged in subsistence agriculture. Agriculture, including forestry and fisheries, accounts for about 60% of GDP, the highest in Southeast Asia. It has a low population density and is exceptionally rich in natural resources but has the lowest level of industrialisation in Southeast Asia, which accounts for less than 10% of GDP. In China this figure is 50%, in Thailand 40%.

In February 2003 the Burmese economy hit another low point. A crisis was sparked by the huge losses suffered by Burma’s largest commercial bank, Asia Wealth Bank (AWB), on its deals in China and the collapse of several non-banking financial companies.⁵⁷ In addition, on 1 February the Minister of Finance and Revenue, Khin Maung Thein was dismissed for his involvement in foreign exchange transactions.

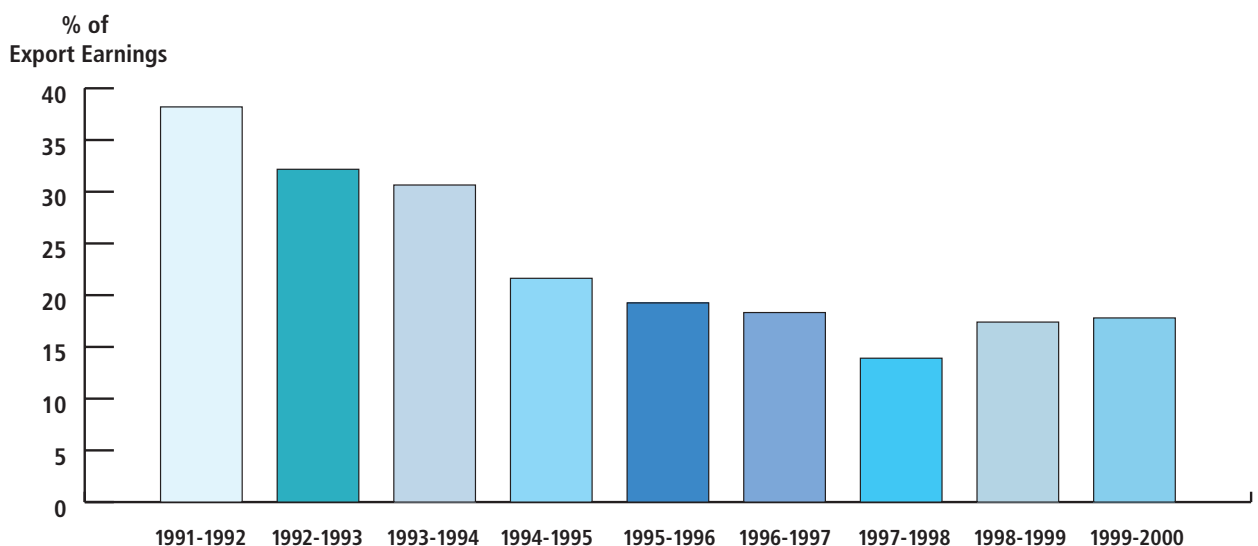
These events led to a run on the banks on 6 February.⁵⁷ The AWB is said to have paid out a third of its 260 billion kyat (\$420 million) deposits during the run, most of the other major banks being similarly affected.⁵⁷ The SPDC responded by sending riot police on to the streets of Rangoon and appointing Hla Tun, an army officer with no skills in finance or banking, to the position of Finance Minister.⁵⁷ The Central Bank imposed a ceiling on withdrawals, and suspended cheque transactions and fund transfers.⁵⁷ It was also reported that 19 truck loads of newly printed 1,000 kyat notes were transported from Wazi to Rangoon.⁵⁷

9.1 The importance of the timber trade

Forestry is one of the principle sources of legal foreign currency income for the SPDC. In the 2001 fiscal year the timber trade raised \$280 million, equivalent to about 11% of foreign exchange earnings.⁵⁸ At the end of the 1980s timber was even more vital to the economy, accounting for 42% of all official export earnings; in 1989-90 timber exports, mostly teak, were worth \$135,790,000.⁹ Nevertheless forestry is also expected contribute 2.1% to a targeted 6% rise in Burma’s GDP over the next five years.⁵⁹ The relative importance of the timber trade as a source of foreign exchange earnings is one reason for increased pressure on Burma’s forests. The SPDC needs foreign currency and has therefore set targets for the MTE that have more to do with this need for foreign currency than sustainability of timber supply (see *Import – Export Figures page 39*).

EXPORT EARNINGS FROM FORESTRY ACCORDING TO THE BURMESE GOVERNMENT

SOURCE: MINISTRY OF FORESTRY, 2001





Transporting teak logs in Rangoon.

9.2 Involvement of the Army

The regime's pre-occupation with its own version of stability within Burma has resulted in defence spending far outweighing that spent on the social sector; health and education. Burma spends the highest proportion of total government expenditure on defence of any ASEAN nation at 48%; although gross expenditure of \$2.5 billion is not as high in money terms.⁶⁰

The large number of troops, projected onto a weak economy often has severe effects for the rural economy. The logistics of feeding, clothing and maintaining over 400,000 troops⁴⁵ means that the army necessarily has moved towards a system of 'self reliance.'⁴³ As well as providing for present members of the armed forces the army also needs funds to provide for welfare of war veterans. Regional commanders have been charged with becoming self-funding and this is translated down to barracks level. As the armed forces engage in subsistence business the opportunities to satisfy self-interest of officers has also increased.

The army is well known to usurp resources such as productive land, timber, and food from areas around its bases. Local army units have confiscated land and property on a large scale throughout the country but particularly in conflict areas. This is closely linked with forced labour (*see page 53*). Soldiers also establish arbitrary roadblocks to demand taxes. Typically this is a mix of self-reliance, and the self-interest on the part of the officers concerned and demonstrates the inability, or unwillingness of the central authorities to interfere in their business interests; it needs them to hold the armed forces together.

The institutionalised and overwhelming involvement of the military in the economy was initiated by Ne Win's military caretaker government between 1958 and 1960. Ne Win believed that only the army could save Burma from the 'economic chaos' created by foreign businessmen.⁸ At this time the Defence Services Institute (DSI) became the largest commercial institution in Burma after taking control of established major trading firms involved in everything from shipping and commodities trading to banking.⁸ Somewhat at the expense of established firms DSI flourished not least because it had access to interest free capital and was exempt from crippling taxes and restrictions that applied to private firms.

More recently a number of institutions have been established to control the economy. Notably these are

the Union of Myanmar Economic Holdings Company (UMEHC) and the Union of Myanmar Economic Corporation (UMEC).

All major foreign investors enter the Burmese market via a joint venture with UMEHC, 40% of which is owned by the Department of Procurement at the Ministry of Defence. UMEHC is Burma's largest indigenous firm and was founded in 1990 to provide extra-budget income to finance army expansion. UMEHC does not publicly report its finances. The capital of UMEHC is held by the Ministry of Defence and active duty and retired military investors, both as individuals and by unit. UMEHC has a series of wholly owned ventures in banking, tourism, jade, gems and real estate. In addition, it has joint ventures with foreign firms in garment factories, consumer product factories, and wood products.

UMEC does not undertake joint ventures with foreign companies but has business interests in industrial planning, iron and steel factories, heavy industries, foodstuffs, trade, banking, tourism, gems, minerals, power and transportation. UMEC investors are active duty military personnel.

9.3 Bartering

In the early 1990s China is thought to have sold Burma arms worth \$1.2 -1.6 billion, on credit.¹⁰ The regime has also sustained itself through bartering resources or concessions for cash, supplies and for armaments, in particular with China. In July 2000 a Burmese delegation, led by Foreign Minister Win Aung, visited Moscow to discuss, amongst other things the acquisition of a nuclear reactor. The Russian Ambassador to Burma, Gleb Ivashentsov, stated that whilst the Russians could not offer much long term credit they could barter the reactor for rice, teak or fish.⁶¹ The reactor has not, as yet, been built. Burma has also recently acquired 10 Mig-29 fighter jets from Russia as part of a barter deal. These were acquired at a cost of \$130 million and the first six were delivered in January 2002.⁶²

In May 2002 it was reported that the SPDC sent a trade mission to Iraq and was in the process of bartering teak for Iraqi oil.²² In July 2002 it was reported that a "... significant volume of teak log supply is...currently being diverted by the Myanmar authorities to supply a big contract from the Iraqi government."⁶³ Burma has also bartered teak with Vietnam for oil,⁶⁴ as well as having barter arrangements with Malaysia.⁶⁵

10 BURMA'S FORESTS

*"The air, the water, the land and all the flora and fauna constitute the environment of all human beings. And therefore, it is the duty of all human beings to preserve the environment they live in. Myanmar is a green and pleasant country with forests and mountains."*⁶⁶ The New Light of Myanmar, (Perspectives), May 2003

Burma is made up of temperate (25%) and tropical landscapes (75%) that range from the Himalayas in the north and east, to the lowland forest, mangroves and coral reefs in the south. Burma also forms a land bridge between Asia and the Malay Peninsular. Falling within the Indo-Burma biodiversity hotspot, and bordering the South Central China hotspot to the north in Kachin State (see page 92), Burma is one of the most biologically diverse countries in mainland Southeast Asia and has a large number of endemic species.⁶⁷

Part of Burma's global conservation significance derives from the fact that it contains ecotypes, such as lowland peninsular rainforest, that are already depleted in neighbouring countries, and its forests and other habitats are unusually rich in plants and animals. About half of the closed forests remaining in mainland Southeast Asia are located in Burma.¹⁰² The forests, dry plains and coastal areas are home to about 7000 species of plants including 1,347 large tree species, 96 bamboo species and 841 species of orchids. 1,071 of the plants are endemic.⁶⁸ Burma also has 300 species of mammals, 1000 species of birds and 360 species of reptiles.⁶⁹ Several of the large mammals are globally threatened including the largest population of wild elephants in Southeast Asia (about 4000 individuals), tiger, leopard, gaur and banteng, both wild oxen.⁷⁰

Commercial logging is probably the main threat to Burma's forest resource particularly because of the increasing demand from neighbouring countries such as China, India and Thailand. However, other factors such as the clearing of forest for agribusiness, encroachment, and the cutting of timber for fuel are also important. Mangroves and coastal forests have been particularly severely impacted by the charcoal trade; and intensive shrimp farming. Only 25% of the original mangrove forest cover was estimated to have been standing in 1996;⁷¹ it is not known how much remains today.

Conservation policy in Burma has developed over the last few decades. The Nature and Wildlife Conservation Division was created under the Forestry Department in the early 1980s. There are currently 34 protected areas including wildlife sanctuaries, bird sanctuaries, national parks, and elephant ranges. These areas currently amount to just over 2% (15,000 km²) of the country's land area and this is neither adequate nor completely representative of the country's biodiversity.⁷² This is also the lowest proportion of protected areas in the region but there is a target of 5% in the short term increasing to 10% of total land area in the long term.⁷³

In practice, the protected areas system is weak. Many of the areas are already degraded or simply too small to provide habitat for threatened mammals. Local managers are poorly equipped for modern management practices, have inadequate budgets, and often lack government support. There is a constant struggle over land in some of the protected areas, conservation tending to be the loser in the battle with agribusiness and logging interests.

10.1 Forest cover, deforestation rates and forest degradation

*"Myanmar is emerald green. No exaggeration. For centuries it has been that way. Myanmar has perhaps one of the best, ... if not the best, forest conservation policies which ensure that about 80 per cent of land is under forest cover all the time."*⁷⁴ The New Light of Myanmar, June 2001

"Common wisdom that Myanmar is rich in forest and natural resources is a rapidly evaporating illusion. Several decades of unsustainable exploitation of natural resources is bringing this idea sharply into question." Development worker based in Burma, 2002

*"The earth, water, mountain-forests and climate are the basic resources of a country. If the mountain-forests are destroyed, the earth and water will be degraded. This in turn will lead to climate deterioration. Hence forest destruction must be prevented and looked at with caution. Amongst all our basic resources, forests are the most important."*⁷⁵ Senior General, Than Shwe, October 1993

The FAO defines 'forest' as being 'land with tree crown cover of more than 10 percent and an area of more than 0.5 hectares.'⁵⁶ However, definitions of what exactly comprises 'forest' vary; some for instance include plantations, and this leads to differing estimates of the amount of forest remaining. The most recent FAO assessment estimated that 37.2% of Burma was covered in 'closed forest' (more than 40% forest cover),⁷⁷ while some staff of the Forest Department in Rangoon,⁷⁸ and conservation workers,⁷⁹ believe that figure is closer to 30%. Whatever the exact figure it is clear that Burma is still one of the more heavily forested nations in Southeast Asia. FAO figures for percentage forest cover in various countries in Asia are given in table below.

TABLE 2. THE PERCENTAGE FOREST COVER IN VARIOUS ASIAN COUNTRIES ACCORDING TO FAO, 2002⁷⁷

Country	Closed Forest	Open Forest	Year of Data
Laos	48.5%	7.0%	1989
Burma	37.2%	14.9%	1996
Thailand	19.7%	5.5%	1998
India	11.6%	7.8%	1997
China	11.5%	0.6%	1996
Bangladesh	5.0%	0.0%	1996

The high level of forest cover in Burma is often referred to in the official press,⁸⁰ and appears central to the 'resource-rich' mindset of the SPDC.⁸¹ Such a view, however, based on figures derived from an imprecise 'science' that are in any event open to interpretation should not lead to complacency. The quality of forests, that may be degraded by logging and the extraction of non-timber forest products (NTFPs), and serious localised deforestation, should also be taken into account.

Calculating deforestation rates is perhaps even more subjective than determining forest cover. Differences in methodology, including the use of different baseline information and survey areas, time periods and analytical techniques and the subsequent interpretation of these results make comparisons very difficult. As a result estimates of the deforestation rate in Burma differ widely and can, therefore, be used selectively for political purposes.

The FAO estimates that Burma is losing forest cover at a rate of 1.4 % per year. This is the highest rate of deforestation, together with the Philippines, in Southeast Asia (*see Table 3*),⁸² a region that itself has the highest rate of deforestation in the world.⁸³ Another estimate puts the figure at 0.4% annually,⁸⁴ and a Burmese Forestry Department study in 2000 estimated that the rate of change was only 0.3% per year.⁸⁵ Preliminary results from research being carried out using LandSat images, of the whole of Burma over a ten-year period, indicate a deforestation rate of 0.34% per annum. In contrast Senior General Than Shwe claimed, in November 1992, that forest cover increased from 41% in 1995 to 52% in 2000, based on FAO data.^{86,87}

TABLE 3. PERCENTAGE CHANGE IN FOREST COVER IN VARIOUS ASIAN COUNTRIES, IN ORDER OF THE HIGHEST RATE OF DEFORESTATION FIRST.

SOURCE: FAO.⁸⁸

Country	Percentage change in forest cover per year
Burma	- 1.4
Philippines	- 1.4
Malaysia	- 1.2
Indonesia	- 1.2
Thailand	- 0.7
Cambodia	- 0.6
Laos	- 0.4
India	+ 0.1
Vietnam	+ 0.5
China	+ 1.2
Bangladesh	+ 1.3



It is difficult to assess forest cover and deforestation rates accurately, especially without the use of ground-truthing, which has rarely been carried out in Burma. In addition, areas where the rate of deforestation is high, such as in Kachin State, the dry dipterocarp forests of the dry zone, or the mangroves of the Irrawaddy Delta, do not show up in countrywide deforestation figures.⁸⁹ Some results have been extrapolated from small areas to the entire country, leading to further inaccuracies. Deciduous vegetation presents particular problems, and studies involving Burma have sometimes confused seasonal changes in dry dipterocarp and deciduous forests with permanent change.⁸⁴ For example, it has been argued that the FAO's figure of deforestation of 1.38% per year is an

overestimate, that used deforestation hotspots as the basis for estimating the deforestation rate in Burma as a whole, and confused seasonal changes in the forest with permanent forest cover change.⁸⁴ In addition, deforestation figures only consider that forest has been lost after a certain point and do not address forest degradation. According to the FAO 'open forest' cover in Burma increases by about 278,500 ha per year.⁷⁷ This could however, indicate the degradation of forests from 'closed forests' with more than 40% forest cover, to 'open forests' with between 10% and 40% of forest cover. Most figures consider the net rate of deforestation; a balance between forest loss and forest re-growth, which is often poor quality compared to the forest that may have been lost.



Htoo Company log tractor operating in Karen State; 2002.



Burmese logs and Chinese forest in Guyong, Yunnan Province, China; 2000.

11 THE TIMBER INDUSTRY IN BURMA

Teak (*Tectona grandis*) grows only in mainland Southeast Asia (Burma, Thailand and Laos), Indonesia, and southern India. Burma has about 60% of the world's natural reserves⁹⁰ and is the biggest exporter, producing 75% of all internationally traded teak.⁹¹ It is valued for its aesthetic qualities, durability and the ease with which it can be worked and as such is one of the most expensive timber species. Burmese teak is generally recognised to be of a higher quality than teak from other sources and the logs from Burma's natural forests are significantly larger, and therefore more desirable, than the teak grown in plantations in, for instance, Indonesia.

It is the quality of Burmese teak together with Burma's near monopoly on supply that has made the teak industry particularly resistant to calls for bans and boycotts. Instead, in many instances, industry has either remained silent regarding the country of origin or misdeclared the timber. This has been particularly prevalent at the consumer end of the market, relating to products such as garden furniture. More often than not, in cases where it is clear where the timber has come from, companies perpetuate, through their literature and labelling, the myth of sustainability of production in Burma's forests.

11.1 The Administration of forestry in Burma

The Ministry of Forestry (MoF) has primary responsibility for forestry management and policy in Burma and has full jurisdiction over forest conservation and exploitation. The Office of the Ministry is generally staffed by retired military, while the departments under the ministry are made up of trained foresters and other professionals. Five departments come under the control of the MoF; they are: the Forest Department, the Myanmar Timber Enterprise (MTE), the Dry Zone Greening Department (DZGD),¹ the Planning and Statistics Department^m and the Institute of Forestry.ⁿ In addition these departments work closely with the Survey Department, which carries out mapping for the whole administration. In total over 66,000 people come under the control of the Ministry, by far the largest proportion of these, about 48,000, working for the MTE and a further 15,000 at the Forest Department.⁶⁸

It is the Forestry Department and the MTE that are principally concerned with the commercial exploitation of Burma's forests and the timber trade. The Forest Department is responsible for the protection and conservation of wildlife and sustainable management of the forest resources of the whole country.⁶⁸ The MTE is responsible for timber harvesting, milling, downstream processing, and marketing of forest products.⁶⁸

11.1.1 The Forest Department

The Forest Department, together with the Planning and Statistics Department, is responsible for planning and forest management. This includes calculating Annual Allowable Cuts (AACs) and selecting and girdling^o trees prior to extraction.

Forest Officers are also responsible for the enforcement of forestry laws and regulations, including supervising timber harvest, protecting forest areas from encroachment and poaching of wildlife, and checking timber for legal marks at border crossings. In addition, the Forest Department manages forest rehabilitation and the establishment of production plantations, as well as the protected areas system and watershed management.

The department is supposed to survey all reserved forests and to gather data on all trees larger than four feet in girth and to maintain the health of the forest for commercial extraction, for example, by cutting climbers and figs and by eliminating trees that impede the growth of the most valuable trees. The Forest Officers should assess the type, density and quality of the forest, including wildlife and biodiversity, and send their findings, via the District Forest Officer, to the Conservator. In general Forest Department staff are technically skilled and hardworking, though poorly paid.



Log truck passing the Forest Products Joint Venture Corporation building, Rangoon; 2001.

¹ The DZGD looks after the reforestation of degraded forestlands and restoration of the environment in the Dry Zone of Central Burma.

^m The Planning and Statistics Department is responsible for coordinating the tasks of the Forest Department, the MTE and the DZGD.

ⁿ The Institute of Forestry is responsible for education and training.

^o Girdling is the practice of cutting a section of bark and sapwood from the entire circumference of a standing tree. The tree dies and dries out making it substantially lighter and therefore easier to transport.



Log truck with export quality timber arriving at the Asia World Port Terminal in Rangoon; 2001.

11.1.2 The Myanmar Timber Enterprise (MTE)

Theoretically the MTE has a monopoly on the harvesting, processing and marketing of teak, with the private sector operating only in the non-teak hardwood processing industry.⁹² It is the MTE's task to cut and extract trees that have been selected and marked by the Forest Department. In 1997 the MTE operated 38 extraction and rafting agencies.⁹³

However, the MTE contracts out some of its work to privately run logging companies and timber processing facilities. Despite the cancellation of Thai logging concessions on the border and SLORC's ending of the concession system of forest management in 1993 some of the current contracts are referred to as concessions and are operated as such. These lucrative contracts are, more often than not, given to companies that have close contacts with Burma's military elite. Such national entrepreneurs frequently have concessions throughout the natural resources sector and include, amongst others, Asia World, Shwe Than Lwin, Dagon, Htoo Company, Billion Group, Kayah Phu and the Woodland Group of Companies.

Subcontractors are also used by the MTE to carry out logging operations. The subcontractors are obliged to deliver a certain volume of timber to the MTE at a given price, which is often too low to sustain the business let alone make a profit.

There are 83 state-controlled hardwood sawmills producing timber for the domestic market and eight state-controlled teak sawmills producing timber for export.⁶⁸ In addition the MTE runs four plywood factories, five furniture factories, two moulding factories and one flooring and moulding factory. The total capacity of these processing units is about 160,000 Hoppus Tonnes^P per year. In addition there are, according to the Forest Department, 459 small to medium sized sawmills, 1,224 re-cutting mills and 487 factories producing furniture and partially processed products; all privately owned.

The very undeveloped state of the timber processing industry also means that most of Burma's exports are in log form. Raw logs comprise 85% of exports, whilst sawn timber accounts for 12% and value added products 3%.⁹⁴



Woodland Industries sawmill, Rangoon; 2001.

^P One Hoppus Ton is equivalent to 1.8 m³ of timber.

11.2 Forest Management in Burma, the theory

Large-scale commercial logging developed during the era of British rule. At first the colonial authorities, in accordance with the economic doctrine of the time, left the industry to regulate itself. This led to widespread unsustainable logging and to rapid depletion of the Tenasserim teak forests. In response, the administration introduced the concept of commercial forest management into Burma's forests for the first time in 1856 in the Pegu Yomas.⁹ The Forest Department was created in the same year.

The forest management system used by the colonial authorities was the Brandis Selection System, subsequently renamed the Burma Selection System (BSS) and later the Myanmar Selection System (MSS). The BSS was designed to maintain a high yield of good quality timber and to enhance the natural regeneration and growth of commercially valuable trees.

Under the BSS forests were split into management units, the largest being the concession. Concessions were in turn split into compartments and these further split into coupes; coupes were divided into cutting blocks. There were 30 coupes to a concession, each coupe being cut in successive years to give a 30-year felling cycle. Harvesting operations are described as a 'two-pass system', with teak being extracted first, followed later by other hardwoods.⁹⁵ In addition minimum diameters were set for each tree species, below which they should not be felled, and a range of procedures were put in place to ensure the preferential growth of teak trees and general health of the forests.

In theory the sustainability of the BSS is guaranteed by setting the AAC for teak and other hardwoods at sustainable levels. The AAC based on 'removals' is always greater than the amount of timber that may be marketed because timber is wasted in the process of extraction; this waste may be in the order of 25% to 30%. Historically, the Forest Department has conducted inventories in forested areas and it is these figures, detailing the composition of the forest and the quantity and quality of the trees that the AAC is based

upon. Presupposing that the AAC has been set at a sustainable level it is essential that this figure is not exceeded, in order to maintain sustainability of production. The AACs were revised in 1996 and again in 2001. The Forestry Department has also recently updated the Management Master Plan and all 62 Forest District Management Plans, each of which contains an AAC for teak and other hardwoods.

Elephants are often used to drag logs from the forest, to roads and rivers, primarily because of the difficulty of the terrain in which they operate and because of the heterogeneity of the forest. They are also less damaging to the environment than most mechanical options. The state owns 3,000 elephants and a further 2,000 are privately owned.



Hauling logs in southern Shan State; 2000.

12 THE REALITY OF THE SPDC-CONTROLLED TIMBER TRADE

Much of the recent information contained in this report relates to the unsustainable and destructive activities of logging companies operating in the ceasefire areas. But it is important to note that this destructive logging is unlikely to be taking place without the tacit agreement of the SPDC and in many instances with its active encouragement (see 13.3 *Ceasefires and business page 47*). It should also be noted that the reality of logging in areas controlled by the SPDC, often differs substantially from the image of respectability and sustainability projected by the regime.

12.1 Law enforcement

“In this country, you can do a lot of illegal things freely if you have a powerful protector in the government. Even drug lords can move around like respectable businessmen. I know some plywood factory owners that illegally board timber logs all the time. But they don’t have to worry about being searched by local authorities. They got some senior officials to visit their factories. On the wall of the factories’ guestrooms, they hung a photograph of themselves shaking hands with the officials. The local authorities did not dare to bother such businessmen. They go to the factories or the houses of the factory owners only when they want them to donate money to some government functions.” Anon, 1998

Seizures of logs, sawn timber and logging equipment are frequently reported in the Burmese press. In May 2003 for instance, the Myanmar Times stated that Forest Department figures showed 20,400 tons of illegally logged timber had been seized during the 2002-2003 fiscal year, up 900 tons on the previous year. U Tin Latt, a director of the Forestry Department said that most of the illegal timber extraction occurred in Kachin State and northern Shan State, though it also occurred in Pegu, Mandalay, Magwe and Sagaing divisions.⁹⁷ In the same article he appealed to the public for help in reporting illegal logging operations. However, detail of what comprises legal logging in Burma, such as which groups or

Illegal logging

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

Royal Institute of International Affairs definition

NB: Given the ethnic minority claims for some degree of self-governance, the fact that the government in Burma is not legally constituted, and the fact that the authorities do not consistently apply or abide by the law, the issue of legality throughout Burma is problematic.

companies are logging where and under what authority, is not widely available and this makes it very difficult to ascertain what is illegal. It should also be noted that legal logging can be destructive and unsustainable and that sustainable timber extraction by local people can be illegal.

People caught with fraudulent documents, or timber showing false markings, are liable to a maximum penalty of three years’ imprisonment and a 30,000 kyat (\$50) fine. Those logging teak illegally face seven years in prison and a 50,000 kyat (\$80) fine.⁹⁷ But the law is far from being fairly applied and punishment often handed down to the ‘small fish’ and never the key players, unless they have fallen out of favour with the ruling elite.

The following account is a tragic example of forest law enforcement: five years in prison for three people for cutting posts to make houses, whilst the real criminals often remain at large and untouchable.

‘Jail Terms for Illegal Logging’ Hmu-Khin (Crimes) Journal of 29.08.01. Unofficial Translation:

“The Government, having meant to protect the world’s famous valuable teak of the country, has been taking special disciplinary action against its



SPDC notice, “Transporting without permit. 1. Property will go into State Custody 2. Life imprisonment for transporters and owners.” Pegu Division SPDC, 2001

clandestine activities. Although the big fish cannot be caught yet, small cases like seizing teak wood for making pillars in homestead construction works are put-up to court by Forest Officers. An example of it is a group of three illegal cutters witnessed on 14.05.01 in Lae-way by its Township Forest Officer U Aung Htoo Myaing at Yone-bin Forest Reserve Block 26 and were prosecuted and jailed for five years for illegal cutting and transporting teak. The case was put under penal code no. 658/2001 Forest Act Section 43(a) for illegally felling kyat 8,020/- worth of ten teak trees and transporting them on a bullock-cart to be used as small-scale building material for their houses.”



'Jail terms for illegal logging', Hmu-Khin Journal; 29 August 2001.

In Kachin State the Forest Department officials along with other authorities such as immigration, police, and military collect taxes from passing trade apparently even if the trade is illegal.³⁴⁹ This is also the case in the Pegu Yomas where the department has set up taxation gates in the forest to tax illegal logging. In Tenasserim Division the Forest Department sits alongside the New Mon State Party, the military intelligence, local army battalions and the SPDC and levies taxes on illicit logging.⁹⁸ The parlous state of forest law enforcement and complicity of government employees in forest crimes is far from unique to Burma.

12.2 The decline of the Burma Selection System and Institutional Problems

Increasingly forests in Burma have been managed according to short-term interests, reflecting the immediate political and economic needs of the regime, rather than being managed in a way that will ensure the sustainability of timber supply in the long term. It could be argued, however, that it is irrelevant whether or not there are elements within the regime that would, in an ideal situation, promote sustainable forest management as years of economic decline have narrowed options for revenue generation. Essentially, the overriding imperative to raise foreign exchange, in the face of an ailing economy, has meant that increasingly key elements of the BSS have been ignored.⁹

A key factor in the decline of the BSS has been the relative weakness of the Forest Department in relation to the MTE.⁹ As the income generating body of the Ministry of Forestry, the MTE has more resources and political influence than the Forest Department, which is responsible for good forest management but is not a revenue-raising department.

12.2.1 Annual Allowable Cut (AAC)

*“The MTE largely exceeds what it should cut, and there is no balance between timber production and the forest base.”*⁹⁹ FAO representative, Rangoon; 2000.

Until 1996 the AACs, both for teak and for other hardwoods, remained the same for over 30 years. They were based on partial surveys done in the early 1960s, which were then extrapolated to the whole country, and set at a level that would theoretically ensure sustainable timber production over the entire country.¹⁰⁰ However, as many areas of the country were not accessible due to insurgency and civil war, the AAC for the entire country was harvested in only those parts of the country that were accessible, which inevitably led to local over-exploitation.⁹

In the 1970s, natural resource production and export were prioritised, and revenue from timber became a principal source of state income. Accordingly the State Timber Board (STB), the forerunner of the MTE, was allowed to develop the institutional capacity to extract and market timber. The STB directly challenged the authority of the Forest Department, forcing it to permit over-cutting to meet the need for foreign exchange. This further increased the pressure on the accessible forests.⁹

The Forest Department on the other hand was weakened through low budgets and understaffing, leading to a fall both in its morale and in its ability to cope with the challenges of forest conservation, maintenance and policing. In addition the royalties on timber extraction paid by the STB to the Forest Department were too low, further undermining the department’s ability to invest in good forest management.⁹ The Forest Department has

⁹ The MTE gives \$8 per ton for teak and \$5 per ton for hardwood to the Forest Department for rehabilitation purposes (Source: Investment Opportunities in the Wood-based Industries in Myanmar, Myanmar Business Tank, 1 September 2001).

also suffered falling educational and scientific standards after decades of isolation. The few remaining highly qualified foresters are mostly at or near retirement age.

The imbalance between the Forest Department and the MTE persists and forests are still under pressure to generate income at levels set by the SPDC that bear little relation to an AAC based on sustainability of production. Officials rarely speak out for fear of dismissal or worse, striving foremost to satisfy their superiors and meet set quotas, rather than advocating policy changes or the setting of quotas at more sustainable levels.

The AAC was 609,500 m³ for teak and 2,463,600 m³ for other hardwoods between 1971 and 1996. From 1996 the AAC for teak was lowered to 409,062 m³ but for hardwoods it was increased to 3,236,100 m³. The lowering of AAC for teak and the increase for hardwoods reflects over-extraction of teak and the general under-exploitation of other species.⁹⁶

Forest Department figures show that teak production exceeded the AAC in three of the four years between 1989 and 1992.¹⁰² Overall, since 1970 teak production has, according to official figures, exceeded the AAC by at least an average of 15%.¹⁰²

MTE and private subcontractors face disciplinary procedures or the withdrawal of permits for failing to meet cutting targets.¹⁰⁰ Meeting an unrealistic quota leads directly to over-cutting, cutting of undersized trees or cutting trees outside the specified coupe.¹⁰⁰ In one case Global Witness investigators observed an MTE harvesting team in Magwe, not far from the border with Chin State, cutting over their teak quota. According to their account they were doing this to provide logs to another MTE team that was unable to

meet its cutting target, in Pakokku (across from Bagan), the area of forest under their control.¹⁰³ The target set in Pakokku in the dry zone was not achievable and the problem compounded by over-cutting in another area.

On several field trips including one to Oktwin Township, Toungoo District, Pegu Division, Global Witness encountered institutionalised over-cutting by the MTE. In one instance an MTE employee explained that the cutting was 20% above target, but that “*all this is according to MTE instructions*”. As one MTE employee put it, “*The target cut is made known to us by our township level boss on a monthly basis. We have to cut more than the set target in order to fulfil our welfare needs. For example, when the target is 1,000 tons, we will cut 1,500 tons.*”¹⁰⁴

Another feature of the BSS that is becoming increasingly neglected is the girdling of teak trees.¹⁰⁵ In addition many of the forest inventories that are used to set the local AAC are extrapolations based on samples, rather than a full ‘contouring’ exercise. The code of harvesting that stipulates the minimum girth of trees to be cut is also neglected with MTE staff routinely cutting immature teak trees.

In reality, instead of being an absolute limit to the amount of timber that is logged, the AAC is used only as a guideline in Burma. The SPDC sets production targets for foreign exchange-producing government institutions including the forest sector. Based on the foreign exchange earning expectations, a target tonnage is calculated which is translated downwards into logging quotas for each logging district. These have little bearing on capacity of the forest and hence the sustainability of logging operations.

TABLE 4: ANNUAL ALLOWABLE CUT IN BURMA.

SOURCE: BURMESE FORESTRY DEPARTMENT, 2001

State/Division	AACs since the 1960s		AAC until late 1996		AACs from 2001	
	Teak	Hardwood	Teak	Hardwood	Teak	Hardwood
Arakan State	—	45,000	—	45,000	—	65,755
Chin State	5,280	8,700	5,280	8,700	1,593	6,056
Irrawaddy Division	2,080	74,700	2,080	74,700	1,417	42,975
Kachin State	14,000	456,000	14,000	456,000	16,282	107,720
Karen State	7,860	8,800	7,860	8,800	5,718	73,938
Karen State	3,850	21,600	3,850	21,600	4,918	22,428
Magwe Division	31,260	79,000	6,563	383,046	11,804	95,320
Mandalay Division	14,370	200,400	6,925	176,757	5,716	52,216
Mon State	550	18,100	550	18,100	—	8,615
Pegu Division	42,070	251,500	19,675	400,221	15,040	172,179
Rangoon Division	1,150	6,000	1,150	6,000	244	2,302
Sagaing Division	33,170	452,800	33,170	452,800	30,174	273,906
Shan State	23,110	54,800	23,110	54,800	26,317	133,920
Tenasserim Division	—	99,300	—	99,300	—	74,131
TOTAL Trees	178,750	1,366,300	124,213	1,795,424	118,548	1,131,461
TOTAL m³	609,500	2,463,600	409,100	3,236,100	390,022	2,038,000

NB. The cubic metre figure has been calculated on the basis:

1 teak tree is equivalent to 3.29m³.¹⁰¹ 1 hardwood tree is equivalent to 1.802m³.

12.2.2 The National Forest Inventory

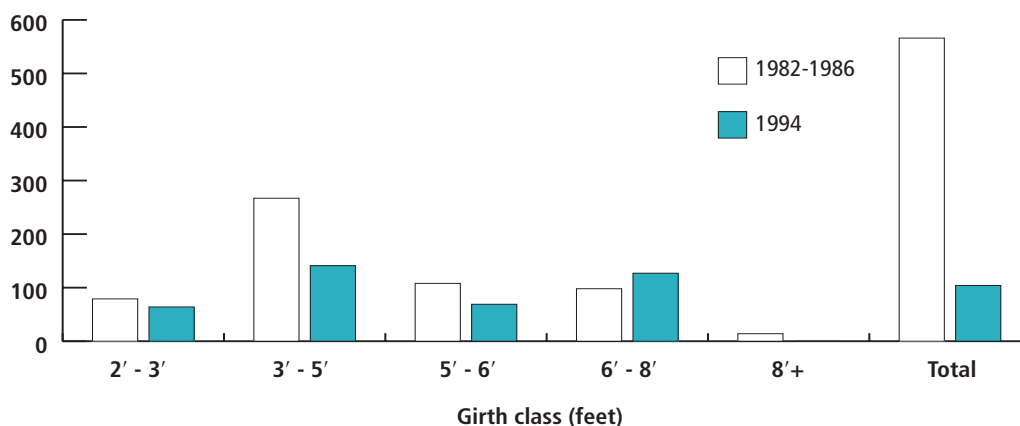
Official government figures show a drastic decrease in the density of teak in the Pegu Yomas; apparently due to illegal logging. The National Forest Inventory shows that in the South Zamayi Forest Reserve there were

2.39 teak trees, of more than three feet girth at breast height, per acre in 1982 and 1983, but only 0.75 per acre in 1994. The graphs below show the decrease in density of teak trees in the Thayawaddy Forest Division.¹⁰⁶

TEAK TREE DENSITY CHANGE IN THAYAWADDY TOWNSHIP

SOURCE: JOURNAL OF FOREST PLANNING 4: 43-51 (1998)

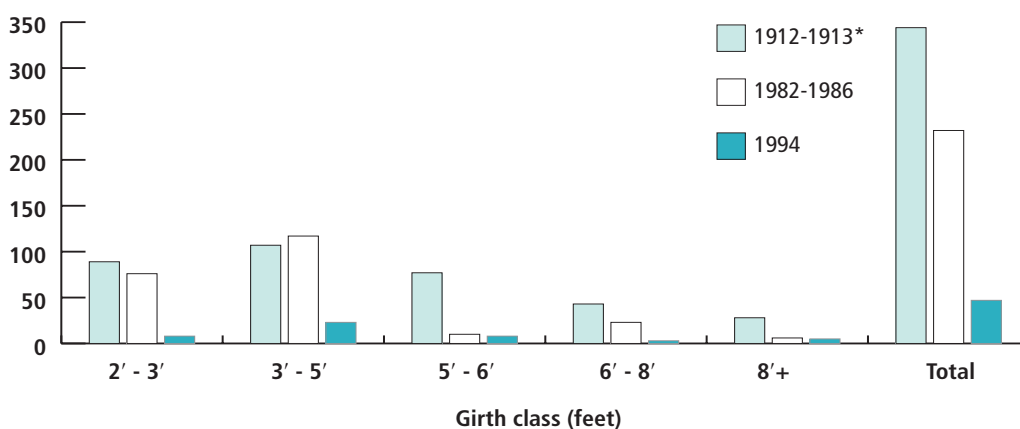
No. of trees
(per 100 acres)



TEAK TREE DENSITY CHANGE IN MINHLAS TOWNSHIP

SOURCE: JOURNAL OF FOREST PLANNING 4: 43-51 (1998)

No. of trees
(per 100 acres)

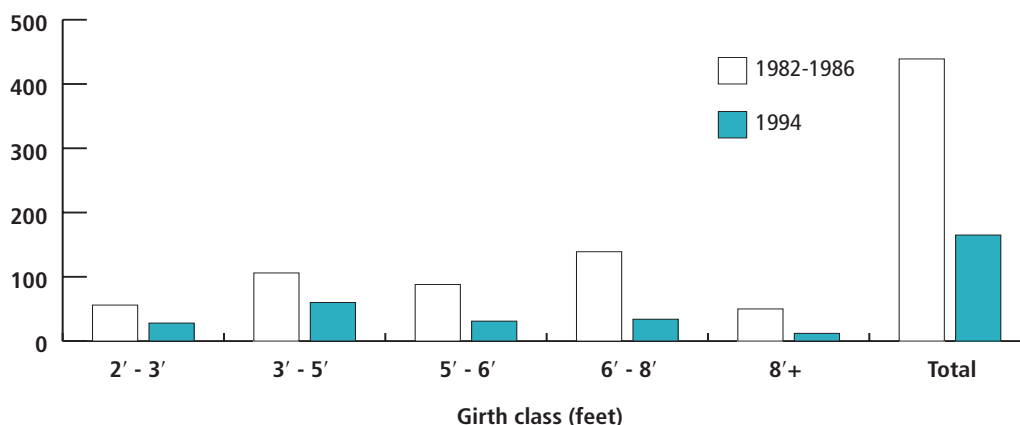


* Note that figures for 1912-13 are not strictly comparable to other years as the girth classes used are slightly different. Total figures are still comparable though.

TEAK TREE DENSITY CHANGE IN LETPADAN TOWNSHIP

SOURCE: JOURNAL OF FOREST PLANNING 4: 43-51 (1998)

No. of trees
(per 100 acres)



12.3 Import – Export Figures

It is probable that the Myanmar Central Statistic Organisation (MCSO) records most available data relating to the formal forestry economy in Burma. The informal timber trade in Rangoon and elsewhere, however, is not reflected in the official statistics.

To get some idea of the scale of this informal economy, relating specifically to the international trade in timber and timber products from Burma, it is necessary to look at the import data from consuming countries.

There is a considerable mismatch between the quantity of timber that the MCSO has recorded as being exported and the quantities recorded by customs authorities of importing countries, in particular China. For example, for the financial year 1999/2000 the MCSO figures state that 806,000 m³ of timber was exported from Burma whilst the aggregate figure, for those countries that have made import figures available, is in the region of 1.72 million m³.^r The import figure is over double the official export figure and the difference between the two figures, which is likely to reflect the amount of illegal exports (914,000 m³ with an estimated value in excess of two hundred million dollars), is substantially larger than official exports.

Official statistics from China show that in 2000 China, alone imported 840,000 m³ of timber from Burma. This is more than the total volume of timber exports recorded by the MCSO for 2000,

which was 797,069 m³. Other nations, for which Global Witness has data, imported 1.1 million m³ of timber. The amount of timber recorded as entering consuming countries in 2000 is almost two and a half times greater than that recorded leaving Burma. It is likely therefore that at least 1.0 million m³ of timber were illegally exported from Burma in that year.

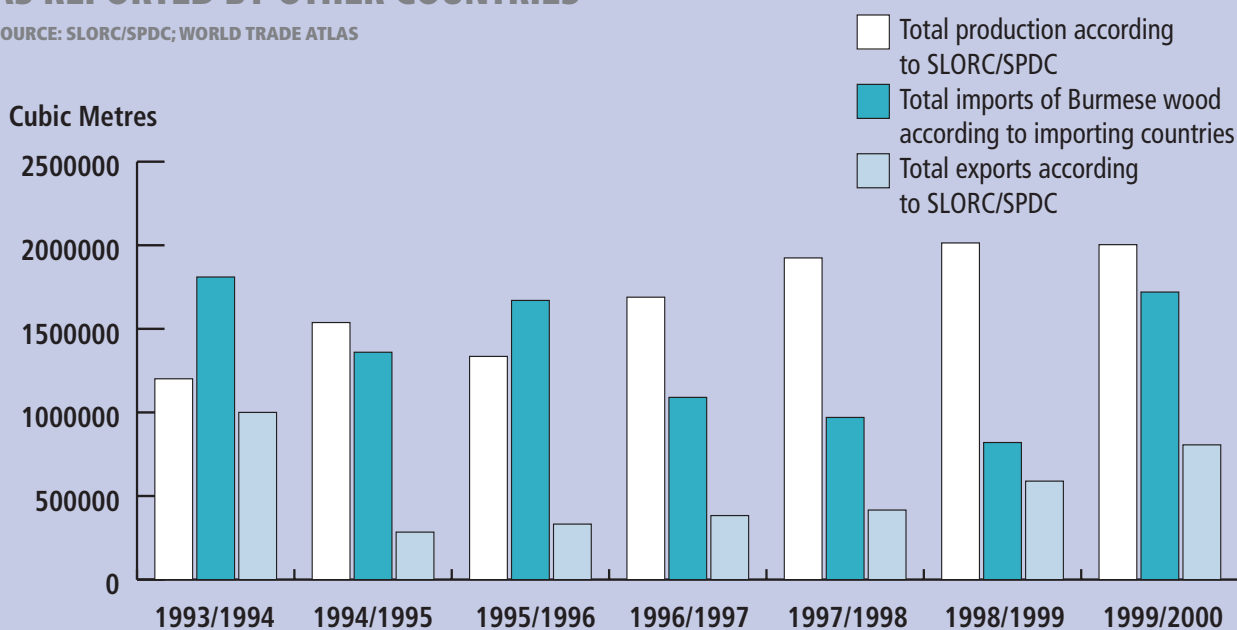
In 2001 the MCSO recorded exports of 688,114 m³ and, although statistics are not yet available for the majority of importing countries, China alone claims to have imported 850,000 m³.

It is clear from the above figures that a large proportion of timber exports are not being recorded by the Burmese authorities. In addition, a significant proportion of the international trade is not recorded by importing countries either. In China for instance although timber imported from Kachin State is generally recorded, at least locally, local business sources claim that imports are under-declared.¹⁰⁸ Similarly much of the cross border trade with Thailand appears to go unrecorded.

There are over two hundred companies exporting one to two containers of timber from Rangoon each month.¹⁰⁹ Much of this trade is legitimate. Most of these companies use their name to acquire an official export permit, which is then sold back to the larger companies at a profit.¹⁰⁹ In 2001 over one hundred 100 companies were exporting timber under the name of Woodlands. Asia World is thought to be the largest single exporter of timber from Burma

A COMPARISON OF BURMESE TIMBER PRODUCTION AND EXPORTS AS REPORTED BY THE SLORC/SPDC VS BURMESE TIMBER IMPORTS AS REPORTED BY OTHER COUNTRIES

SOURCE: SLORC/SPDC; WORLD TRADE ATLAS



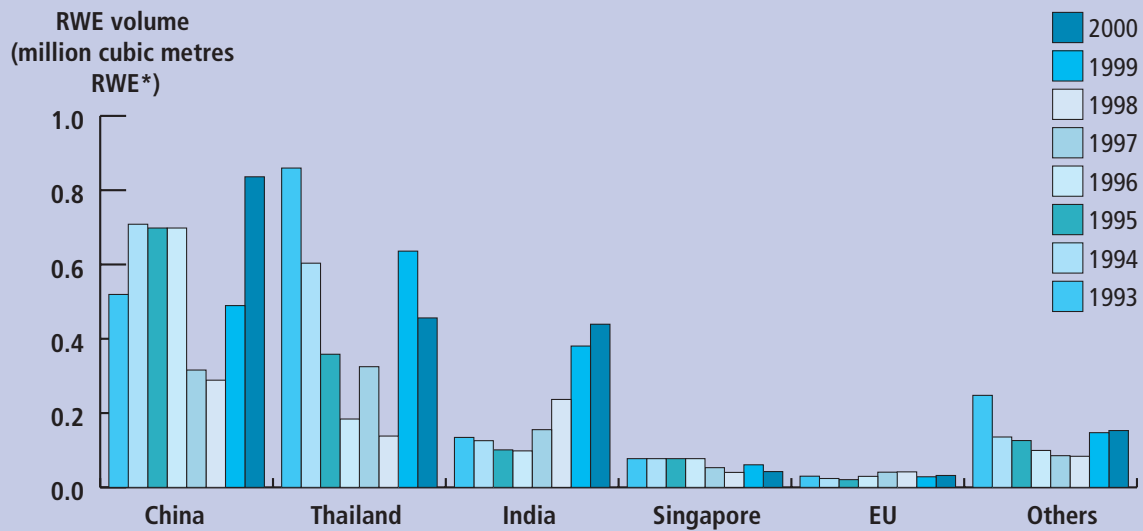
^r The figures given are round log equivalents for all categories of exported timber.



Asia World jetty, Rangoon; 2001.

THE AMOUNT OF TIMBER COUNTRIES HAVE DIRECTLY IMPORTED FROM BURMA

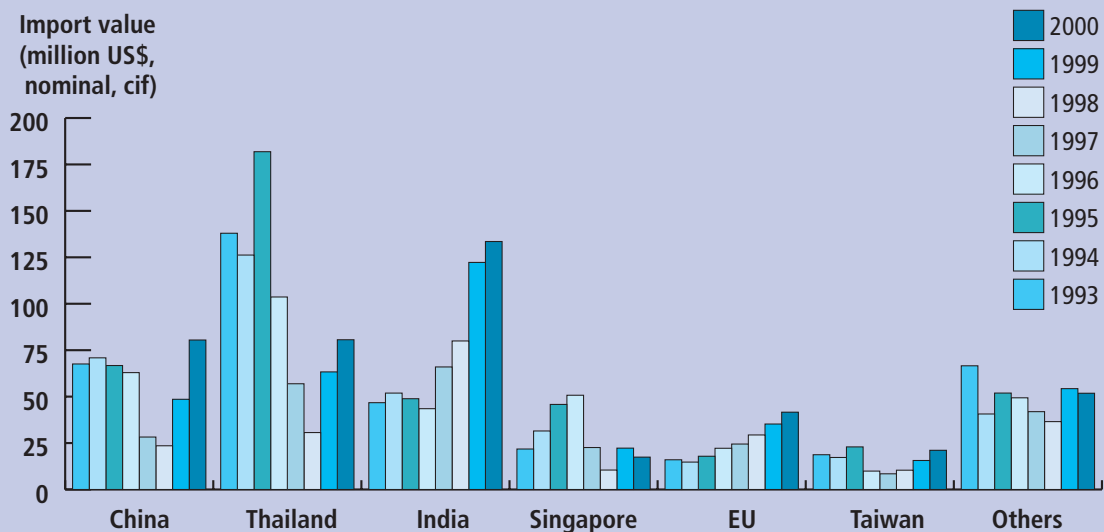
SOURCE: WORLD TRADE ATLAS, NATIONAL YEARBOOKS OF IMPORT STATISTICS



* Import data have been converted to give Round Wood Equivalent export volumes

THE VALUE OF TIMBER COUNTRIES HAVE DIRECTLY IMPORTED FROM BURMA

SOURCE: WORLD TRADE ATLAS, NATIONAL YEARBOOKS OF IMPORT STATISTICS



* import values have been converted to give US\$ amounts at average exchange rates for the given year in IMF International Financial Statistics
Note: comparison of import value between countries is inappropriate; comparison of trends between countries and with RWE volume is appropriate

excluding Woodlands.¹⁰⁹ Myanmar M-1 Co. was also exporting significant amounts of timber from Rangoon in 2001.¹⁰⁹

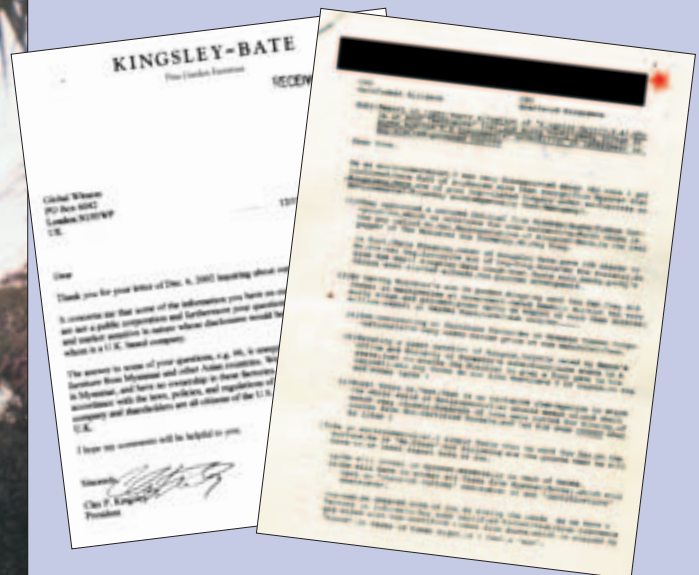
Some companies are concerned about the bad publicity that they might face if associated with the trade in Burmese timber. It is possible therefore, that Burmese timber is under recorded in the trade statistics as it is passed off as having originated in another country. Timber, in particular teak, can be laundered through a third country and re-exported.

Global Witness received an anonymous fax in March 2000 stating that the American company Kingsley-Bate's representative in Burma was 'Mr Sit-

tai Ong', son of 'Ong Fong' (Aung Phone) the Minister of Forestry. The fax stated, amongst other things that Sit-tai Ong had been given 10% shares, although it did not state what the shares were in. The fax went on to allege that the company had mixed non-certified Burmese teak with certified teak from Indonesia.¹¹⁰ Global Witness has not been able to find any supporting evidence for this claim. Global Witness wrote to the president of Kingsley Bate on 6 December 2002 concerning these allegations. However the reply was equivocal. The response stated that: "some of the information you [Global Witness] have on our company is inaccurate." and that the questions sought data that was "proprietary and market sensitive..." The letter went on to say that all shareholders of Kingsley Bate were "citizens of the U.S."



Signboard outside the FPJVC building listing the office of Kingsley Bate, Rangoon; 2001.



Kingsley-Bate has an office in Rangoon in the Ministry of Forestry, Forest Products Joint-Venture Corporation building and, according to the website of the Myanmar Embassy in France has entered into joint production ventures with the MTE, for making teak garden furniture in MTE factories. Clay P. Kingsley, the Kingsley-Bate president, stated, in the letter referred to above (ref: 12/17/06) received by Global Witness in January 2003, that "We are importers of furniture from Myanmar and other Asian countries." In January 2003 the Kingsley-Bate website stated: "Our teak is harvested from carefully controlled plantations, established in Indonesia by the Dutch in the Mid-19th century." No mention was made on the website of the company's interests in Burma. However, the website currently states "Due to the increasing demand for this beautiful hardwood, Kingsley-Bate now uses a select amount of Burmese teak in its productions." Precisely how many cubic meters of Burmese teak a 'select amount' equates to is not made clear.

12.4 SPDC-controlled logging in Central Burma

Information on logging in central Burma is hard to come by, people are afraid to talk openly and many of the cutting areas are off limits to foreigners. However, the institutional problems of the forest sector are widely known, and Global Witness investigations suggest that the industry is characterised by corruption, cronyism, illegality and unsustainable practices from the highest levels of authority down. Not only are the timber resources being over-cut, to provide much needed foreign exchange to the SPDC, but the *Tatmadaw* is heavily involved in the timber trade whilst a few favoured national entrepreneurs grow rich.

The money paid to subcontractors is said to be too low even to operate, let alone to make a profit hence the need for illegal logging. They therefore cut far more than requested and tend to keep the best part for themselves, and deliver the poorer quality timber to the MTE.

The companies' priorities are to export high quality round logs without having to compete in the MTE's tender sales. They therefore keep the best quality timber and pass on lower quality timber to the MTE. The MTE in turn passes on the lowest grades to local sawmills. This sequence of events partly explains why sawmills at the bottom of the pecking order resort to purchasing illegally felled, high quality timber that is suitable for export (see below).

12.5 The Pegu Yomas

The Pegu Yomas is a low forested mountain chain, stretching from about 40 km north of Rangoon to Meiktila, 90 km south of Mandalay. The region has been under state control since the mid 1970s and is frequently held up by the SPDC as a model of sustainable forestry management. A select few well-managed areas are used to demonstrate that all Burmese timber comes from well-managed and sustainable sources. The remainder of the Pegu Yomas, that visiting

consultants and timber buyers are not shown, is subject to extensive over harvesting and illegal logging by the MTE, their subcontractors and small 'anarchic' logging outfits.¹¹¹ This, together with land conversion and the sizeable demand for fuel wood in Rangoon and Mandalay has resulted in the forests of the Pegu Yomas becoming increasingly degraded in recent years.¹⁰⁰

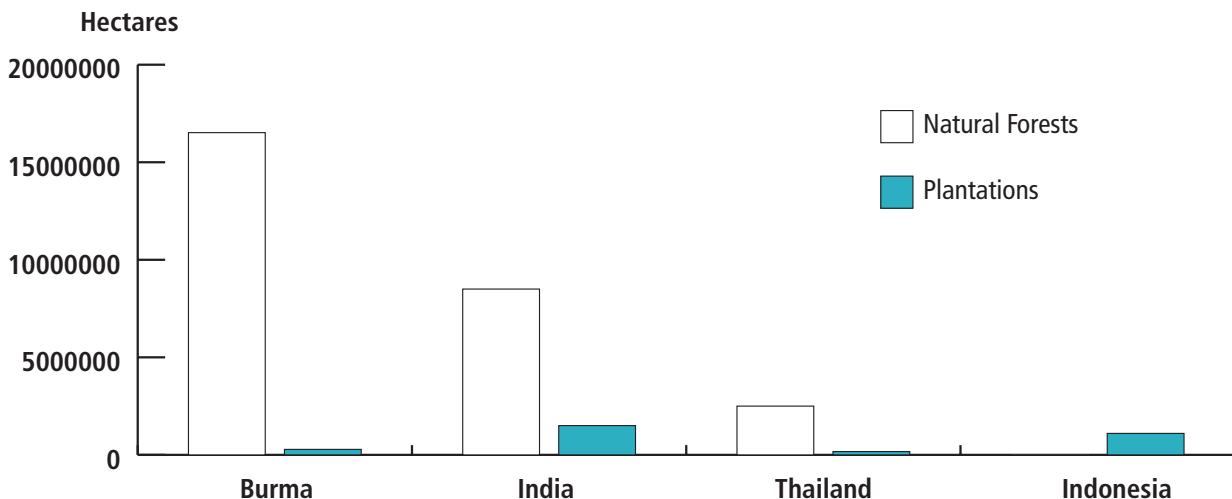
Illegal logging is widespread in the Pegu Yomas and is conducted throughout the year by villagers, who have little in the way of alternatives, and well-organised groups working closely with the army. For example, there are approximately 25 bandit groups in the environs of Okkan, a timber town near the southwest Pegu Yomas, who make their money by supplying hardwood to sawmills and merchants in the region.¹¹¹ These illegal loggers and the military enjoy a relationship that oscillates between cooperation and crackdowns.¹¹¹ They cooperate to fell and transport trees from five forest reserves in typically low-tech operations using handsaws, hammers and wedges, and oxcarts.¹¹¹

The involvement of the military in this trade is systemic. Military trucks transport illegal timber from the Pegu Yomas. For example Regiment Nos. 703 and 704 in Hmawbi and Regiment No. 705 in Shwe Myayar are involved in this business.¹¹² At night military convoys carry illegally cut logs and sawn wood on Chinese 'Faw' trucks from places such as Okkan and Phalane, to arrive before dawn at Mingaladon and northern Okkalapa townships; these are new industrial areas north of Rangoon with a significant military presence and numerous checkpoints. The cost for using military trucks to transport illegal teak logs or sawn wood to the outskirts of Rangoon city is 20,000 kyat (\$28) per Hoppus Ton.¹¹² This rate appears to be very high, though as military trucks are unlikely to be stopped and searched clients may be prepared to pay this premium.

Other state agencies also facilitate the illegal trade. The Forest Department, for instance, levies 'gate fees',

WORLDWIDE DISTRIBUTION OF TEAK: TOTAL STANDING STOCK

SOURCE: S: BURMESE FOREST DEPT (2000), TEWARI (1992), KAOSA-ARD (1995), ANON (1993)





Illegal logging in the Pegu Yomas; 2001.

which amount to 4,000 kyat (\$5.50) per truck at each checkpoint.¹¹² Military Police checkpoints demand 3,000 kyat (\$4.10) for each truck passing between Okkan and Htaukkyant.

Trucks carrying illegal timber, from the Thone Pwint Saing Co. Ltd (TPS) sawmills in Thayawaddy and Minhla townships to Rangoon, have been escorted by personnel from the Hmawbi Military Intelligence (MI).¹¹² In late 2001 TPS transported large quantities of 'black teak' to the capital.¹¹² This company appears to be a joint venture between Chinese businessmen and The Union Solidarity & Development Association (USDA).¹¹² The USDA has seven serving SPDC ministers on its Central Executive Committee. Not only does TPS trade in 'black teak' but it can supply the

necessary official papers to facilitate illegal timber exports by other companies.¹¹²

There have also been cases of trucks containing illegal timber being hidden in the Hmawbi MI compound, while the MI staff organised an advance party to clear the way ahead by paying bribes.¹¹² The TPS Company managing director is U Min Thein, son of the present Minister for Livestock, Animal Husbandry and Fisheries Ministry, General Maung Maung Thein.¹¹² Investors in the company are said to be several current ministers.¹¹²

Crackdowns on sawmills and illegal logging operations do take place occasionally.¹¹¹ But the operators pay bribes and most are given advance warning of the raids making the crackdowns a cosmetic exercise.¹¹¹



Illegal logging in the Pegu Yomas.

12.6 The illegal timber trade in Rangoon

In addition to the unrecorded cross border trade, large amounts of timber enter onto the domestic market for 'black' timber, which parallels the official MTE supply. This is an open secret in Burma. Sources working in the timber industry in Burma consider that the illegal timber trade is at least half as big as the official trade.¹¹³ It is possible to buy timber at prices one quarter to a third of the prevailing MTE rates and for a trader to make over \$500 profit for each ton of teak subsequently sold on the world market. In one instance a Taiwanese businessman, working with senior Forest Department officials, bought over 300 tons of illegal teak, worth up to \$600,000 on the international market.¹¹³ It is understood that the deal was uncovered but the investigation was quashed from above.¹¹³

Global Witness has been told by a well-informed source that half of the timber leaving the country by ship in wood product containers is illegal;¹¹⁴ however it has not been possible to corroborate this statement. Containers are checked by both customs and the forestry department but frequently contain a greater tonnage of timber than appears on the official documentation.¹⁰⁹ Illegally felled timber accompanied by an export permit is more expensive but still about half the price of MTE timber.¹¹³

Many companies operate both legally and illegally. In some instances the legitimate business acts as a front for illegal activities in other cases it is simply not possible for companies to buy sufficient timber from the MTE so they resort to the black market in order to keep operating.¹⁰⁰

Major crackdowns have been initiated by the SPDC from time to time. In May 2000 for instance, officially in a move to tackle irregularities in the export of teak, the authorities in Rangoon decided to check all container loads against the official export documentation. It has been rumoured that the order was given by Secretary One Lt-General Khin Nyunt as a demonstration of his power directed at Asia World. 400 containers were held up, leading to a major backlog of exports.¹¹⁵ A large number of these containers were temporarily seized, including a series which it is thought contained timber cut by Asia World Co. Ltd during the construction of roads in Upper Burma, but later were released for export, reportedly after payment of significant bribes in October/November 2000.¹¹⁶

In mid 2002, timber trade reports stated that despite a slowdown in the international demand for teak, export prices for some teak products have risen for several months as a reflection of the measures by the Burmese government to crack down on illegal logging.⁶³ Efforts to crack down on illegal activity are encouraging, but the problem is deeply ingrained and



Boat carrying illegally logged teak seized en route to Penang, Malaysia.

the motivation behind these crackdowns can only be guessed at. The SPDC also make regular seizures of timber before it reaches the market. According to SPDC information in a six-month period in 2002 over 6000 tons of timber was seized by government agents, much of it in the Mandalay area.¹¹⁷

12.7 SLORC/SPDC control over logging in ceasefire areas

The physical reach of the Forest Department is closely related to an areas security status. In the past, the department has operated in contested 'brown' areas attempting to carry out sustainable forest management under armed escort. In the 1950s for instance, under 'Operation Teak', it was necessary to use the army to secure log transport routes because of the threat posed by insurgent forces.⁹ Teak had been stored in Toungoo because passage along the Sittang River was too dangerous. In 1955, the army made safe the riverbanks between Toungoo and Rangoon as well as providing river escorts for the log rafts.⁹

Some ceasefire areas have effectively become autonomous regions, for example UWSA controlled areas in Shan State. The SPDC's access to such areas is by arrangement and state bodies such as the Forest Department do not have the authority to work here. According to a 1999 Forest Department inventory, large parts of Kachin State have not been inventoried for reasons of security or lack of available labour.³⁸⁹

Even where the Forest Department has access to a ceasefire area enforcement of forestry regulations appears weak. In Global Witness interviews in 2001 with DKBA defectors the unit commander stated that the Forest Department visited the sawmills and forest in Pa'an District and asked the DKBA to close down a number of mills. None of the sawmills were closed down (*see page 76-77*). The ability of the Forest Department to visit this particular area cannot be

extrapolated to other ceasefire areas where the relationship between the SPDC and ceasefire group may be very different.

There is any number of reasons for weak enforcement of the law: the department lacks the power on the ground, it lacks the appropriate funds, or individuals can be paid off. It may also be that some higher authority has deemed that the regulations need not apply in a given area, or that individuals or companies have been exempted on a case by case basis by individuals or institutions more powerful than the department. In such instances the Forest Department has little option but to defer to these higher authorities however irregular the operation may be. This is the case throughout Burma, not just the ceasefire areas. For example a report from Shan State in 2000, said “Loggers have to pay the Military Intelligence Unit 9 in Lashio for a logging permit that allows them to ignore the local forestry officials.”¹¹⁸

In another example it was the Forest Department that prevailed and the company involved was prevented from transporting timber across the Irrawaddy River to China: “They cut the tree, load on the truck and were about to carry the wood to China, over the Bala Minhtin Bridge but there was a checkpoint and they did not allow them to cross. So they were so upset, we got the permission from the government already, what is the problem? The soldiers said it is the order from the Ministry of Forestry, nobody can bring wood to China. That is the conflict in the government. They, Khin Nyunt, gave the permission to cut the wood and bring it to China, but then the Forest Department did not allow. So whom should we listen to?”³⁴⁹

However, the Forest Department does let logs pass over the Bala Minhtin Bridge to China. During the cutting season 10 to 20 trucks from the logging company owned by U Thet Ngwe have been known to pass over the Bala Minhtin Bridge in the early hours of the morning. U Thet Ngwe is a prominent businessman and close to the former Northern Commander, Kyaw

Win. Lt. General Kyaw Win now based in Rangoon is head of military training DC.³⁶⁴ It should be noted that this is not the same Kyaw Win that founded the Mayflower Bank.

It is significant that Military Intelligence (Khin Nyunt) gave permission to the company to do something that appears to be contrary to forest regulations. However, it is not unusual in Burma for the Military Intelligence to give permission to its clients to engage in things that may be illegal. If the group or individual is working illegally then it is only with the permission of a powerful patron that they can work unhindered. If they fall out of favour they are liable to lose their business.

In October 2001, for example, the Democratic Voice of Burma reported that SPDC Military Intelligence was planning to take action against local military officials that arrested workers, working at a mine in Tenasserim Division with approval from Brig-Gen Kyaw Thein, the Deputy Director of Directorate of Defence Services Intelligence.¹¹⁹ Global Witness has been unable to confirm the allegations made in the Democratic Voice of Burma broadcast below:

“The Thailand-based Heinda Pacific Mining Company has been engaging in lead mining activities in Tavoy District since October with approval from DDSI Deputy Director Brig-Gen Kyaw Thein. On 16 October, a Thai mining expert and five Karen workers were arrested by personnel of LIB [Light Infantry Battalion] No 379 under No 9 Military Operations Management Command [MOMC] for allegedly having contacts with the Karen rebels. The DDSI in Rangoon immediately contacted the Coastal Region Military Command and ordered the release of those arrested. Furthermore, the coastal command was also ordered to take immediate action against the officers from MOMC-9 who ordered the arrest without approval from higher authorities and the officers from LIB-379 who carried out the arrests. DVB heard from very reliable sources that the officers were warned not to bother the businessmen who are engaging in business activities with approval from the top generals in future.”¹¹⁹



The Hopin stockpile of the Myitkyina extraction area (MTE) in Hopin, Mogaung Township, Kachin State; 2001. These logs will be transported down the Myitkyina – Mandalay Railroad and probably onto Rangoon.

13 CEASEFIRES

*“We invite armed organisations in the jungle to return quickly to the legal fold after considering the good of the government... We extend our invitation with genuine goodwill. We do not have any malicious thoughts... This is official. Please respond as soon as possible.”*¹²⁰ Secretary One, Khin Nyunt, 1993

Following the demise of the BSPP in 1988 and the collapse of the CPB, after ethnic Wa and Kokang troops mutinied against the Burman leadership, SLORC Secretary One Lt-General Khin Nyunt initiated a new ceasefire policy in 1989. Former CPB troops had created new organisations along ethnic lines, such as the United Wa State Army (UWSA) in Wa State, the Myanmar National Democratic Alliance Army (MNDAA) in Kokang and the NDA(K) in Kachin State. The SLORC responded by offering truces, which were quickly accepted by these new organisations.

Under the deals the ethnic forces were permitted to keep both their territories and their weapons, but the ceasefire deals have not involved any political settlements. In discussion with the ceasefire groups, the SPDC has stated that since it is only a transitional government, it has no mandate to discuss political resolution. The SPDC has told the groups to wait until the National Convention has drawn up a new constitution, and a new government is formed.¹²¹

The agreements had a dramatic effect on the fortunes of other insurgent groups in non-ceasefire areas that subsequently came under increased military pressure from the *Tatmadaw*. Throughout the 1990s former allegiances between ethnic insurgents were destroyed and splinter groups broke away to make their own ceasefire deals. In 1991 for example the SLORC presented the Kachin Independence Army (KIA) 4th Brigade, which had become surrounded by ceasefire groups, with the opportunity to become a government-recognised official militia force; it accepted and became the Kachin Defence Army (KDA). At the end of 1994 tensions within the KNU had escalated to a point that it split. The SLORC seized on this opportunity, offering a ceasefire deal to the breakaway Democratic Karen Buddhist Army (DKBA). These deals further increased pressure on those groups that were still fighting the SLORC.

After more than 40 years of inconclusive fighting there was growing war weariness in Burma. Many ethnic minority leaders aspired to build national reconciliation through development and to move from peace to political dialogue rather than to continue fighting.⁷

The KIO has a written ceasefire agreement³⁸⁷, however it is not clear how many of the others have been committed to paper; they have certainly not been placed in the public domain. In 2002 the UN Special Rapporteur on Human Rights, Professor Sergio Pinheiro, failed to obtain the text of a peace agreement from any of the ceasefire groups that he met.¹²²

13.1 Chart of armed ethnic groups. April 2002

SOURCE M. SMITH, BURMA: INSURGENCY AND THE POLITICS OF ETHNICITY, 1999A, CHART 3.

Main ceasefire groups (in order of agreements)	Year
Myanmar National Democratic Alliance Army (Kokang)*	1989
United Wa State Party*	
National Democratic Alliance Army (eastern Shan State)*	
Shan State Army**	
New Democratic Army (Kachin)*	
Kachin Defence Army (ex-KIO 4th Brigade)	1991
Pao National Organisation**	
Palaung State Liberation Party**	
Kayan National Guard	1992
Kachin Independence Organisation**	1994
Karenni Nationalities People's Liberation Front*	
Kayan New Land Party* **	
Shan State Nationalities Liberation Organisation*	
New Mon State Party**	1995
Other ceasefire groups/militia (not always listed by government)	
Democratic Karen Buddhist Army	1995
Mongko Peace Land Force (splinter group from Kokang)	
Shan State National Army	
Mong Tai Army	1996
Karenni National Defence Army	
Karen Peace Force (ex-Karen National Union 16th battalion)	1997
Communist Party of Burma (Arakan)*	
Karen National Union 2 Brigade Special Region Group (Thandaung)	
Non-ceasefire groups	
Arakan Liberation Party**	
Arakan Rohingya National Organisation	
Chin National Front**	
Hongsawatoi Restoration Party (breakaway group from NMSP)	
Karen National Union** (1995-6 talks broke down)	
Karenni National Progressive Party** (1995 ceasefire broke down)	
Lahu National Democratic Front**	
Mergui-Tavoy United Front*	
National Socialist Council of Nagaland	
National United Party of Arakan	
Shan State Army [South] (re-formed 1996 after MTA surrender)	
Wa National Organisation** (1997 talks broke down)	

* Former ally or breakaway force from the Communist Party of Burma.

** Former or present National Democratic Front Member.

A number of other small, armed groups exist in name. Most are affiliated to the National Council Union of Burma.

13.2 Ceasefire groups

“The extent to which these armed ethnic groups actually represent the interests of the ethnic group that they are nominally part of is variable, as each leadership has different capacities and motives. Some groups have a strong welfare ethic and have set up social services in their areas even before the ceasefires; whilst other groups have strong interest in business and personal profit for their party and army elite. Most groups probably incorporate both of these tendencies to some degree.” Anon, development worker, 2002

‘Ceasefire group’ is a catch-all term for those groups that have struck ceasefire deals with the SLORC/SPDC, but the nature of these deals and of the groups themselves differs widely.

Some of the ceasefire groups, such as the NDA(K) in Kachin State, have become officially recognised militias. These are groups that have, according to the SPDC, ‘returned to the legal fold’, and operate with the agreement and in some instances financial support of Rangoon. The KIO on the other hand does not accept that it was ever an illegal organisation and therefore the description of ‘returning to the legal fold’ is deemed entirely inappropriate; it remains an ‘armed opposition party’. As such, in contrast to the NDA(K), the KIA is not obliged to give the SPDC details of troop numbers or armaments. Generally, according to the deals ceasefire groups should end the procurement of weapons and recruitment, but the extent to which the SPDC is notified about troop movements varies between the groups.

The SPDC leaders see the ceasefire deals as their government’s major achievement and certainly any reduction in fighting should be welcomed. However, opinion amongst the ceasefire groups differs widely as to whether or not the deals make economic and/or political sense to them. The deals are seen by many as the essential first step towards lasting peace but by others as a means by which the SPDC has played off the ethnic minority groups against each other. Some Kachin for instance feel that the SPDC is simply fighting the KIO in another way, and is trying to destroy the organisation ‘softly’.¹²³

Finally it should be noted that although the ceasefires have brought an end to most of the worst excesses of human rights abuse by the *Tatmadaw*, they have not stopped entirely. There are still *Tatmadaw* – directed human rights abuses in ceasefire areas and some of the ceasefire groups themselves perpetrate human rights abuses; notably in the pursuit of economic activities such as logging and gold mining.

13.3 How the SLORC/SPDC has used the ceasefires: business and development

“In time, as the ‘Ceasefire groups’ become increasingly committed to law and order, are able to adapt to a normal way of life and made aware of their privileges and responsibilities, they will conform to national policies and the legal framework, which will enhance the national all round developmental effort. Moreover, transformation of conditions along most of the border areas, accords access to responsible government agencies to control cross-border activities.” U Myat Thinn, SPDC employee, Chairman, Timber Certification Committee (Myanmar) 2003

The SLORC/SPDC has encouraged the ceasefire groups to engage in business within and outside their territories. Some development activities have also been promoted by the SLORC/SPDC. Whether these are genuine attempts by the SLORC/SPDC to improve the lot of the ethnic minority peoples or they are merely diversionary tactics is highly questionable. Once tied into a development scheme or business opportunity the minority groups’ leaderships have less time to pursue their political aspirations let alone the armed struggle for minority rights or autonomy.

13.3.1 Ceasefires and business

*“Cease-fire agreements often amount to little more than business deals concluded between the regime and local leaders. These leaders are given free reign to do as they please so long as they don’t engage in politics, either by fighting against the regime in the interests of their people or by showing support for the National League for Democracy.”*¹²⁴ ‘Thar Nyunt Oo’ (Irrawaddy Magazine. Vol. 7) 1999

All the insurgent groups have been involved in business both as a normal function of ‘government’ but also to fund the insurgency itself. It is also clear that many of the elite have benefited personally; business at the border is particularly lucrative. Following the ceasefire deals, however, the SLORC/SPDC has attempted to tie some of these businesses into the national economy, over which it has control, thereby reducing the power base in the border areas.

One case in point is the Nam Hti sugar mill given to the KIA, a fixed asset that required significant investment and which is tied to Burma’s formal economy. The Pa-O and the Wa have been given lucrative jade and gold mining concessions in Kachin State, in areas that were previously KIA territory. In addition, the Wa and the Kokang have sawmills in the Pegu Yomas and Karen State.

In the same way that the SLORC/SPDC has granted business concessions to reward groups, it has also revoked deals as a form of punishment, thereby ensuring that the ceasefire groups are compliant. In 1997, for example, the SLORC/SPDC scuppered an NMSP logging deal as punishment for getting involved in politics (in this case by signing the Mae Hta Raw Hta

Agreement). The deal was vulnerable to this sort of intervention because the logging was being carried out by a Burmese company, close to the SLORC/SPDC leadership, and the timber was being exported via a SLORC/SPDC-controlled port. The NMSP lost \$1,400,000 as a result.

Many ceasefire groups continue to be awarded privileged trading concessions. This has led to some dissatisfaction from the more established constituents of the regime. Following the recent failed coup attempt, protagonist U Aye Zaw Win, the son-in-law of Ne Win, expressed dissatisfaction with business opportunities given to the ceasefire groups. This is a clear example of how some ceasefire groups, have become important constituents of the SPDC.

13.3.1.1 Logging in ceasefire areas

*“The Burma logging trade has become a desperate business in which few parties emerge with their reputations intact.”*¹⁷ Martin Smith, 1999

All ceasefire groups engage, or have engaged in logging and some of the most serious deforestation has occurred in ceasefire areas. Many of these groups are aware of the problems related to uncontrolled deforestation, and would rather not be involved in logging, but they have turned to the timber trade out of necessity. In many instances these groups simply lack business experience, and the lack of political stability means few people are prepared to make long term investments. The presence of many militia/military-controlled checkpoints makes some forms of business almost impossible as traders are charged at each barrier.³⁴⁹ In common with much of Burma basic infrastructure is often absent from ceasefire areas; Kachin State, for example, is largely without electricity.

13.3.2 Ceasefires and Development

*“...health, social and economic development must run in tandem with political progress if communities are to be revitalised and real reform brought about.”*¹²⁵ Seng Raw Heinze, *View From Myanmar: An Ethnic Minority Perspective*, 2001

The SLORC/SPDC has taken care to associate development closely with peace: once there is peace there will be development in the ethnic minority areas, and through development peace will be assured: a virtuous circle. In some instances this development has been good for the ethnic minority peoples. But it is important to look closely at these projects to determine their real value, in development terms, and the aims and ambitions of those that are promoting them, which are frequently far from altruistic.

As part of the ceasefire deals, the SLORC/SPDC promised aid for undeveloped areas and to this end set

up the Border Area Development Program in 1989, with an emphasis on building basic infrastructure. Such high-profile initiatives help improve the image of the government in the eyes of the international community and potentially in the eyes of the people in the ceasefire areas, but how much goodwill there is behind the project is questionable.

Many ceasefire groups also justify their continued existence through their association with ‘development’ projects. There appears to be an emphasis on large infrastructure projects in favour of community level development activity.

65% of the SLORC/SPDC’s ‘Border Area Development’ budget is for roads and bridges, with little directed towards health and education.³⁸⁸ Roads, deemed by many to be a key development indicator, serve other purposes however. Roads are being built connecting the centre to the border areas, and that means more control over these remote regions by the SLORC/SPDC and potentially the rapid deployment of the *Tatmadaw*. These roads also result in better access to the rich natural resources in ethnic minority regions and facilitate their extraction and export, in particular to China. This massive and uncontrolled exploitation of natural resources is currently doing little for the benefit of the ethnic minority peoples and is ultimately undermining the potential for future sustainable development.

Such development that there has been in the border areas has rarely been supported by overseas development assistance (ODA), ethnic minority issues have been neglected as the international community has focussed its attention on political developments in the capital. Nor has there been much money forthcoming from the central authorities in Rangoon. In many cases ceasefire groups have been forced to barter natural resources for development, in Kachin State logs in exchange for road building. Here, it has been the Chinese authorities that have filled the void left by the absence of ODA from other countries, taking massive quantities of timber in payment for roads. There is little doubt that these roads are needed but there has been little or no consultation with communities, as to how they are to be paid for, and the area is rapidly being opened up. This makes Kachin State increasingly vulnerable to predatory Chinese logging companies that have no interest in development.

In January 2002, Japan pledged approximately \$6.5 million in overseas development aid for road construction and electrification projects in the Kokang area in northern Shan State. Until this point, no major international government or agency had supported the ceasefire initiative. It has been argued that such support from the international community, in the form of carefully supervised ODA to ceasefire areas, would provide real development to these neglected areas of Burma thereby strengthening the peace process.

14 CONFLICT TIMBER

Conflict Resources

'Natural resources that have been traded in a way that drives violent armed conflict or threatens national or regional stability.'

Disputes over the control of natural resources, such as oil, diamonds and timber are at the heart of many conflicts; natural resources also provide the funding for many more. In the case of Burma these issues have played their part in perpetuating the myriad of conflicts, resulting in increased suffering for many people. Conflict in Burma has led to hundreds of thousands of deaths, serious injury, torture, displacement, and poverty.

The very nature of conflict precludes proper planning for the exploitation of natural resources and this almost invariably results in unsustainable practices at best, or destruction and complete exhaustion of the resource base at worse. Natural resources that could have formed the basis of future sustainable development are instead squandered, to fund violent armed conflict; in addition, the long term effects on the environment may be irreparable.

Global Witness has argued since 1995 that the trade in 'conflict resources' should be ended. In exceptional circumstances sovereignty should be deemed to have been waived by the country's ruling authorities, elected or otherwise, if the UNSC considers that a state is no longer acting in the best interests of its citizens.

Ending the trade in 'conflict resources' could undermine just causes, where the insurgents feel that they have no option but to resort to armed struggle. However, in these instances, as in others where a ban on the trade in 'conflict resources' is contemplated, the ban should not be initiated in isolation or be seen as an

answer to the conflict in itself. The international community should actively involve itself in conflict resolution be this through mediation, peacekeeping, military intervention or other available option that could bring about an equitable and lasting solution.

It is envisaged that sanctions on 'conflict timber' would be determined by the United Nations Security Council (UNSC) in the same way that sanctions have been placed on 'conflict diamonds'. For example in May 2001 the UNSC passed Resolution 1343 banning the trade in Liberian diamonds. On 6 May 2003, the UN Security Council passed Resolution 1478, establishing a ban on the import of all Liberian timber products effective 7 July 2003.

In the absence of an UNSC resolution, timber-importing countries should be encouraged to impose smart sanctions on a multilateral or unilateral basis. Article XXI(c) of the General Agreement on Tariffs and Trade (GATT) provides for exemptions relating to security concerns.

In the context of Burma discussions about 'conflict timber' would have been even more pertinent in the past, as both the military regime and the insurgent groups financed armed conflict violent through logging deals. It is arguable that China and Thailand may have been far more proactive in seeking an earlier end to conflict in Burma, had Burma's timber, and other natural resources, not been made freely available to them by the combatants. Certainly once the ability of the insurgents, to satisfy China's ever increasing demands for timber, became a limiting factor China pushed these groups towards ceasefire deals with the regime. It is also possible that, deprived of their main source of income, both the SLORC/SDPC and the insurgents would have engaged in dialogue at an earlier stage.

Conflict in Burma is not over. Both the regime and some insurgent groups continue to derive much of their finances from timber.



Conflict timber destined for China. Loading the Antarctic Mariner, Buchanan Port, Liberia; July 2001.

14.1 Logging and the *Tatmadaw*

*“In the past, only one or two battalions had controlled Kaeng Tawng region but it has been increased to 5 battalions since logging started two years ago... Battalion camps are built on paddy fields by occupying from its owners. Forest, which never been touched by villagers in belief of forest spirit exists, had been cleared up for the camps. SPDC soldiers bring their families, prisoners and Burmese civilians with them to logging site... prisoners are working for the military in road building, military camps and logging site.”*¹²⁶ Anon villager, 2001

Different levels of the army from units and battalions to regional commands, are involved in logging in different ways. Such involvement may be institutionalised or purely motivated by self interests. This report covers army involvement in logging in several areas, for instance the provision of transport for illegal timber between the Pegu Yomas and Rangoon (see *Pegu Yomas Case Study*, page 42), the taxation of KIO timber (see *the Kachin State Section*, page 92), and direct involvement in logging operations in contested areas of Karen State (see *Karen Section*, page 71).

The SPDC finds it difficult to support such a large army. All levels of the army are, therefore, required to be self sufficient to a certain extent. This is achieved through taxation by the army and a direct involvement in business and trade. Units are also required to pass money upwards to the battalions and divisions. According to research carried out in 2001 there are 10 battalions of SPDC troops in Shwegyin Township, Karen State each of which has to send 50,000 kyat (\$80) per month to their division;¹²⁷ however the true figure may well be far higher. This engagement in trade/business is only partly for subsistence and most officers at all levels use their positions to make money.

The *Tatmadaw* owns trucks so it gets involved in transportation and ultimately logging. This involvement in logging operations is quite open, for example in the Defence Services Museum in Rangoon there are photos of the army engaged in transporting logs.

14.2 Logging as a driver of conflict

*“For a brief period, the sale of teak stands determined the course of the war. Teak and other tropical hardwoods were cut down at an unprecedented rate, without regard to sustainable management. In some cases trees were clear-felled even as battles were being fought. Territory changed hands, cash and arms flowed in, and the prospect of further gains intensified the war.”*¹²⁸ Burma Ethnic Research Group, May 2000

Following the SLORC's allocation of an unprecedented number of logging concessions to companies along the Thai-Burmese border in 1988, logging became an immediate cause of violent conflict. In some cases insurgent groups granted their own concessions, to different companies, sometimes with the intention of causing disputes or even conflict between the companies.¹²⁹ In addition these companies were not linked in the same way to Thai politicians and the Thai military or SLORC interest groups.

The concessions operated until 1993 and during this period there were many, perhaps hundreds, of killings related to logging in the border areas. Many of these murders were carried out by hit men hired by the logging companies as a result of business disputes, though others involved insurgent groups. In November 1991 Boonchu Treethong, a Thai MP from Lampang and former chief executive of one of the concession companies Sirin Technology Co., claimed that 17 of his employees had been killed and many more injured and maimed in attacks by ethnic rebels since he began log trading in Burma in 1989.¹³⁰ In early 1991, for example, a manager and assistant from the company were murdered, in Mae Hong Son Province.¹³¹

Fighting over access to resources also occurred between insurgent groups. In 1989 the Thai press reported logging-related clashes between the Mong Tai Army, the Wa National Army and the Communist Party of Burma, on the Thai-Burmese border opposite Shan State.¹³² Similar events continue to this day.



Containers being used to transport logs near Toungoo, Pegu Division; 2001.

14.3 Logging companies and conflict on the Thai-Burma border

The logging deals brokered in 1988 (see page 58 *Thai-Burma border logging*) were more than simply rewards for Thailand's political support. They would also have, as Thailand pointed out, a direct impact on the fight against the ethnic insurgents. Thai companies would make logging roads through rebel held territory, which could later be used by the SLORC to quickly access ethnic areas and re-supply the front line.¹³¹ Ironically, some of the ethnic insurgent groups had previously supported the Thai government in its fight against the Communist Party of Thailand.¹³³

Logging became a "potent weapon of war for the Burmese army".¹³⁴ Once logging commenced, the insurgents' positions were suddenly very vulnerable and major KNU bases were overrun. SLORC's offensives were made more effective by the use of logging roads. This was not always coincidental as the President of Sirin Technology Co., Boonchu Treethong, later explained: the SLORC had asked Thai logging companies to contribute to "the building of a strategic border road that would facilitate Rangoon's military drive against ethnic rebels."¹³⁵

In October 1990, Burmese officials asked companies to pledge to keep insurgents from operating in their logging sites and to report any suspicious activities and people to the authorities. Thai logging companies were informed that they would be held responsible for any "acts of terrorism" that occurred in their concession areas.¹³⁶ The SLORC has claimed that STB Company also supplied the KNU with arms, ammunition and food.¹³⁷



Logging activity in KNU territory; late 1980s/early 1990s.

14.3.1 Logging company facilitates SLORC attacks on New Mon State Party positions

"Without the connivance of the Thai authorities I cannot see how these Burmese troops came through the pass. We were watching all the routes [from Burma]." Nai Shwe Kyin, NMSP President (deceased), 1990

One of the Thai logging companies operating a border concession, Pathumthani (Tangkakarn), was run by Sia⁵ Hook a powerful Sino-Thai businessman and the main tycoon (*jao por*) in Sangkhlaburi and throughout Kanchanaburi Province (see page 66) In 1990 this company collaborated with the SLORC in attacks against Mon National Liberation Army (MNLA), the armed wing of the New Mon State Party (NMSP), and other insurgent positions around Three Pagodas Pass. "A Thai wood trader said he and his colleagues were dissatisfied with the Mon rebels for levying 'passage fees' for the transportations of logs from the Burmese area. The new rate is Bt. 5,000 [\$200] per tonne of logs. A five fold increase in the past."¹³⁹ This event marked the advent of Burmese-Thai military cooperation.^{17, 31} Sia Hook's log trucks were used to transport *Tatmadaw* troops into battle through Thailand and off-duty Burmese soldiers, employed by Sia Hook's logging company, were armed to attack insurgent positions from behind. These actions were coordinated with an assault from the Burmese side.³¹ 10 to 20 thousand Mon refugees fled into Thailand because of the fighting.

In 1991 MNLA soldiers destroyed several of Sia Hook's trucks that were involved in logging in Mon forest reserves. In response NMSP Secretary-General, Nai Rotsa, and two colleagues were lured into Thailand by Sia Hook's company representatives on the pretext of making peace with the company and Thai authorities in Sangkhlaburi. They were consequently jailed for six months in the Immigration Detention Centre, on charges of illegal immigration and it is thought they were forced to pay for the damaged trucks.^{19, 31}

⁵ Sia – Thai prefix for 'Godfather'.

14.3.2 Logging and the breakdown of the Karenni National Progressive Party (KNPP) Ceasefire

“At the root of the problem is that the SLORC believes the Karenni have surrendered while the Karenni believe they have merely signed an agreement to stop fighting.”¹⁴⁰

Anonymous Thai intelligence officer, 1995

During the period 1988 to 1993 there were four SLORC-approved logging concessions in Karenni State. These deals were not officially renewed after 1993. However, at the time of the verbally agreed ceasefire deal, made on 21 March 1995, there were several Thai logging companies working with the permission of the KNPP.

The ceasefire deal, which split Karenni State into separate zones of control with the SLORC in the west and the KNPP in the east, collapsed after only three months. According to KNPP sources at the time the SLORC sent in two battalions of troops into KNPP-designated territory on 17 June. The conflict escalated and by March the following year the SLORC had, according to the KNPP, 27 battalions deployed in Karenni State.¹⁴¹

Opinions differ as to the exact reasons for the collapse of the ceasefire. SLORC officials claimed that action was taken to, amongst other things, prevent Thai loggers from stealing timber from Karenni State. But this was dismissed by a Karenni source as a pretext for the SLORC to take control of the whole state. The SLORC's continued use of forced labour was an important factor. In any case it seems likely that disputes over the control of natural resources, in particular logging, played a key role in the breakdown of the ceasefire.

After the ceasefire Rangoon deemed that concessions granted by the Karenni to Thai logging companies were illegal and that the companies were 'stealing' the timber. The SLORC also made it clear that only it had the 'right' to sell teak and padaung, another type of hardwood. The KNPP for its part claimed that it was entitled to deal with natural resources in Karenni State as it saw fit. The KNPP Prime Minister, Aung Than Lay was quoted at the time as saying *“We want to sell our teak to anybody. We have the right to sell our property.”*¹⁴⁰

The KNPP grievances were compounded when the SLORC granted the Rangoon-based Billion Group logging company a concession in the KNPP-controlled part of Karenni State. Prior to the ceasefire the KNPP had 'taxed' logging companies operating in their areas but the SLORC had determined that this was not to be the case under the new arrangement. The development

money given by the SLORC to the KNPP also became a bone of contention. The KNPP were under the impression that it had been an interest-free loan but subsequently claimed that the SLORC were demanding to be repaid in timber *“10,000 tons of teak logs and 2,000 tons of lumber”* which was worth more than the original loan.¹⁴⁰

The SLORC's military offensive and counter insurgency operations, as a result of the breakdown of the ceasefire, were characterised by serious human rights abuses and the forced relocations of over 25,000 Karenni. The KNPP are still fighting.

14.4 Controlling ceasefire groups through logging deals

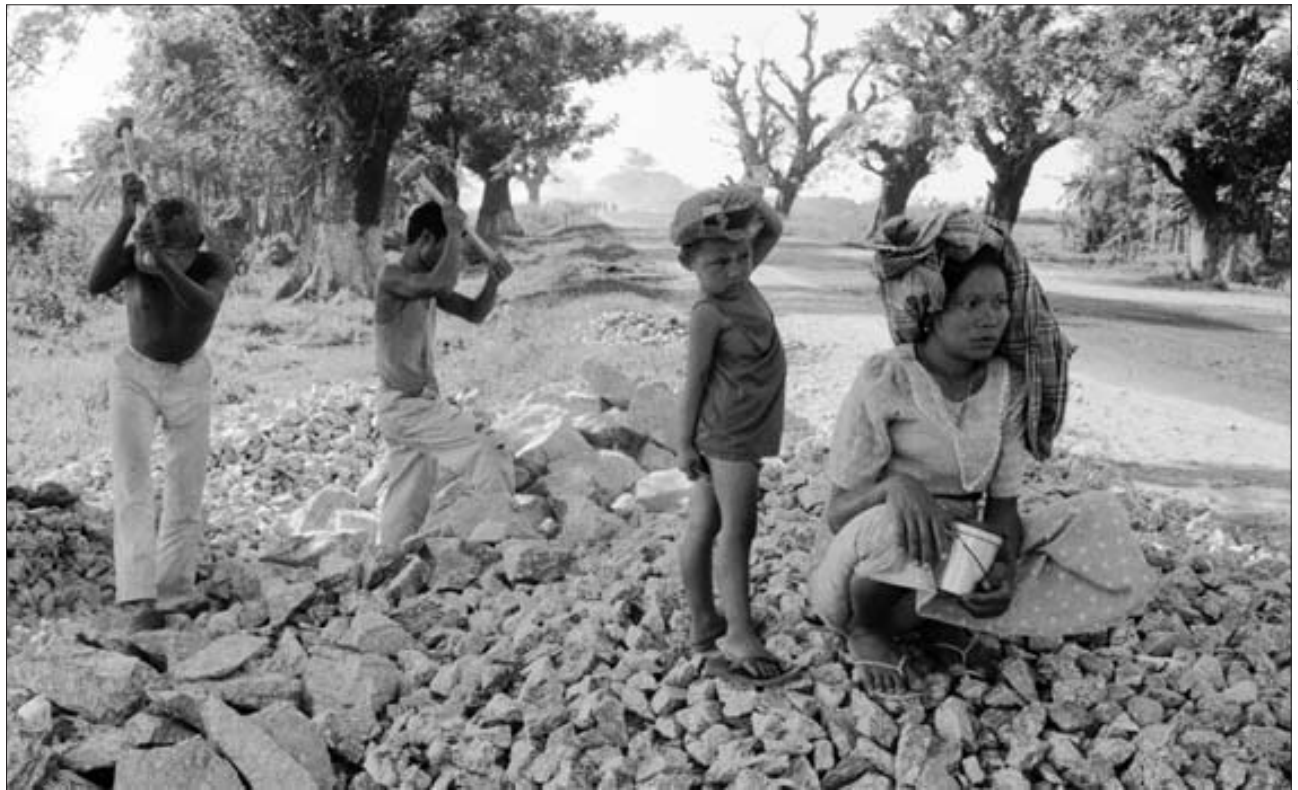
Logging concessions have been granted by the SLORC/SPDC as part of ceasefire deals, but these arrangements are fluid and have in the past been revoked to punish ceasefire groups for stepping out of line.

The SLORC/SPDC/NMSP ceasefire agreement, signed in June 1995, allowed the NMSP to control liberated zones in the countryside and it receives some development assistance, but in common with other ceasefire groups is effectively excluded from mainstream politics. In addition it is allowed to undertake business activities including logging and fishing.

In the mid to late 1990s the market price of the timber was approximately \$300 per ton. This was split between the NMSP (\$80), the SLORC/SPDC (\$75) and the Htoo logging company (\$145). Under the terms of the logging concession the NMSP was allowed to take 3,000 tons of timber to Ye Port each month. Instead, it transported double the permitted amount, each month, for a period of three months, claiming that transportation was impossible during the rainy season. Although this was technically against the terms of the agreement, such an infraction would normally have been overlooked. However, in January 1997 the NMSP signed the Mae Tha Raw Hta agreement, pledging to *“dismantle the military dictatorship and join hands with the pro-democracy forces led by Aung San Suu Kyi”*.¹⁴² As a result of the NMSP breaching the 'terms' of the ceasefire agreement, by getting involved in politics, the SLORC/SPDC revoked the logging deal.

On the premise that the NMSP had broken the terms of its logging arrangement, the SLORC/SPDC subsequently seized 17,500 of the 18,000 tons of timber that had been transported to Ye Port. The timber was eventually sold back to the NMSP for \$104 per ton, but the NMSP could not initially find any buyers. It is not known what happened later but clearly the NMSP lost a great deal of money.

15 FORCED LABOUR



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The Burmese regime is notorious for its use of forced labour. Threats, intimidation, extortion, theft, violence, torture, rape and murder have all been used by the Burmese military to coerce people to work for them.^{143, 144} Until recently, forced labour was legal under the colonial era Towns and Village Acts of 1907. However, as a result of international pressure, to end forced labour in Burma, the SPDC passed Order 1/99 in May 1999. This order repealed the 1907 Act thereby making forced labour illegal in Burma except for emergencies. Despite this, the practice remained so widespread that in June 2000 the International Labour Organisation (ILO) condemned Burma for its violation of the international Forced Labour Convention No. 29.¹⁴⁵ The ILO accused the SPDC of systematic human rights abuses largely targeted at ethnic minority people compelled to carry out forced labour duties. The ILO had evidence of such violations from 14 member states and several human rights organisations.

Despite condemnation by the ILO and assurances by the SPDC to the ILO, during their May 2000 mission, that measures were being taken to end forced labour the situation is still serious particularly in border areas.¹⁴⁶

A November 2001 report by the ILO makes important observations relating to forced labour in Burma. In essence the ILO and others have noted that:

- “Proclaimed political will [to abolish forced labour] appears to be inhibited and sometimes contradicted by an even more fundamental

*consideration of consolidating the unity of the country and safeguarding its territorial integrity against ‘destructive elements’. The logic of this overriding concern may indeed lead to the use of forced labour in the absence of other available means to meet this objective, but possibly also as a tool of repression or discrimination against villagers suspected of being sympathetic to insurgent ethnic movements”.*⁴³ “The exaction of forced labour in often cruel conditions may not only create irreversible damage to the goodwill between the majority and other ethnic communities, but may also serve to exacerbate the very situation that the authorities are trying to prevent.”⁴³ The fact that the central authority does not, and cannot fund the *Tatmadaw* and that this leads to soldiers often having no option but to ‘live off the land’¹⁴⁷ is one of the major obstacles to eliminating forced labour. That soldiers are engaged in “economic activities for which they are not necessarily well qualified or prepared is not only doubtful in terms of productive efficiency, but also produces a permanent incentive for soldiers who do not have an inclination for agricultural work to continue to abuse villagers.”⁴³

- Confiscation of land that is then assigned to soldiers for subsistence purposes increases resentment and jeopardises ceasefire deals.^{43, 148}
- This is compounded by the large size of the army.⁴³

- Economic progress and modernisation are key to the elimination of forced labour. It could in particular provide viable alternative employment for surplus military personnel.⁴³
- However there is a risk that “any relaxation of international pressure might remove or at least weaken the willingness of the SPDC to implement the fundamental changes required to ensure respect for the basic rights, freedom and dignity of all peoples and ethnic groups in the country.”⁴³

A separate UN report identified one key problem as there being no independent complaint mechanism under Order 1/99.¹²² This coupled with a lack of faith in the Burmese judicial system has meant that no one, as of 10 January 2002, had brought a case of forced labour in Burma to court.

15.1 Forced labour logging

*“I began to work for the Forestry Ministry about two weeks before I left; I had to carry teak logs in my ox cart. The soldiers said they would punish you - for example, tie you up - if you didn’t go to work”*¹⁴⁹ Anon, Shan refugee, January 2002¹

The implications for the Burmese population of the military’s involvement in logging extend far beyond being forced to cut, transport and process timber.¹⁵⁰ Villagers are commonly used as porters and guides. They are used to build and maintain logging roads and military camps. It has been known for villagers to be forced to replant areas for greening projects and for future commercial exploitation by the military. In some instances villagers have been forcibly relocated away from military logging areas.¹⁵¹

Villagers not only suffer the indignity of having their land forcibly occupied and their resources stolen but are forced to provide the labour and tools to do it as was explained to NGO workers by a Shan refugee in January 2002: *“Tools and food must be provided too... They went to do the logging because they were forced by the military. They got nothing, no payment, for their work. They had to bring all their own food and tools to go logging.”*¹⁵²

To make matters worse the working practices are crude and conditions hazardous. Villagers have been forced to work in areas containing landmines (see page 79). In one example terrified villagers, viewed as “dispensable”, have been used as forced labour by the SPDC/DKBA for logging operations in a heavily mined forest near Kawkareik.¹⁵³

For the forced labourers who work directly in the

logging process the work is both hard and dangerous. Inexperience whilst felling, poor safety procedures and inadequate facilities have all resulted in fatalities: *“I did not cut the trees because I was afraid; I saw people die when a tree fell down on them. Also, I saw people carrying logs on a truck; when the logs rolled down over them, they died.”*¹⁵⁴

Exploitation of new tracts of forest requires good road access to get large trucks in and the logs out. One of the roles of forced labourers is to build new roads, widen old ones and maintain those that are in operation. According to the accounts of some villagers road maintenance duties are carried out by all villagers, including children, pregnant women and elders: *“I heard that the military was coming to do logging. Now they are building a road to cut teak. I heard that villagers had to help build the road.”*¹⁵⁵ Such projects require a lot of people. For example, 450 people and 32 vehicles were, according to the Shan Human Rights Foundation, conscripted by the military in Kun Hing Township in November 2000 to help rebuild a logging road.¹⁵⁶ The SPDC has subsequently challenged this allegation.¹⁵⁷ Another road building scheme and its impact on the village was described by one villager in the following terms: *“Other roads were being made for logging for about three months starting in July [2001]. 30 to 40 people from three villages worked on the roads at one time. The people working on the road were aged around 14 to 45, including men and women.”*¹⁵⁸

Villagers are conscripted for replanting duties and nursery programmes. Global Witness has obtained the orders for a reforestation programme close to the Moe Byae Dam in Shan State. Based on the instructions from Senior General Than Shwe, a four-year commitment, until 2005, to replant 1.5 million trees was enforced upon villagers in the Pekhon Township. This project involves the planting of 20 acres of “commercial teak” with the remainder being planted to prolong the life of the dam.

It is true to say that many senior army personnel get involved in logging operations for reasons other than supplying their basic needs. However, low pay or no pay means that to survive ordinary soldiers, are forced to get involved in moneymaking schemes including logging. Just such a situation was described by one of the interviewees: Lt. Colonel Toe Aung *“ordered his 25 soldiers to help in work, especially to deliver planks onto the trucks, the soldiers did not get regular pay. Almost all of the money goes to Major Thar Tay Kyaw and Colonel U Tin Soe’s pocket. But still the soldier were happy to work on logging because they get good pay compare to the salary.”*¹⁵⁹

¹ The majority of the accounts of forced labour logging are extracts from a series of interviews conducted in early 2002, primarily by EarthRights International, with refugees from Shan State who had moved across the border into Thailand. The names of the individuals who gave these interviews have been removed, to protect them from the possibility of reprisals.



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When the military occupy an area it is common for them to enlist locals as porters as described by another interviewee: “*I don’t know why the military came to my area—maybe because they cut down teak in the area...the military made us work as porters. If we didn’t work as porters, we were beaten.*”¹⁶⁰ In a report by the KNU it is claimed that villagers and their elephants have been forcibly employed in Tenasserim Division since March 2002 by Light Infantry Battalion 402 to transport felled trees to military run sawmills.¹⁶¹ According to the KNU, the profits are being split between the military and the Thakasapa, a local anti-insurgency group, with no payment to the villagers.

The importance of ensuring a good harvest each year for a subsistence farmer in Burma is paramount. Any time spent away from these responsibilities increases the possibility of low yields and the slide toward poverty.¹⁶² In many respects it is this drain on human resource that is the cruellest aspect of forced labour. The scale of the commitment demanded is revealed in the following interview: “*I came [to Thailand] because it is difficult to survive in my village. We have to work all the time for the military. We had to build a camp and road and build the roof for the military camp. And we had to work for the Forestry Ministry of the government too. We had to work every three days for eight years.*”¹⁴⁹

Local inhabitants are also frequently removed from logging areas by the military, as another person explained: “*Whenever they do logging, a lot of soldiers come around our village and they go everywhere. They go deeply into the jungle; they force the local villagers to move to town and then destroy their houses.*”¹⁶³

However the villagers are not only exploited by the SPDC: “*Being a villager is the very worst because we have to feed both sides. You can’t give to only one side, because if you give to just one, the other side hates you. If the Burmese force you, you have to go. If the Kaw Thoo Lei [KNLA] forces you, you have to go. If DKBA forces you, you have to go. So it is the worst being a villager.*”¹⁶⁴

More recently, in January 2003, the Independent Mon News Agency reported that forced logging was being used for the construction of a new army base. The report stated, “*Anin and Htin-Yuu (Kwan Proi) villages of Thanbyu Zayat Township were forced to cut down trees and saw it into 280 tons of lumber, which will be used to construct a new artillery regiment No. 315*” [barracks]. One villager was quoted in the article as saying, “*If we don’t provide this amount, then we have to buy it...*” The article went on to say that, “*For those who have to buy lumber from the outside, they have to pay 200 000 kyat per ton*”. However, “*this is the first time that they [the villagers] have had to provide lumber to the authorities and the Burmese Army under force.*”¹⁶⁵

16 OPIUM AND LOGGING

*“Little transportation is available to most villages, and access to towns for marketing and other services is difficult and burdensome. During the rainy season most villages are accessible only on foot. Few villages enjoy a reliable water supply within easy reach and practically all are entirely without any form of health, education, or agricultural services. Most rural households are very poor and suffer a 4-8 month rice deficit. This is the main reason (why) they cultivate opium.”*¹⁶⁶ United Nations International Drug Control Programme (UNDCP) leaflet, undated

Opium has long been grown in northern Burma in the Shan and Kachin hills, for medicinal purposes, but it was not until the advent of colonial rule that the British introduced large-scale opium cultivation and international opium trading to Burma.¹⁶⁷ After World War II the trade was expanded by the CIA backed Kuomintang Chinese in Shan State.¹⁶⁸ Opium has played a central role in many insurgent economies in northern Burma as explained in 1967 by General Tuan Shi-Wen of the Chinese Nationalist Kuomintang Army, *“Necessity knows no law. That is why we deal with opium. We have to continue to fight the evil of communism, and to fight you must have an army, and an army must have guns, and to buy guns you must have money. In these mountains the only money is opium.”*¹⁶⁸

In the late 1980s after the collapse of the Communist Party of Burma the heroin trade, like the logging trade expanded rapidly. Burma is today the world's second largest exporter of heroin after Afghanistan.¹⁶⁹ Opiates and the trade in opiates is linked with conflict, AIDS and organised and petty crime.

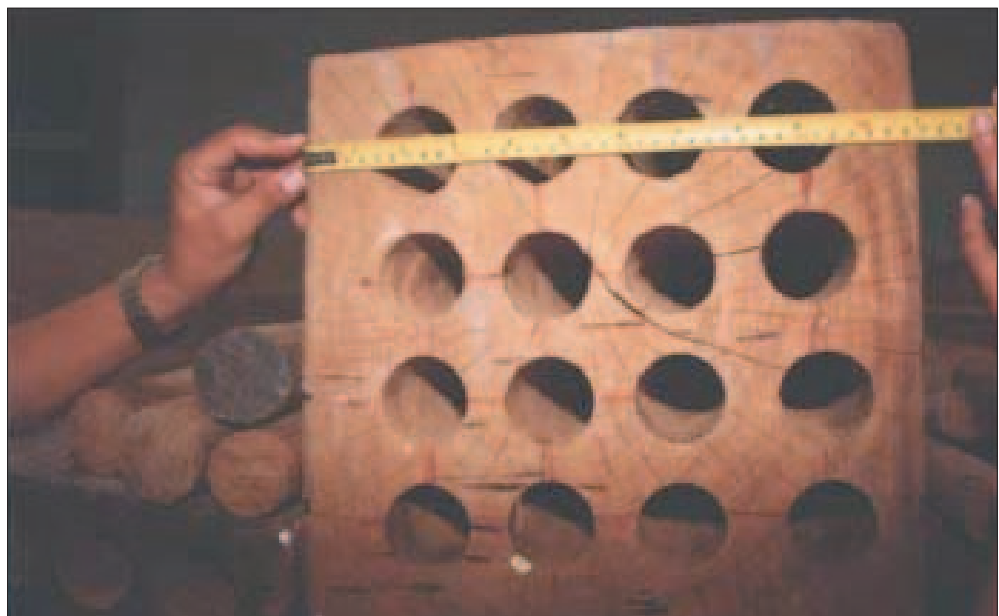
Logging, on the China-Burma border, opium production and the trade in heroin are inextricably linked and are similar in many ways. Major drug traffickers have been known to invest heavily in logging businesses as a means of laundering drug money;¹⁷⁰ Asia World run by Lo Hsing-han is a case in point.¹⁷¹ Lo Hsing-han started out as an opium-running militia leader who later joined the Shan rebel opposition to fight the government.¹⁷¹ He was arrested on the Thai border in the 1970s and extradited to Burma where he was imprisoned until 1980. Despite this setback he became adviser on ethnic affairs to Lt.

General Khin Nyunt and was instrumental in brokering a ceasefire deal with the CPB's Kokang Chinese-dominated Northern Bureau.¹⁷¹ The territory that they controlled near the China border is now (Shan/Kokang) Special Region No.1.¹⁷¹ Together with his son, Steven Law (Htun Myint Naing) Lo Hsing-han now runs Asia World one of Burma's largest business conglomerates with interests in real estate, manufacturing, construction and logging.¹⁷¹

The timber trade has been used as a more direct cover for the drug trade where logs have been hollowed out and filled with heroin, for export from Burma to China¹⁷² and to India.¹⁷³ In November 2001, for instance, police officers in Yunnan found 651 blocks of heroin inside two logs transported from Burma. According to Minister of Public Security, Jia Chunwang, *“it is the largest case of its kind ever recorded in Asia.”*¹⁷⁴

There is also a direct link between logging and drug eradication schemes. Logging has been promoted by the border authorities in China as a potential income substitute for opium production. Even if this was effective in the short term, which for the majority of people it is not, the nature of logging in these border areas is such that in the medium to long term it results in environmental destruction and, therefore, an increase in poverty amongst the rural population. Poverty, in turn, leads directly to increased opium production.

In Yunnan, and China generally, the official line is that the consequence of deforestation is that, *“natural disasters such as landslides, droughts and floods occur, seriously restricting the social and economic development in the region.”*¹⁷⁵ This logic is not applied by the Chinese in Burma. In Kachin State for example, logging is being promoted by the Chinese, as a means of alternative revenue generation, to help solve the social and economic problems that make people grow opium



Teak log used for concealing heroin from Wa State.

in the first place. Such an approach might have some merit if the logging was well managed and sustainable, but that is not the case.

The examples below from Kachin State and Wa State are disturbing illustrations of how, in the case of Kachin State, drug eradication schemes are used to justify large-scale logging, and how in Wa, logging has seriously undermined the UNDCP opium substitution projects. In each case the Chinese logging companies, and Chinese county level governments involved, are acting in a way that is totally inconsistent with official positions on drug eradication.

16.1 Logging and Opium in Kachin State

Nujiang County in Yunnan is opposite NDA(K) Special Region 1 and KIO Special Region 2. After the ceasefire in 1989 the NDA(K) started working with Chinese country-level narcotics control officials and Chinese companies under the rubric of opium substitution initiatives. These companies have included firms such as the Tenglong Company; a company that has been logging extensively in NDA(K) controlled areas.¹⁷⁶

In April 1999, at a meeting to discuss Myanmar/China alternative development, partly organised by the UNDCP, Mr. Yang Yu of the Office of Nujiang Prefecture Narcotics Control Committee described the ways that his County Party Committee helped to eradicate drugs in NDA(K) areas: “[the NDA(K) had been helped to] *develop themselves on terms of equality, freewill and mutual benefit ... [and to] improve their traffic conditions... Even when faced with fiscal difficulties, the government of the county still requires capital to construct more than 500 miles of roads including trunk roads and branches, and thus establish favourable bases for the development of their economy.*”¹⁷⁷ Mr. Yang could only have been referring to logging roads.

Logging companies have built almost 700 kilometres of roads, in NDA(K) territory, investing over 20 million yuan¹⁷⁶ (\$ 2.5 million).¹⁷⁸ The “*fiscal difficulties*” referred to appear to be an opaque way of saying that logs were bartered with the Chinese in payment for the roads. Mr. Yang went on to say: “*Leaders of the county part did research time after time, and decided to open crossing points as an important way to prohibit drugs by developing border trade. They decided to open three international points, Pian Ma, Yaping and Danzhu...*”

The alternative development program of the Nujiang County to “*help the NDA(K) eradicate drugs*” has been used to help legitimize the logging operations of Chinese firms with the assistance of the country and provincial governments of Nujiang and Yunnan. Helping the NDA(K) to “*develop themselves on terms of equality, freewill and mutual benefit*”, by opening “*three international points, Pian Ma, Yaping and Danzhu*” is incredibly cynical.

Whilst there is some legitimate justification for investment in Pian Ma, the justification for opening international border points in Yaping and Dazhu can only be to facilitate logging and mineral extraction as part of the N’Mai Hku Project (see page 104) for the benefit of the Chinese and not the poor in Kachin State.

16.2 Logging and Opium in Wa

*“Implementing the opium control alternative development projects, the Chinese enterprises are careful to protect the natural environment, which can also make our projects sustainable.”*¹⁷⁹ Mr. Dong Sheng, Office of Yunnan Provincial Narcotics Control Committee, 1999

The Chinese authorities apparently recognise the importance of protecting the forest to limit the extent of poppy cultivation in Burma. But despite the rhetoric the Chinese have failed to ensure that logging contributes to the development of Wa State, and the long-term eradication of opium production. Wa is still one of the world’s largest sources of illicit opium¹⁸⁰ and now, not only does the region have a drug problem but unsustainable logging is undermining potential for future sustainable development.

The UNDCP started assisting drug control efforts in the Thai-Burma and China-Burma border areas in 1992. In July 1997 government representatives from Burma, China signed a Memorandum of Understanding for the Wa Alternative Development Project (WADP) with the UNDCP.¹⁸¹

The United Wa State Party, as a project partner of the WADP, has committed the whole Wa region of Shan State to becoming opium free by 2005¹⁸² and there is evidence that crop substitution has occurred in some villages. However, satellite images taken between 1989 and 1999, show that there was a marked rise in deforestation in Ho Tao, the first area in Special Region 2 to be declared opium free in 1995.¹⁸³

Logging of the sort that is taking place in Wa State directly undermines development efforts. In the first instance the loss of forest has an adverse impact on water supply and as a consequence agricultural production. In southern Wa State this has already led to increasing food security problems.¹⁸⁴

Remaining forest in Wa State is being exploited by Chinese businessmen in league with UWSP officials.³⁷⁷ This is taking place at a time when the USWP has banned local communities from any kind of commercial forest extraction, either from logging or collecting commercial firewood. This prevents local communities from carrying out the kind of small-scale activities that could have provided them with much needed income.¹⁸⁵ Such sustainable forest management is essential for community development, and therefore for the elimination of poppy cultivation, but is simply not a reality in Wa State despite the WADP.

17 THE THAI-BURMA BORDER

“Needless to say, our forests along the border had been ravaged for many decades. In 1989 we were approached by the Thai side to grant concessions to Thai timber companies along our common border. We complied with a hope that it would bring about benefits to both our peoples; but it turned out that the insurgents on our side and the ‘Godfathers’ on their side had a hold on the actual operations and neither of the governments were enjoying any tangible benefits. So we discontinued the concessions at the end of 1993.” U Myat Thinn, SPDC employee, Chairman, Timber Certification Committee (Myanmar) 2003



17.1 Conflict on the border

Thailand and Burma share a 2400 kilometre border that until recently has largely been beyond the control of the Burmese government. Relations between the governments of the two countries have sometimes been volatile, reflecting historic antagonisms as well as more recent local border politics.¹⁸⁶ Thailand's tolerant, and sometimes supportive, approach for numerous ethnic insurgent groups over recent decades is especially contentious. The poorly demarcated border has compounded the problems leading to border skirmishes that often inflict losses inside Thailand and results in the flight of refugees from Burma to Thailand. During much of 2002 because of an upsurge in Burmese army fighting with Shan and Karen armed opposition groups the Thai-Burmese border became particularly unstable and bilateral relations were at their lowest ebb for several decades, though the situation has since improved.

Several insurgent groups control parts of the Thai – Burma border in Southern Shan State. Following the 1988 pro-democracy uprising, the insurgent controlled ‘liberated areas’ on the Thai border were the base for a mix of ethnic and democratic opposition to the SLORC. Mannerplaw, the headquarters of the KNU from 1975 to 1995, became the headquarters of such broad based fronts as the Democratic Alliance of Burma and the National Council Union of Burma.

Of the remaining 12 insurgent groups that have not brokered ceasefire deals with the SPDC, seven are based along the Thai border. The largest of these are the Shan State Army (South) (SSA(S)),^{u, v} the Karen National Union/Liberation Army (KNU) and the Karenni National Progressive Party (KNPP). There are two conflict hotspots, one on the Shan State border, opposite Chiang Mai and Chiang Rai provinces in Thailand, and the other on the Karen border opposite Tak Province. On Thailand's northern border the SSA(S) is fighting both the Burmese army and the SPDC-allied United Wa State Army. On the western border there is fighting between the KNU and the Burmese army and the Rangoon-allied Democratic Karen Buddhist Army.

Currently, and as has been the case since the 1960s, a significant cause of conflict on the Thai-Burmese border is the control of the illicit, highly profitable trade in commodities such as timber and drugs, including opium and amphetamine-type stimulants. Anything that interferes with this trade leads to conflict and casualties on both sides of the border.

Throughout the early part of 2002 the war of words between Thailand and Burma revealed the deep hostility among certain sections of the authorities in both countries. A great deal of the SPDC's resentment towards Thailand has been with Thailand's relationship

^u The Shan State Army (North) SSA(N) has a ceasefire agreement with the SPDC the SSA(S) does not.

^v The SPDC refers to the SSA(S), a breakaway group from the Mong Tai Army, as the Shan United Revolutionary Army.

with the remaining border-based insurgent forces, in particular the KNU and the SSA(S) both of which, on some levels, have been deemed to be 'friendly' towards Thailand and vice versa.

In the last few years articles in the SPDC-controlled newspaper, *The New Light of Myanmar*, have charged Thailand with "giving encouragement and sanctuary", to insurgent groups, in particular the SSA(S) and the Karen National Liberation Army (KNLA), the armed wing of the KNU. The SPDC contends that this policy is driven by economic motives, referring to the involvement of some Thais in the military, police and civil organisations, who they claim, profit from the cheap resources and trading opportunities, such as arms sales, that have emerged from the protracted conflict. *The New Light of Myanmar* argued that these beneficiaries "do not wish to see termination of insurgents in Myanmar."¹⁸⁷

These specific claims by the SPDC may be justified to a certain extent. For instance, since the advent of large scale logging on the Thai border in 1988 whether or not insurgent groups have been supported by powerful military elites in Thailand, has often been decided on a commercial basis. But those that have benefited from the conflict can be found on both sides of the border, in the Burmese military, among the Thai military and politicians as well as some of the leadership in the insurgent groups. The substantial trade in minerals, timber, gems and contraband goods boosted the previously backward economies of the border provinces whilst enriching many of the participants. Eventually business was to become as overtly entwined into the conflict as the original ideological cause was. The SPDC itself has been charged with using the continuation of conflict to justify not only its actions but its very existence.^{134, 16}

Thai support for the insurgencies in Burma is also associated with a defensive 'buffer zone' strategy. Thailand used ethnic insurgents on its Burma border as "a cheap and efficient light infantry supplement to the thinly-spread Thai Army... which prevented direct clashes with Burmese forces, while at the same time could be called upon during the 1970s to help in the fight against the Communist Party of Thailand."¹⁸⁸

The buffer zone strategy included the provision of material assistance and refuge in Thailand to ethnic insurgents from Burma. This 'backdoor' into Thailand frustrated the Burmese military's efforts to suppress the insurgent forces as "it is militarily impossible to tie down guerrilla forces who have a back-door escape and supply line."¹⁸⁷ It has also been said that until 1988, the Thai Army's Special Forces assigned military advisors to the KNLA,¹⁸⁹ although others consider that the Thai military spent time with the insurgent groups for intelligence gathering purposes.¹⁹⁰

17.2 Thai-Burmese relations and 'Resource Diplomacy'^w

*"The [border] closure might last until the end of the year... Rangoon wants to make sure Thaksin knows who the boss is."*¹⁹¹ A resident of Tachilek, August 2002

The SLORC's granting of logging concessions in 1988, to Thai logging companies, is indicative of the way it has manipulated relations with its neighbours. The regime has exploited Burma's natural wealth and the greed of powerful Thais, by controlling the cross-border trade and their access to the timber. This control over access to natural resources has been a strong influence on Thai foreign policy towards the regime. Logging and fishing have been central to this process whereby the SLORC/SPDC has offered lucrative concessions to politically powerful Thais, to effect favourable changes in Thai policy.

The flipside of this is that the SLORC/SPDC can also close its borders, harming border trade, and sending a strong message to Bangkok via the powerful provincial trade lobbies and the clients of Thai politicians involved in this trade.

The timber trade on the Thai-Burma border is principally controlled by the *jao por*, Thailand's untouchables. The *jao por* are very well connected and influential ethnic Chinese businessmen who generally operate relatively openly above the law and with impunity. Their business dealings are characterised by the use of intimidation and violence. In 2001, for instance, at least six people who protested against activities of *jao por*, such as encroachment by prawn farms on mangrove forest and quarrying, were murdered. Five of these murders have been linked, by the Campaign for Popular Democracy, to politicians from the current government coalition and opposition groups.¹⁹²

Such 'resource diplomacy'¹⁹³ has been more successful under certain Thai administrations than others, as was alluded to in a verbal exchange between former Thai Prime Minister, Chuan Leekpai and the current Deputy Prime Minister Chavalit Yongchaiyudh, in 2001. Chuan Leekpai was quoted in the Bangkok Post as saying:

*"The previous government had a clear-cut policy not to exploit personal ties to secure logging contracts or other concessions. That kind of practice makes Burma look down on us."*¹⁹⁴

Since the 1980s there has been a shift from Thai tolerance of cross-border trade, involving the insurgent groups, to more formalised trading between the governments and trading enterprises of the two countries. This has coincided with the resolve by Thai commercial interests, who have become increasingly active in Thai politics, to step-up the exploitation of

^w The term 'resource diplomacy' was used by Maung Aung Myoe to describe Thai/Burmese relations (see reference 193 *Neither friend etc.*).

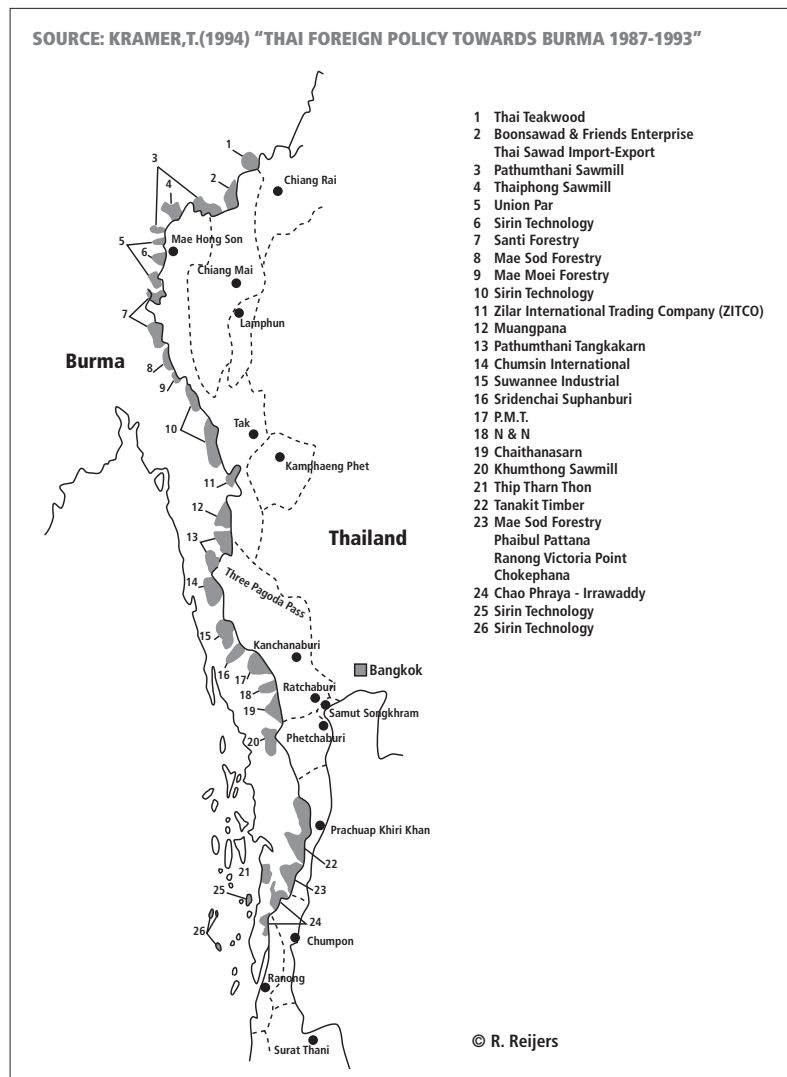
Burma's natural resources. To these interests, Burma became a place to get rich quick, and accordingly, many political fortunes in Thailand have rested on wealth from Burma's natural resources.

Economic cooperation between the two countries has been formalised with the formation of the Thai-Burmese Cultural and Economic Cooperation Association co-Chaired by Thai Deputy Prime Minister Chavalit Yongchaiyudh and Air Marshal Kyaw Than of Burma. In late November 2002 the go-ahead was announced for four huge projects in Burma to be carried out by Thai companies, including a hydroelectric dam on the Salween River in Shan State and a large coalmine in Tenasserim Division opposite Prachuap Khiri Khan. Following a meeting of the association, which is coordinating the projects, Deputy Prime Minister Chavalit, an established beneficiary of Burma's natural resources, is quoted in the Bangkok Post as saying, "Joint development will make border areas more open and help eliminate bad people, minority people and bad things hidden along the border and ensure greater security." He went on to say, "I am certain that Thailand and Burma will be best friends forever. From now on, we will have no conflicts or problems stemming from different viewpoints."¹⁹⁵

17.3 Thais prioritise logging interests over support for ethnic insurgents

Before 1988, relatively small-scale logging was already an important source of income for insurgent groups on the Thai-Burma border. However, normalisation of the overland trade in timber between Burma and Thailand began in 1988 when the SLORC gave four Thai companies logging concessions in insurgent areas. Thai customs subsequently opened at least 10 border passes to logging traffic.¹³¹

Later in 1988 on 14 December, General Chavalit, the then Commander in Chief of the Thai armed forces, visited Rangoon with an entourage of over 80 military officers, businessmen and journalists. The visit, coming shortly after the 1988 democratic uprising had great political significance. As General Saw Maung, the SLORC Chairman at the time, commented, General Chavalit became "the first foreign dignitary to visit us after the new situation developed in Burma."¹³¹ General Saw Maung promised that Burma would give "about two-thirds of trade and investment projects to Thailand because it has proven [to be] a true friend".¹³¹ This visit resulted in 35 Thai companies being given 47 logging concessions and heralded the start of large-scale logging on the border.¹³¹



In January 1989 after a series of natural disasters attributed to logging,¹⁹⁶ which resulted in over 350 deaths, the Thai Prime Minister, Chatchai Choonhavan, announced a domestic logging ban. Soon after, the Thai government stated that it would seek ways to increase the import of logs from Burma and Laos to make up the shortfall.¹³¹

In May 1989 Lieutenant-General Than Shwe, the commander of the Burmese Army, visited Thailand and told Deputy Prime Minister Prapath Limphapandu that Burma wanted to clear the border area as soon as possible for 'security reasons and for the mutual benefit of bilateral trade.'¹⁹⁷ Now that the personal interests of the Thai elite were subject to continued cooperation with the SLORC, Than Shwe could rely on a more sympathetic hearing for the SLORC's counterinsurgency operations.

Soon afterwards, in a succession of night time manoeuvres, Burmese troops crossed into Thailand, with the tacit approval of elements within the Thai government, to attack Karen and other insurgent troops from behind.¹⁷ At this time the border between Tak Province in Thailand and Burma was controlled by Thai Army's new Task Force 34, which had been set up by General Chavalit.¹⁷

17.4 The timber business and conflict on the Thai-Burma border

*“Systematic and unsustainable felling was carried out in areas largely under the control of insurgent groups such as the Karen National Army and the Mong Tai Army; both of which, paradoxically, have been amongst the most outspoken in their denunciations of environmental destruction caused by the SLORC.”*¹⁷ Martin Smith, 1999

Logging along the Thai-Burmese border could not have taken place without the various ethnic insurgents being ‘compensated’ by the Thai logging companies. This led to informal four-way trade agreements between the Thai government, the Burmese government, Thai businessmen and insurgent groups.

Whilst Rangoon granted concessions, the logging companies had to negotiate with one or more insurgent groups and with other logging companies to operate unhindered on the ground. Insurgent groups taxed the companies demanding ‘passage fees’ in exchange for safety guarantees. Soon after the concessions were granted it was reported that of the 60 companies operating in insurgent-held territory, only half of them actually held concessions granted by the SLORC.¹⁹⁸

Between 1988 and 1993, Thai companies paid between \$200 and \$240 per m³ of timber from the border concessions. The regime itself earned \$80 per cubic metre, whereas insurgent groups, such as the KNU, are estimated to have been paid between \$40 and \$80. Other costs included \$20 to the original logging company, \$12 to Thai Customs, \$24 labour for felling and \$24 for transportation.^{9, 199}

The logging companies initially paid the KNPP transport fees of 1500 baht (\$60) per tang (1.6 tons), which at the time they had little option but to accept. However, the KNPP later renegotiated this to 3000 baht(\$120) in November 1989.^x In addition the group earned a great deal of money from illegal logging in forests outside the concession areas.¹²⁸ Mon insurgents were reported to charge 3,000 baht (\$120) in 1989 but by 1990 they were charging 5,000 baht (\$200) per ton of wood for passage fees. At the Three Pagodas Pass passage fees were paid to both the KNU and the NMSP.^{200, 201}

According to the state-run newspaper The New Light of Myanmar about 150,000 tons of teak were smuggled out of Papun, Mela (Mae La) and Wawle (Wale) regions annually between 1986 and 1994. The article also claims that 200,000 tons of “pyingadoc” (Ironwood), “in” and “kanyin” (Keruing) were smuggled

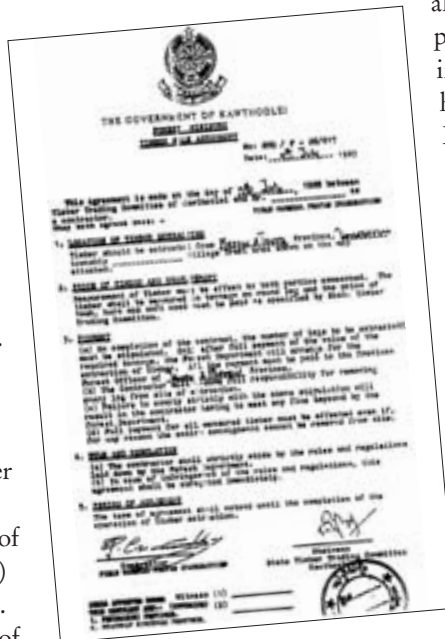
annually across the border from Phayathonzu to Taninthayi. The SPDC say that the KNU earned 400 million baht, over \$16 million, from this timber ‘smuggling’ business; 65 million baht, over \$2.6 million, from teak extraction in 1993 alone.¹⁸⁷ It is not known how accurate these figures are. However, the article appears to be blaming the Thai military, police and businesses for the forest destruction rather than the insurgents. It goes on to say that the Thai companies paid the KNU just \$120 for each ton of teak, when the market price ranged from \$500 to \$800 per ton, for ordinary class, and from \$2000 to \$3000 per ton for special quality teak.¹⁸⁷ *“Myanmar suffered much. But for Yodayas [Thais], they have gained more profits like the merchants who buy stolen goods at low prices.”*¹⁸⁷

Insurgent groups claimed that they did not have enough manpower to check whether logging companies were cutting in their concession areas or to check how much they were cutting, and logging appeared to be out of control.

17.5 Thai Logging in Karen National Union territory

*“The taking and retaking of ground in the thinly-populated area often has less to do with the Karen fight for autonomy than with the struggle for control over the region’s lucrative logging business.”*²⁰² The Nation, May 1993

The Karen were prominent in the colonial forestry service created in 1856, although they were barred from senior positions. In 1950, just one year after taking up arms, the KNU established a Forestry Ministry that used Karen foresters trained under the British. The ministry was established along colonial lines with a hierarchy of posts ranging from guards and rangers in the field, through district and headquarters conservators, to the Minister. The forests of Kawthoolei (the Karen name for Karen State) were divided into districts, within which reserved forests were created, notably where teak was abundant. The importance of the Forestry Ministry grew according to the increasing importance of the timber trade compared with other forms of income such as taxing border trade and mining. By the 1980s there were 463 forestry officials working in Kawthoolei’s forestry districts with additional staff in Mannerplaw, whose main task was to administer teak extraction. They were also responsible for reforestation and wildlife



Timber sale agreement between the Government of Kawthoolei (KNU) and Thai Field Marshall; July 1989.

^x Conversion rates for 1989 \$1=25 baht

protection. In the early 1990s 5,000 teak logs were said to have been extracted from Kawthoolei, mainly from Papun district.²⁰³ In the early 1990s, 80% of the KNU's income was derived from logging.²⁰³ The strength of the Ministry was reflected by the power of the Forestry Minister Padoh Aung San second only to General Bo Mya the KNU leader. The minister was a close advisor to the general.

In February 1989, General Bo Mya declared that the Thai logging companies, with SLORC concessions, would not be permitted to log in KNU-held areas unless the agreements with the SLORC were repudiated and new deals agreed with the KNU. The KNU wanted to assert control over natural resources in areas under its control, but was also concerned that the logging companies, that had contracts with the SLORC, would inform on the movements of its forces. According to a former KNU forestry officer, the KNU also deliberately granted concessions to overlap concessions granted by the SLORC.²⁰⁴ By controlling access to the forest the KNU could engineer conflict between the Thai logging companies, some of which were linked to Thai politicians who seemed to be vying to undermine the KNU and other Thai border based insurgents.²⁰⁴

At one point the KNU threatened to stop all logging in a particular area but were warned by Thailand not to interfere. General Chavalit stated that, *"it may not be right for the minority group to obstruct things that are beneficial to the Thais."*²⁰⁵ Thailand also threatened to close the border, which would have cut off the KNU's source of income and supplies. This was a reminder to the KNU that their future was inextricably linked to the political and commercial interests of others, beyond their control.²⁰³

In April 1989 the KNU announced that it had granted logging concessions, in areas under its control, to five logging companies making it clear that none of these companies had been given concessions from the SLORC. However the KNU also made it known that it would permit these companies to sell timber to companies that did have SLORC contracts. Thai logging companies with SLORC concessions had to subcontract to companies already operating in KNU territory, or other Thai firms without contracts from the SLORC.¹³¹

Padoh Aung San defected from the KNU in 1998 when he surrendered to the SPDC. This happened in the wake of the Salween Scandal, and amid allegations of corruption. A lot of the money that was earned by the KNU from logging was misappropriated and when the money was most needed large amounts that the KNU expected to call upon could not be accounted for. A source quoted in the Bangkok Post at the time claimed *"He (P.Aung San) had a house in Mae Sot and Chiang Mai and many shares with Thai Businesses... He had close links with former Thai military personnel, influential people and businessmen along the Thai border."*²⁰⁶

17.6 The end of SLORC logging concessions on the Thai border

In early 1993 the SLORC announced that Thai logging concessions would be cancelled at the end of that year. The SLORC claimed that the main reason for this decision was concern about the adverse impact on the environment that these uncontrollable logging operations were having; the logging was a source of embarrassment to the regime that claimed it would *"never exhaust the resources without thinking for the future."*²⁰⁷ However, it was also clear that insurgents were capturing substantial income from the timber trade and that some logging companies were providing arms and supplies to insurgent groups.^{137, 128}

Former Forests Minister, Chit Swe, said that granting the concessions on the Thai-Burmese border had been *"a foolish mistake"* that *"produced no tangible benefit to the government."*²⁰⁸ This might have been the view inside the Forest Department, but the logging concessions had produced political, economic and strategic benefits for the SLORC when they most needed it. However, since 1988 conditions had changed and the regime could afford to cancel the concessions. The desperate state of the SLORC's finances and the civil unrest it faced in 1988 had improved and the SLORC was less willing to accept the trading terms and conditions that the 1988 concessions entailed. The Thai logging companies had been taking advantage of the SLORC's relative lack of control, and general chaos on the border to break the terms of their concession agreements and essentially log wherever they wanted taking as much timber as they could. Thai press speculated that Burma was using its control over the lucrative concessions to manipulate Thai politics. The suggestion was that if businessmen lost out because of Thai government backing of the minority groups, public opinion would turn against the elected government of Chuan Leekpai; the SLORC favoured a military government in Thailand.¹⁹⁹

17.7 The Salween Scandal in Thailand

*"Everyone knew what was going on – the scheme has been well-documented in the press – and everyone knew who was behind it. But it was allowed to continue because the authorities who had the power to stop it either did not care or were reaping the benefits of such illegal activities. Meanwhile, lesser officials who might have blown the whistle were either murdered or threatened into remaining silent."*²⁰⁹ The Nation, February, 1998

Since the early 1990s the Thai logging company STB, owned by Som Changkrajang, had exclusive concessions in several KNU-controlled areas. Both the company and the company's owner are known by other names: Sahavanakit (2499) Co. and Por Liang Som respectively. The rise in STB logging interests in KNU areas is unclear, but it is thought that the KNU Central Committee wanted to reassert its control over finances



Illegally logged timber on the Salween River, possibly from the Salween Wildlife Sanctuary; 1998.

as earlier arrangements involving a number of companies had resulted in money generated from these deals failing to arrive at the centre. Moreover STB was prepared to pay the KNU in advance for the logs. The SLORC has claimed that STB also supplied the KNU with arms, ammunition and food.¹³⁷ Interviews conducted with former KNU officials suggest that some of the companies on the original KNU contracts resisted the takeover by STB resulting in two of these companies' employees being murdered on the orders of the STB Company.²⁰⁴

Successful SLORC offensives throughout the early 1990s reduced the territory previously controlled by the KNU. As a result of these offensives STB was increasingly limited to where it could operate in Burma and lost thousands of teak logs. This loss was compounded by the fact that the logs had been paid for in advance. STB's response was to begin logging in Thai forests adjacent to areas they had worked in Burma, including the Salween Wildlife Sanctuary in Mae Hong Son Province. This rampant illegal logging in the wildlife sanctuary took place between 1996 and 1998.

Since the logging was taking place in a wildlife sanctuary and there was in any case a logging ban in Thailand at the time it was essential that the source of the timber be concealed; this was done in a number of ways. The logs were laundered either by transporting them across the Salween River into Burma and then re-exported back to Thailand, or by simply obtaining the necessary paperwork. The imports into Thailand were facilitated by the Royal Thai Forest Department (RTFD) and labour came from the local refugee camps, some of which was organised by the KNU Forest Department.²¹⁰

The scandal was not broken through any desire to see due process or applying the rule of law; it was eventually exposed primarily because of a power struggle in Thailand, which had brought unwanted attention to the logging. In addition a bribery attempt,

intended to discourage further investigation, backfired. The deputy Forestry Department chief, Prawat Thanadkha, took a 5 million (\$122,000) bribe from the STB logging company, and tried to hand the money over to the then Thai Prime Minister Chuan Leekpai. The Prime Minister refused the money and initiated an investigation. It is generally believed that this investigation would not have been carried out under previous Thai administrations.

The result of the investigations was that six senior Royal Thai Forest Department employees were dismissed and several others were transferred to different offices. The deputy forestry Chief and an STB timber trader were prosecuted on bribery charges.²¹¹ The

RFD director general, Sahit Sawintara chose to be transferred. In an interview he was quoted as saying:

*"There are many vested interests in the logging business and the RFD chief must deal with... poorly equipped and disillusioned staff who are coerced into collaborating with unscrupulous loggers; corrupt RFD officials who care little about the country's natural heritage; and dark influences that reap the benefits from this situation."*²¹²

Sahit went on to say that "A forestry official was killed" because he stood in the way of these "dark influences."²¹²

The scandal had reverberations along the border with the KNU Forest Minister, Padoh Aung San defecting to the SPDC rather than facing corruption charges from the KNU.²¹⁰ It is also possible he feared being murdered by Thai mafia involved in the deal.²⁰⁴ Typically, disproportionate blame fell on the weakest groups such as the refugees in Thailand. However, the *jao por* such as Som Changkrajang, government officials and politicians remained relatively untouched. The 15,000 Karen refugees that had taken refuge in the Salween Wildlife Sanctuary became the scapegoats for the scandal and were forced to relocate to Mae Ra Ma Luang and Mae Khong Kha camps.²¹⁰

Research carried out in 2001 has since shown that the presence of refugee camps may actually contribute to the protection of the forest from illegal loggers who prefer to work unobserved.²¹⁰ In the Thung Yai Naresuan Wildlife Sanctuary, in Kanchanaburi and Tak Provinces, observers of forced evictions have stated that the eviction of Thai-Karen villagers from forest reserves is not done to protect the forests but so that logging activities can continue without hindrance and with fewer witnesses.²¹³ Many of the high-ranking officials and businessmen involved in the Salween Scandal are still involved in illegal logging on the Thai-Burmese border.

17.8 Recent Logging on the Thai-Burma border

“The has been something of a pattern in Thailand’s logging history over the past three decades or so. An unexpected scandal sets off profound anxiety that the nations forests are under threat, and public concern is manifested in what seems to be a national consensus: no more illegal logging. Then with three or four years, the same rituals return.”

Bangkok Post April 19th, 1998



The illegal logging and the cross border trade in Tak described below have parallels to the ‘Salween Scandal’. The current cross border trade is also used to conceal illegal logging in Thailand and today’s trade involves many of the same individuals. Residents on the border consider that illegal logging in Thailand is as much a cause for concern as the drug trade²¹⁴ but to date the trade continues unabated.

Illegal logging in the forests of Tak, Mae Hong Son and Kanchanaburi is widespread with the timber often being laundered through Burma (see *Salween Scandal*, page 62). To combat this problem the Thais introduced a log import ban in 1998 and the RTFD and the army signed a cooperation agreement to protect Thailand’s forests. Under the agreement the army was given far-reaching powers as well as financial support²¹⁵ but Thai businessmen either carried on as before, or simply established new sawmills and furniture factories in Burma, near the border with Thailand, and the army has continued to facilitate the illegal imports. The factories use both Burmese timber, principally derived from DKBA and KNU controlled areas, and illegally felled Thai timber. It is difficult to determine how much timber is from Thailand, but local sources have told Global Witness that laundered Thai timber accounts for about 10% of the timber imported from Burma²¹⁶ although this figure is almost impossible to verify.

Most of Thailand’s legal imports of Burmese timber arrive by sea. The residual cross-border imports consist of finished or semi-finished products, such as furniture, doors, window frames and parquet flooring. This trade is concentrated in the Thai provinces of Tak and Kanchanaburi. The greatest volume of processed timber enters Tak Province, with Mae Sot, and the surrounding area the principal point of import.

The furniture trade between Burma and Thailand has existed since the 1970s.²¹⁷ Moves were taken to legalise it in 1999, following protests by timber importers in Tak Province, by allowing the import of ‘rare’ wooden furniture across 15 border passes.²²⁴ The Thai Forest Department claimed that this was a bid to



According to locals the sawmill had been closed for 4 years. Upon closer inspection it was found to be storing over 100m³ of processed teak, Mae Hong Son Province, Thailand; 2001.



Export of furniture from KNU controlled village opposite Mae Ramat during the import ban imposed by Thai authorities in 2001.

stop the smuggling of wooden products²¹⁷ but it has simply served to facilitate the smuggling of all timber species in processed form.

This cross-border trade is problematic for Thailand in two respects. First it exacerbates the problem of illegal logging in Thai forests and second it has a direct and adverse impact on border stability. Senior officials in the Thai military have said that the trade is a direct threat to Thai national security, in particular because of the involvement of the DKBA.^{214, 218}

17.8.1 The value of the cross-border timber trade

In 2000 the Thailand press reported that there were approximately 100 sawmills along the Moei River across the border in Burma, but it is not known how accurate this figure is.²¹⁹ These mills are producing processed products for a trade that members of the Tak Chamber of Commerce estimate is worth between \$70,000 and \$115,000 a day²¹⁶ whilst businessmen involved in the trade claim that it is worth \$115,000 a day.²²⁰

It has also been reported that the furniture trade accounted for more than \$3.6 million in customs receipts in Tak Province for the year 2000.²²¹ However, it is difficult to determine the true value of the trade because much of it goes unrecorded and many people have a vested interest in either underestimating or overestimating its importance to the provincial economy.

17.8.2 The Furniture Import Ban

In December 2001, the Thai army chief, General Surayud Chulanont is reported as saying that logs, processed wood and wooden furniture imported by Thai businessmen did not have certificates of origin issued by Burmese authorities and were therefore illegal.²²² He went on to say that the Thai authorities must be careful not to allow such practices to continue or risk future border conflicts with Burma.²²² It is not surprising that there were no certificates as most of the timber supplying this trade comes from DKBA or KNU controlled areas.

On 7 November 2001 Thailand banned the import of furniture into Tak Province.²²³ The Third Army, working together with the RTFD, suspended furniture imports from four districts: Phop Phra, Tha Song Yang, Mae Ramat and Mae Sot. The crackdown included the seizure, by Regional Police Bureau 6, of 2,500 teak windows and 3,000 teak doors imported from Burma by a Thai businessman. As a result 200 furniture importers blocked Mae Sot, Tak Highway at Huay Ya Ou checkpoint in protest.²²⁴ However, in December 2001 Global Witness saw that checkpoints manned by soldiers in the Mae Ramat District, Tak Province, were still facilitating the trade.²¹⁶ In effect the crackdown presented corrupt officials with more opportunities to increase the unofficial taxes they imposed on Thai traders.

Illegal wood processing also takes place in Thailand. Following the November 2001 furniture import ban Plodprasop Suraswadi, the then Director General of the RTFD, led raids on illegal sawmills on the border in Thailand (Plodprasop was later moved from the RTFD to become the Permanent Secretary of the Natural Resources and Environment Ministry in late 2002). He accused local officials of being negligent in suppressing illegal sawmills and furniture factories.²²⁵ Commenting on one of the factories involved, he stated “*It was the biggest factory I’ve seen...it is located in the centre of the district so it is impossible that the local police did not know about it.*”



DKBA-owned furniture factory in Kawkareik township, Pa’an district, Karen State; 2001.



A piece of furniture, made in Burma opposite Mae Ramat District awaiting collection during the 2001 ban on cross border imports of furniture from Burma.

The sawmill is operated by the wife of a local policeman²²⁵ and had been raided by forestry officials in July 2000 when 10,000 items of processed timber and furniture were discovered. The provincial authorities suspended the operating licence of Thong Thara sawmill for illegal processing of timber and illegal logging.²²⁶ The factory was raided again in August 2000 when the RTFD discovered it to be owned by Mrs Patcharee, wife of Lt-General Mongkol Boonserm a former officer attached to the Supreme Command.²²⁶

The Forest Industries Organisation (FIO) also contributes to the perpetuation of illegal logging in Thailand. The FIO is responsible for auctioning illegal timber but it is an open secret that the seizure of illegal timber is frequently a charade: trees are logged illegally, local people are blamed, forestry officials confiscate the timber and the FIO auctions it off cheaply to the *jao por* and illegal loggers.²²⁷

Being involved in illegal logging has far more serious consequences for those who are not protected by their status. At the beginning of April 2002, for instance, a Thai military patrol shot and killed two hill tribe villagers in Tak's Tha Song Yang district. The army claimed that the two men were shot after they opened fire on soldiers that were on the look out for log poachers. Villagers claimed that the group was not carrying firearms and were equipped only with saws and old knives and were cutting wood for household use.²²⁸

It is not only the Thai military that are armed. In late 2002 weapons previously held by Thai forestry department personnel were transferred along with staff to the new National Park Department. This transfer included 7,000 people, reducing the forest department to 1,000, and 13,000 rifles and pistols.²²⁹

17.8.3 Sia Hook

Logging activities and the cross border trade in timber around the Moei River in Tak Province is largely controlled by leading figures in the provincial administration, Thai politicians and in particular by Sunthorn Ratsameeruekset, otherwise known as Sia Hook.

Not only has Sia Hook been involved in illegal logging²³⁰ and illegal encroachment into reserved forests²³⁰ in Thailand but his employees have been linked to the supplying of drug precursors to groups allegedly including the 'Red Wa' (UWSA – former communists) in Burma close to the Thai border.²³¹ Most recently, in June 2002, he came under scrutiny in relation to a politically motivated murder in Kanchanaburi, where his son, Rangsan is the municipal mayor.²³² Around the same time a school bus was attacked by gunmen in Ratchaburi province, south of Kanchanaburi, killing two students and injuring 13 others. The suspected gunmen were thought to be hiding at a rubber plantation owned by Rangsan.²³³ The Thai press reported that incident occurred because the bus driver had failed to settle a debt of 100,000 baht (\$2,350) to Karen combatants in Burma that related to illegal cross border timber trade including timber.^{234, 235}

On the business side Sia Hook has been linked to Choon Tangkarn (Sia Choon) and his son Boonkiat, owners of Pathumthani Tangkarn and representatives of Thai Teakwood Veneer logging companies, through Sia Hook's association with Pathumthani Sawmill. The Thai Teakwood Company is part of a group of logging companies including Thai Pong Sawmills, Pathumthani Sawmills, and Pathumthani Tangkarn. Thai Teakwood Veneer Co. Ltd, Pathumthani Sawmill Co. Ltd, and Pathumthani Tangkarn Co. Ltd share the same telex numbers and it is possible they are one in the same company.^{236, 237}

Both Thai Teakwood Veneer and Pathumthani Tangkarn were awarded logging concessions by the SLORC in areas controlled by opium warlord Khun Sa and his Mong Tai Army. Both these concessions, and Pathumthani Sawmill itself are linked to Kyaw Win, founder and Chairman of the Myanmar Mayflower Bank.²³⁸ Kyaw Win and Choon Tangkarn are known to have been business partners.¹⁷¹ Kyaw Win is thought to be chairman of both Pathumthani Sawmill Company and Chin-Su Mayflower Plywood Industry.²³⁸ According to press reports then SLORC army commander of Shan State, Major General Maung Aye was also in on the deal; Maung Aye has since been made commander of the entire Burmese army.¹⁷¹

Mayflower Bank has been associated with drug trafficking and it is reported that Kyaw Win is on a watch list of the US Drug Enforcement Agency.²³⁹ The bank also holds the zinc mining concession in Mawkhi Town opposite Thailand's Tak Province.²⁴⁰

It is clear that Sia Hook is a very powerful individual. In April 1991, for instance, Thai authorities



One of Sia Hook's log trucks, KNU 4th Brigade area; mid 1990s.

in Sangkhlaburi Province stopped the delivery of all food and medicine to more than 10,000 Mon refugees following the destruction of a log truck belonging to Pathumthani Company, by Mon forces the previous February. The driver, who was killed, had apparently entered Mon territory. Deliveries to the five refugee camps only resumed after the NMSP had agreed to pay a fine of 800,000 baht (\$32,000) in logs to Pathumthani.¹³¹

Historically, Sia Hook's influence has been strongest in Kanchanaburi Province. He operated a near monopoly on logging in areas under the control of the KNU's 4th Brigade, opposite Kanchanaburi and Ratchaburi province between 1989 and 1997 and possibly before the SLORC granted logging concessions.²⁴¹ However as a result of the SLORC's

1997 dry season offensive against the 4th Brigade it is thought that he lost substantial amounts of timber and access to forests previously controlled by the KNU. A source close to the KNU has claimed that Sia Hook once offered himself as a mediator in the ceasefire talks between the KNU and the regime.²⁴² The joke at the time was that the KNU thought that there was not enough timber in the whole of Karen State to pay for Sia Hook's services.²⁴²

Sia Hook's logging trucks had been used to transport Karen refugees fleeing the SLORC advance. However, when they arrived in Thailand male and female Karen refugees were separated and trucked to areas close to the border that were not safe from SLORC attack. In one recorded case in 1997 Thai Border Patrol Police screened refugees and refused entry to 500 boys and men between the ages of 15 and 55 years.²⁴³

It should be noted that he has close links to all sides in the conflict. Mon insurgents claim that Sia Hook collaborated with SLORC to transport troops into battle against the MNLA in the 1990 battle for Three Pagodas Pass. He also had excellent relations to General Sit Maung, once a frontline commander at the Three Pagodas Pass who went on to become the regional commander of the South East Command until he died in a helicopter crash in 2001.

In the late 1990s, following the Salween Scandal (see page 62) and losses in KNU controlled forests he is thought to have extended his field of influence into Tak Province. Sources in Tak claimed that Sia Hook used the disruption of the scandal and his connection to the STB Company to establish himself in Tak whilst STB proprietor, Por Liang Som avoided attention. Opinion is divided as to whether or not he still deals with the KNU: Global Witness has been told by sources

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Karen National Liberation Army soldiers at the Headquarters of 7th Brigade. The four principles of the KNU's founder Saw Ba U Gyi are on the notice board. The KNU is the largest insurgent army not to have signed a ceasefire with the Burmese government.



The gates of one of Sia Hook's sawmills near Kanchanaburi, Tak Province, Thailand; 2001.

close to the KNU that no such link remains, others suggest that he is still involved in logging in KNU-controlled areas opposite Tak.²⁴¹ It is also thought that Sia Hook has made several attempts, within the last few years, to use Karen refugee labour to work inside Burma opposite Ratchaburi province where old logs are stranded.²⁴⁴

Despite Thailand's logging ban, Sia Hook has two large and prominent sawmills in Kanchanaburi province²⁴¹ and in 2001 and 2002 his log trucks were especially active in and around Tak, near the Burma border.²⁹⁵ Global Witness has been told that Sia Hook has MTE logging concessions in Burma and is possibly operating under the name Kanchanaburi Sawmill Company. He is also involved in furniture import through the Three Pagodas Pass, and in log export from the Burmese ports of Ye, Tavoy and Mergui.²⁴¹ Over the years, Sia Hook appears to have maintained good relations with the SPDC.

An anonymous report written by western aid workers claimed: "*The push to repatriate the refugees in this area of the Thai-Burma border* [KNU 4th Brigade

Area, opposite Kanchanaburi and Ratchaburi] *as quickly as possible is perhaps related to massive business interests involving logging, road construction and the development of Tavoy as a deep sea port for Thai exports.*"²⁴³ Sia Hook has business interests in all of these and he is an adviser to the Kanchanaburi Industrial Council.²⁴⁵ The council is involved in the \$28 million Kanchanaburi-Tavoy Road.²⁴¹ The contract to build this road was given to the Kanchanaburi-Tavoy Development Co. Ltd, which according to project documents²⁴⁶ was to begin logging, clearing forest and building the road in March 2001.

General Chettha Thanajaro, the former Supreme Commander of the Thai Army, has been described as a 'consultant' for the Kanchanaburi Industrial Council.²⁴⁶ When General Chettha Thanajaro was Commander of the First Region, he was integral to the opening up the logging trade on the Thai-Cambodian border. At the time he was quoted as saying: "*We should start logging in Cambodia, the price should be very cheap. Let it be truly Khmer timber, don't let them cut ours.*"²⁴⁷ General Chettha is currently a Thai-Rak-Thai MP.



Another of Sia Hooks log trucks travelling on the Mae Sot – Tak highway; 2001.

17.8.4 The problem of 'Old Logs'

The issue of importing old logs from Burma emerged in about 1996. Old logs come in two forms: those that have been cut for some time and those that have yet to be cut. The former type of old logs, in the Thai/Burma context, are those that companies with SLORC-era logging concessions were forced to abandon because of fighting, or logs that have been seized from insurgent groups by the SPDC.²⁴⁸ In the latter case a request to collect and/or import 'old logs' is used as an excuse for renewed cutting and the logs in question do not in fact exist at the time the request was made.

Undoubtedly there have been genuine old logs on the Thai/Burma border but their true volume is not clear. In February 2000 1,400 Karen refugees were moved from a temporary camp in Ratchaburi district and this appears to have been related to the presence of 70,000 logs left across the border.²⁴⁹ People are often moved not because they are really causing environmental damage to the area, but because their presence makes illegal activities less viable. Many old logs have already been moved or destroyed. In 2001 the Karenni National Peoples Liberation Front (KNPLF), an SPDC-allied ceasefire group, rebuilt a road near the Thai border and removed logs that were previously cut by the Pathumthani and STB companies during the era of official logging concessions. Karenni sources state that the SPDC allowed the KNPLF to remove the logs because it was unable to remove the logs itself, but also to create tensions between the KNPLF and the KNPP.²⁵⁰ In May 2001, the Polpanna Company was reported to have lost 1,000 logs in a 'bushfire'.²⁵¹

In March 1999 Thai log importers threatened to sue government agencies if they prevented the companies from bringing in 1.41 million m³ of timber, worth more than 30 billion baht (\$810 million),^y from Burma.²⁵² In July 1999 the Bangkok Post reported that the Polpana, B&F Goodrich, SA Pharmaceutical, and Songkhrao Sahai Ruam Rop Kaolee (Thai-Korean War Veterans Welfare Co.) companies had asked permission to import up to 1.5 million Burmese logs.²⁵³ It is not clear if this article was referring to the same logs, but this is likely. Some logs were exported but not in such large quantities. In any event it is Global Witness' view that the majority of the logs never actually existed. Permission was sought to import 60,000 m³ from Burma through Mae Hong Son Province again in 2000. The four Thai firms involved in this case were Polpana, B&F Goodrich, SA Pharmaceutical and Thai-Korean War Veterans Welfare Co.²⁵⁴

Global Witness first came across SA Pharmaceutical in 1996 when it was involved in a similar scam to import 'old logs' from Cambodia. Log exports from Cambodia had continued until January 1995 when the Royal Government of Cambodia (RGC) imposed a complete log and sawn timber export ban. This ban was breached on numerous occasions because Thai logging companies, using the pretext that the ban had stranded logs that had already been cut, successfully lobbied for 'exceptions'. These exceptions took the form of a special permission issued by the RGC allowing the companies to export 'old felled' logs. The loggers would, in fact, enter Cambodia and fell new logs. Typically a few months



The Kayah Pu Logging Company's Hpasawang logging area.

^y \$1 = 37 baht in 1999.

later the loggers would call for another exception, export more logs, and so on. As can be seen above, the pattern was later to repeat itself in relation to companies operating in Burma; some of which had previously been logging in Cambodia.

In April 1996 Global Witness obtained documents authorising the export of 1.1 million m³ of logs from Cambodia to Thailand. The 'Million Metre Deal' consisted of three letters signed by Cambodia's co-Prime Ministers to the Thai Prime Minister, Banharn Silpha Archa. Further to a meeting between Cambodia's Minister of Agriculture Tao Seng Huor and Thai Deputy Prime Minister Chavalit, Cambodia had agreed to export 1.1 million m³ of 'old felled' logs to Thailand. All the logs were in Khmer Rouge (KR) held territory, making verification of their existence impossible. Global Witness' investigations, however, showed that the loggers were in fact cutting to order and paying the KR between \$35-90 per m³. SA Pharmaceutical had been formed specifically to take advantage of this quota-based deal and was in reality the same company as Pipat Forestry. In 2001 Pipat was seeking logging deals with Wa ceasefire groups in the Kengtung area of eastern Shan State²⁴¹, but it is not known whether or not these deals were ever sealed.

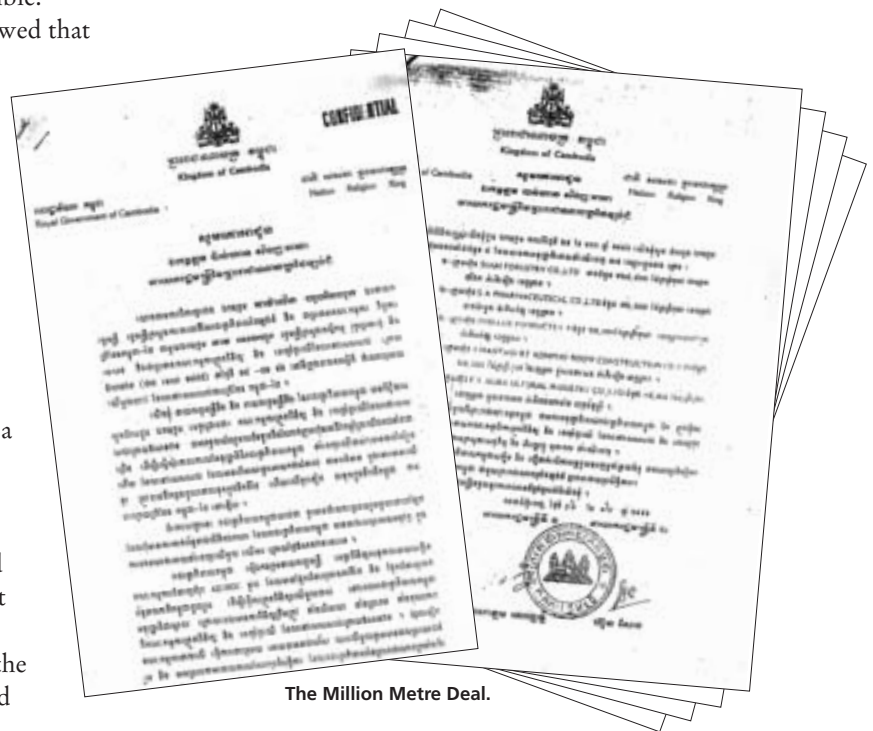
Whether or not companies are permitted to import 'old logs' from Burma has become a highly charged political issue in Thailand. When Plodprasop Suraswadi, the Director-General of the RTFD, investigated logging companies' 'old logs' claims in 1999 he found serious discrepancies, which led him to doubt that all the timber was from Burma.²⁵⁵ The logging companies, for their part, claim that the import ban is causing them to lose money and that they have paid the SPDC more than 20 million baht (\$463,000) over the years in concession renewal fees and other expenses.²⁴⁸

In February 2000, the Director-General claimed to have received death threats from logging companies frustrated by his department's stringent import controls on 'old' Burmese logs. The RTFD was reluctant to allow the import of these logs as it was again concerned that the logs came from Thailand's forests. Reports in the Thai press at the time claimed that an assassination attempt on Plodprasop Suraswadi was planned to occur on his visit to inspect the logs in Burma.²⁵⁶ This attempt would be covered up as a clash between the Burmese military and ethnic insurgents.²⁵⁷ The press reports also claimed senior politicians were involved in the plot but did not elaborate.²⁵⁷

Later, attempts were made to transfer Plodprasop Suraswadi from the RTFD to the Ministry of Agriculture; to an "inactive" post of Deputy Permanent Secretary for Agriculture.²⁵⁸ According to the Director-General this was linked to the RTFD's Burmese log

import ban,²⁵⁹ his firm stance against the smuggling of logs from Burma and the related crackdown in Tak Province. The Deputy Agriculture Minister, Praphat Panyacharttrak denied that Plodprasop's transfer was related to log imports²⁶⁰ but the Director-General's planned replacement, Dhamrong Prakorbboon, who denied having links with the logging industry,²⁶¹ has stated that he would open up the Salween Wildlife Sanctuary for the transport of logs from Burma.²⁶¹ In April 2003 it was reported that there were plans to haul 2,000 teak logs from the Salween Wildlife Sanctuary that had been impounded in 1997.²⁶²

There is also speculation Plodprasop's planned move was connected to his ongoing investigation into the



The Million Metre Deal.

activities of Chuchart Harnsawat, the brother of the Agriculture Minister, for alleged encroachment into a national park in Kanchanaburi Province.²⁶³ Global Witness is not aware of the outcome of this investigation. However in April 2002, following a period of intense lobbying, Plodprasop was allowed to stay as the Director General until October 2002.²⁶⁴ He subsequently became the Permanent Secretary of the Ministry of Natural Resources and Environment and was eventually replaced by Verapan Sriboonlue.

Logging companies claim that there are currently a significant number of logs opposite Mae Hong Son Province and Ratchaburi Province. Four of these companies, the Korean War Veteran Association, S.A. Pharmaceutical, B&F Goodrich and Polpana Company,²⁶⁵ are trying to import over 50,000 m³ of timber from Burma. By March 2002 two of the companies were in negotiations with the MTE.²⁴⁸

18 KAREN STATE

*“The government of Burma also has forest acts. But the Burmese military regime has in its plan a strategy to eliminate the Karen people and so it uses logging concessions as a strategic tactic. The SPDC has given permission to the DKBA, private enterprise and its own units in those areas saying ‘We can reforest after deforestation, but it would be difficult to reform a government after its fall’”*²¹²⁷

Karen Environmental and Social Action Network (KESAN), 2001

The Karen are the largest ethnic family in Southeast Asia that have not gained recognition as an independent nation state.⁴ Karen identity was significantly shaped during the colonial era when many joined the colonial army and large numbers converted to Christianity. It has been argued that the identification by many Karen with social and political advances under the British administration was the beginning of a dangerous ethnic polarisation between Karen and Burman communities that has continued to the present.⁴ A series of violent events during and shortly after the Second World War, when government militias killed several thousand Karen, deepened the level of mistrust between the Karen and the dominant Burman majority.

18.1 The Nature of Conflict in Karen State

*“There’s no question, the Burmese are out to crush the Karen because of the goldmine they are sitting on.”*²⁶⁶ Anon, diplomat, April 1989

The Karen have been calling for an independent Karen State since the 1930s. But this did not result in full-scale conflict, between Karen forces and the government, until January 1949 when the government outlawed the Karen National Union (KNU) and Karen units defected from the Burmese Army. The 1947 Constitution was “*riddled with anomalies*,”⁴ Karen State had not been demarcated and there were serious disputes about where the boundaries should lie. In particular the Karen leadership was unhappy with a proposal that would give it control only over the portion of the eastern hills and no political representation in the Irrawaddy Delta area where a large number of Karens lived. But by June 1949 the KNU had established the Karen Free State of Kawthoolei, which included areas in the Irrawaddy Delta, Pegu Yomas, Tenasserim, and the town of Insein just outside Rangoon.

Many areas in Karen State continue to be beset by violent conflict, which is characterised by low-level guerrilla activity by armed opposition groups and offensives and forced depopulation by the SPDC. The main protagonists in the conflict, in addition to government forces, are the Democratic Karen Buddhist Army (DKBA) allied to the SPDC and the KNU. In addition there are several ceasefire groups that have split from the KNU. All of these groups are motivated, to varying degrees, by political ideologies and economic interests. The fight, in part at least, over natural resources has led directly to human rights abuses and environmental degradation.

18.2 The Karen National Union (KNU)

The KNU, formed in 1947, is the largest insurgent group in Burma not to have agreed a ceasefire. However after initial territorial gains it has gradually lost ground to government forces and has not held a town since the 1950s. The Four Cuts counter – insurgency campaign (*see page 19*) began in 1964 in the Irrawaddy Delta, spread to the Pegu Yomas Mountains and continues today. This campaign marked the beginning of widespread internal displacement in Karen State and led to the first wave of Karen refugees crossing to Thailand in the mid 1970s.

The KNU retreated towards the mountains near Thailand where it established a ‘liberated zone’ along a 400-mile stretch of the border. From 1974 to 1995, Mannerplaw near the confluence of the Salween and the Moei rivers was the headquarters of the KNU. After the DKBA split from the KNU, and the SLORC offensives between 1995 and 1997, the KNU stopped defending fixed positions and re-adopted guerrilla tactics.

The economy of the KNU was based on the border trade between Thailand and Burma upon which it levied a 5-10% tax. The trade consisted of value-added consumer goods being imported into Burma and raw materials, including teak, cattle, precious stones and minerals going to Thailand. The BSPP isolationist policies prohibited the legal import of these goods, so they were only available on the black market, mostly via the insurgent-controlled borders. The KNU established trade gates in 1964 through which between one and two million baht (\$40,000 and \$80,000 at an average exchange rate in the 80s of 25 baht to the dollar) of trade passed daily. Not only did this cross border trade finance the ethnic insurgencies, it also made many Thai businessmen and military officers rich.

At first sight the border trade would appear to have been disadvantageous to the BSPP/SLORC but it did have strategic military implications that would eventually undermine the KNU: it tied KNU forces to fixed positions that were easier to attack and meant that other areas were left largely undefended. It is also thought that there have been disputes within the KNU over control of the border trade and logging operations, and the proceeds which some thought were unfairly distributed (one of the factors that lead to the formation of the DKBA) (*see page 72*). From 1984 the BSPP/SLORC increasingly attacked the KNU’s border trade gates and by 1988 income from this trade was down by around 60% at several of the gates.²⁶⁷

Much of the border trade has been formalised but the smuggling of many goods still banned by the SPDC is now largely controlled by the DKBA who control jetties and warehouses near the border. The view of one prominent SPDC official is that the KNU and other insurgents along the Thai border are “*basically economical bandits, who are living off the people by intimidating them with acts of terror, while enjoying the support of the western democracies who are supposedly waging war on terrorism.*”²⁶⁸

18.3 The Democratic Karen Buddhist Army (DKBA)

*“Rangoon has promised that if we, the DKBA, can drive Karen refugees living in Thai camps back to Burma, it will reward us with vast border areas and the freedom to rule Karens. To help us become self-supporting, the Burmese government promised to open cross-border trade between Thailand and the DKBA.”*²⁶⁹ To Hliang, DKBA commander, 1998

*“We are not fighting against Burma, but we will retaliate against the DKBA because Burma lets the DKBA administer that area, which is rich from logging, mining and drug producing,”*²⁷⁰ Thai Army General Wattanachai Chaimuanwong, former commander of the 3rd Army region, May 2001

*“The [other] main motive for the attacks stems from the loss of lucrative profits from illegal business”.... “Thailand’s crackdown on illegal logging and untaxed goods along the border have enraged the DKBA and other interest groups, and so they are staging sabotage activities on Thai soil in an attempt to force Thai authorities to stop blocking their businesses.”*²⁶⁹

The DKBA was formed in 1995 as a breakaway group from the KNU under the leadership of U Thuzana, a Buddhist monk. The precise cause of the split is difficult to determine, but certainly is satisfaction amongst the, predominantly Buddhist, rank and file with the mainly Christian leadership and lack of progress towards peace played a part.²⁷¹ Many observers also believe the split was engineered by the SLORC.

The DKBA quickly established an alliance with SLORC, making requests not only for protection from the KNU but also for help in attacks against the KNU. The SLORC obliged and in return the DKBA acted as guides in successful SLORC offensives. DKBA support was instrumental in the attack that led to the downfall of the KNU’s Mannerplaw headquarters in 1995 and its general decline since.

The DKBA also gave the SLORC detailed information into the ways that Thailand assisted the KNU.²⁰⁴ Although the SLORC knew much of this

already, specific details were used to further undermine the KNU position by applying selective pressure on Thailand, for example, by restricting border trade.

From 1995, with the apparent complicity of parts of the Thai government, led by General Chavalit Yongchaiyudh, the DKBA repeatedly attacked Karen refugee camps in Thailand. In 1997 Burmese troops guided by DKBA rebels burned three refugee camps near Mae Sot leaving 10,000 people homeless.²⁷² The SLORC and DKBA claimed the refugee camps were used by the KNU; other accounts report that families of DKBA troops were kept hostage in the camps.¹⁹³

The DKBA largely became a proxy army of the SLORC but there is said to be a mutual lack of trust and respect between them. At the outset the SLORC supplied the DKBA with rations, money, weapons and ammunition. However, the SLORC stopped paying salaries in 1996 and also cut back on rations, so under its own initiative the DKBA has engaged in trade and established businesses, some legitimate and some illicit.

The majority of DKBA income comes from logging, cattle smuggling, black market goods, and trading stolen vehicles from Thailand. There is evidence to suggest that the DKBA is involved in the distribution of drugs, specifically amphetamines (*yaa baa*), that have a large market in Thailand.^{216, 293} In 2001, a close observer of the border near Mae Sot explained that Burma had prohibited the import of 32 trade items from Thailand, and that these goods had since become a major source of income for the DKBA who supervised imports into Burma, with the tacit approval of the SPDC.²¹⁶ Like most other groups in Burma, the DKBA also establishes roadblocks and taxes villagers. Examples from logging suggest that many DKBA business activities rarely, if ever take place without partnership with various SPDC officials.

The DKBA is organised into four brigades: 333 based in Thaton, 555 in Northern Pa’an, 777 in Papun and 999 the largest brigade based at KoKo on the Moei



A village built on sawdust. There are hundreds of small sawmills in Wa Le town controlled by the DKBA.

River, north of Myawaddy, the Burmese border town adjacent to Mae Sot. The main centre of activity is around Khaw Thaw, on the Salween River upriver from Pa'an Town, but recent reports suggest it operates as far south as Southern Doooplaya District.²⁵⁰

The command structure of the DKBA is said to be very weak with small local DKBA groups acting on their own initiative or following the orders of SPDC officers.²⁷³ The character of units depends on their leaders with some DKBA commanders said to act as warlords, whilst others apparently provide genuine protection for people in their areas.²⁷³ Most accounts suggest that the DKBA has failed to deliver on earlier expectations and that there have been many defections of DKBA combatants back to the KNU or to civilian life, which has altered the constitution of the DKBA that originally comprised of KNLA combatants.

18.4 Logging in Karen State

*“A couple of weeks ago in [...]z, KNU and SLORC allowed a Thai trader to cut down trees for timber, window frames and furniture. They both get tax from him, about two million baht per month. So DKBA soldiers went to the Thai trader and asked for tax, but the Thai trader said, “I already pay SLORC and KNU, so I have no money to give you”. Then the DKBA soldiers went to SLORC and SLORC said, “Why did you go and ask for tax?” So DKBA said, “You and KNU earn money, so DKBA should too”, but SLORC said, “Don’t do that.” We were very angry with SLORC. Then SLORC sent a message to KNU saying, “If you see anyone going to bother the trader, we’d like you to attack and kill all of them”. The KNU soldiers were very happy to hear that, and the next day when the DKBA soldiers were on their way to the sawmill the KNU soldiers were waiting for them halfway and shot at them. The DKBA soldiers called SLORC to support them with artillery, but SLORC were laughing and clapping their hands.”*²⁷¹ DKBA Soldier, 1996

It cannot be said for certain how the KNU or DKBA administer their logging areas but wherever they work the Thai logging companies probably conduct the same kind of logging operations. The above quote highlights the involvement of all combatants and the chaos of logging in Karen State. It also shows that business interests can sometimes take precedence over battlefield allegiances, and the involvement of Thai logging companies at the heart of conflict. Although the statement was made in 1996 it is arguably still valid today.

18.4.1 The KNU and Logging in Karen State

*“SLORC troops are using the extensive network of logging roads, built by Thai logging companies with KNU concessions throughout the area, to move quickly.”*²⁷⁴ Karen Human Rights Group, March 1995

The KNU’s guerrilla warfare depends on the forests for refuge, and they are quite aware that logging is being used for strategic reasons to undermine the insurgency.

The balance of power between the SPDC and the KNU with regards to logging has been described by the Karen Environmental and Social Action Network (KESAN): *“Even after a company has received legal permission from the Burmese forestry department they must still consult with the KNU forestry department. This KNU department has its rules and regulations to protect wildlife and to preserve forest and according to KNU law and the forest act no one can conduct any activity in the Forest. As the areas are also under the control of the SPDC, KNU authorities can’t do anything, and have to allow the wishes of the companies and the MTE.”*

It is likely that the trade itself is being conducted on SPDC terms rather than those of the KNU, but it should be remembered that it does provide the KNU with an important source of funding.



Loggers sawing a felled tree in Karen State. Mone Township, Nyaunglebin District, Karen State; 2001.

z The name of the village has been removed for safety reasons.

18.4.1.1 Villagers and logging in KNU territory

*“This region is where we live on fruit tree gardens such as durian, betel nut tree. But now due to logging practice we can see that rainfall decreased and the gardeners are facing difficulties. The business of logging does not prove much benefit to our villagers. If logging work is going on there will be no more tree left we will face difficulty in our future for our shelter.”*¹²⁷ Yu Lo, villager, 2001

Logging began in 1999 in an area close to Light Infantry Brigades 440 and 590 in Mone Township.¹²⁷ The logging is mostly administered locally, and conducted independently of larger logging companies. 50 Burmese villagers are involved in logging with SPDC permission and, reluctantly, the KNU.¹²⁷ It is said that the KNU is concerned that the logging undermines its security, but that it is unable to prohibit Burmese villagers because, as they have permission from the SPDC, the villagers feel that they have a right to continue.¹²⁷

KNU authorities tried to ban logging in this area but they were not able to enforce the ban and now logging is taxed and administered by both the KNU and the SPDC. Villagers are obliged to negotiate advances with the KNU authorities and provide them with a list of workers and a list of tools used. The KNU authorities in turn give the loggers a list of KNU forest regulations.¹²⁷

Villagers use simple tools in the logging process. Some are employed as ‘cutters’, ‘draggers’ and ‘floaters’, earning 300 - 700 kyat (\$0.5 -1.0) per ton of timber. It is clear that villagers earn very little from the trade and that large profits are being made elsewhere; nevertheless this is an important source of income. The logging area runs alongside a river and floating the timber requires 35 pieces of bamboo for every ton of timber.¹²⁷

TABLE 5: TAXATION OF KNU GOVERNMENT FOR ONE CONCESSION

SOURCE: KAREN ENVIRONMENTAL AND SOCIAL ACTION NETWORK (KESAN) REPORT 2001.

	Kyat	US Dollar Equivalent
Pass for one term	100	0.2
Pass for one elephant	1,200	1.9
License for one chain saw	3,000	4.8
License for a road construction vehicle	10,000	16.1
Log dragger	7,000	11.3
Log lifter	5,000	8.1
Log conveying truck 3 ton and above	3,000	4.8
Log conveying truck 7 ton and above	7,000	11.3
1 ton of iron wood (pyinkado)	4,000	6.5
1 ton of teak	5,000	8.1

In the first instance timber is taken from the logging concession on the banks of the Ple Lo Klo River to one of 11 small sawmills in Kyauk Kyi Pauk. The sawmills are two hours away by river or road. The price of timber is between 18,000 and 21,000 kyat (\$29-\$34) per ton.¹²⁷

The villagers’ situation is difficult because they pay multiple taxes to all combatants and face SPDC and the DKBA demands for ‘voluntary labour’; the reality is that they have very little choice.¹²⁷ One farmer claimed he was forced to hand the SPDC 12 baskets of rice per acre of rice paddy.¹²⁷ Under these circumstances logging is an important source of income to offset the heavy demands of the combatants.

It is thought that a minority of the logging carried out by villagers is done in accordance with official regulations of either the SPDC or the KNU forest departments.¹²⁷ Villagers have expressed concern that the unregulated logging is destroying the forest and affecting the local climate. Forest fires have become more frequent and they are made worse by logs and branches left behind by the loggers. Frequent fires destroy smaller trees, animals and herbs and the reduced rainfall is affecting villagers’ fruit gardens where they grow betel nuts and durian.

18.4.2 Logging and Violence in Karen State

In Karen, and other states, logging concessions are given by opposing armed groups to distinct groups of civilians in strategically sensitive areas. From the SPDC perspective logging reduces forest cover and often means that it can gather intelligence about the activities of insurgent groups from those that work in the forest. These civilians frequently lack alternatives to logging and may need to raise funds to pay taxes levied on their crops. In addition they face serious risks as logging in the contested and highly militarised areas of Karen State can easily lead to violence and murder.

On 6 April 2001, for instance, The New Light of Myanmar reported that ten KNLA soldiers had murdered 24 woodcutters in Kyaukkyi Township, Nyaunglebin District, for ‘refusing to pay taxes.’ According to the SPDC, the KNLA (the armed wing of the KNU) “*arrested 27 villagers collecting firewood in the forest... and tied their hands behind their backs and took them. The insurgents slashed the villagers to death, using grubbing hoes and wood sticks at the hillside.*”²⁷⁵

The KNU denied the SPDC’s version and claimed that the murders were carried out by the SPDC’s Military Investigation Units ‘Sa Thon Lon Apweh.’²⁷⁶ This notorious group operates independently of regular SPDC units, and has been operating in Nyaunglebin District (KNU Third Brigade) since 1998. According to the KNU, orders had been given by the Southern Command to local SPDC units to seize people and

machinery involved in stealing timber from the forest. The KNU claim that the MI, is under the direct control of the Southern Command. Furthermore, the KNU claim that the SPDC's reporting was "politically motivated and with the intention of tarnishing the good image of the KNU."²⁷⁶

In 2001 Global Witness interviewed a logging businessman who claimed that: "Government troops, sent not from the Central Command, but from higher level, are the worst in Taungoo area. They are known as 'Short-trousers' by the locals being tortured by them. Nobody dares to talk about them. We've been told that they had opened up the stomach of a man leaving him to die in front of his villagers."²⁷⁷ Taungoo is just north of Nyaunglebin, and Pegu Division, where the interview took place, borders both these districts of Karen State.

A 1999 report by the Karen Human Rights Group (KHRG) refers to the possible arrival of 'Short Pants' soldiers in Pa'an District, and possibly in Thaton District, south of Nyaunglebin. According to the group the 'Short Pants' "first appeared in Nyaunglebin District in September 1998 and began systematically executing all villagers who were suspected of even the slightest possible contact with Karen forces." The report goes on to say in graphic terms "They have already brutally executed dozens of villagers in Nyaunglebin District, often cutting their throats and beheading them as a warning to other villagers."²⁷⁸

'Sa Thon Lon' or 'Three Ss' 'Sa Sa Sa' is the abbreviation for the DDSI (Directorate of Defence Services Intelligence), Burma's pervasive Military Intelligence headed by SPDC Secretary-1 Lt. Gen. Khin Nyunt. This group is often referred to as 'A'Htoo Ah Na Ya A'Pweh', meaning 'Special Authority Force'.²⁷⁹ These soldiers, apparently under the direct control of Rangoon, have described themselves to some villagers in Karen State as 'Dam Byan Byaut Kya' or the 'Guerrilla Retaliation' unit. Villagers refer to the group as 'S'Ker Po', 'Short Skirts or Short Pants, a reference to their use of civilian clothes.²⁸⁰

Global Witness has been unable to ascertain the veracity, or otherwise, of these accounts but what is not disputed is that 27 woodcutters were killed in cold blood, probably in the course of cutting timber for sale.

A similar incident took place more recently in Shan State. In January 2003 The New Light of Myanmar reported the murder of 12 workers at a timber extraction site on the 18 January.²⁸¹ The SPDC blamed the deaths on the SSA(S). However, in February 2003 a Shan Herald News Agency article reported that a key witness had retracted his statement saying that he had been coerced by the *Tatmadaw* to provide it, and that in fact it was the *Tatmadaw* that had carried out the killings.²⁸² It is far from clear who was actually responsible for these deaths.

18.4.3 U Teza and the Htoo Trading Company

The Htoo Company is owned by U Teza a rich businessman who lives in a teak mansion in Kamayut Township in Rangoon. He maintains close relations with very senior figures in the SPDC including Than Shwe, as well as other national entrepreneurs and is widely suspected of being one of the regime's sources of arms and ammunition.²⁸³ The company has business interests that include, road building,²⁸⁴ tourism resort development and agribusiness.²⁸⁵ U Teza is Vice Chairman of the Myanmar Billion Group Co Ltd²⁸⁶ another national entrepreneur group involved in logging²⁸⁷ and other natural resource based businesses.^{288, 289}

Because of the national entrepreneur status the company can easily import heavy machinery such as tractors and heavy lifting equipment and can obtain fuel at a privileged rate.²⁹⁰ The company is obliged to supply some logs to the MTE but it also exports teak and pyinkado.^{100, 127} However, its privileged status appears to have led to a certain disregard for public opinion. For instance, in the process of constructing a timber jetty on the eastern bank of the Irrawaddy River in Katha Township, Sagaing Division, the company built roads across villagers' fields destroying cultivated land as well as the crops that were growing on it. According to an NLD statement there was no consultation and no compensation.²⁹¹

Logging in Mone Township, Nyaunglebin District is carried out by several groups. These include the DKBA, which began logging in the area in 1998 and has established small sawmills and local SPDC units, which



Revenue certificate of a sub-contractor working for Htoo Company, 2000.

have granted villagers permission to log and to operate sawmills. However, most of the logging is carried out by the Htoo Trading Company, which works with the MTE throughout Burma, and its representatives or subcontractors. Logging in these areas is particularly profitable because of the proximity to Rangoon and the resultant low transportation costs.

Htoo Company has an operational office in Toungoo and a branch office in Mone Township where it has been working since 1997, when it replaced several smaller companies. The Mone Township office is used to oversee logging operations in Nyaunglebin.

Before Htoo Company's arrival the logging operations were basic but it invested significant capital, building roads and using chainsaws and other modern equipment, which significantly speeded up the harvesting process.

In effect, the Htoo Company has been given permission to log in 'brown' areas (insecure zones), areas contested by the KNU. Htoo Company does not deal directly with the KNU, but its subcontractors are said to use a 'communication team' to negotiate at the Nyaunglebin District level, in Mone Township. The logging permits are provided by SPDC officers Brigadier General Tin Aye and his second officer Colonel Maung Ni.¹²⁷

The Htoo Company has a logging quota from the MTE for Mone Township to extract on average 8,000 tons of timber a year.¹²⁷ In Nyaunglebin for the 2001/2002 period the Htoo Company has a contract to log 15,000 tons of pyinkado and 10,000 tons of teak per year.

Before commencing work in the Mone Padai reserve, Htoo Company's subcontractors pay a 'bond' to the KNU.¹²⁷ In other areas it is understood that Htoo Company representatives have made donations of ten million kyat to the KNU.²⁹² The representatives also need to pay off the SPDC battalions that operate in its concession in order to avoid clashes between KNLA and SPDC troops. In Mone Township this is the 440 and 590 Battalions, which are paid 20,000 kyat by each Htoo Company representative before they are allowed to start logging.¹²⁷ Despite the payments however, there is said to be no guarantee that fighting will not occur between the KNLA and SPDC.

Htoo Co's logging operations are conducted by subcontractors, which are often small locally based outfits. Personnel involved in logging operations are issued with movement passes which must be obtained from the village Peace and Development Councils



U Teza's house in Rangoon.

(PDCs), then township PDCs, and finally from the frontier military office Passes cost 3000 kyat (\$4.80) and are valid for one logging season.¹²⁷

Subcontractors working for the Htoo Company do most of the hard work but appear to get relatively little reward. According to one subcontractor, "This logging work is not so profitable as we have to pay various kinds of tax and contribution and we are able to enjoy only a very little amount left over. The major benefactors are companies and the MTE. They pay us quite low whereas they earn in US dollar on exporting. For us it is not favourable and even risky when we met with SPDC's front line moving soldiers."¹²⁷ Htoo builds roads in the logging concessions and charges the subcontractors 100,000 kyat (\$161) each day to use them.¹²⁷ The subcontractors receive a fixed price from Htoo for logs: 15,000 kyat (\$24) for a ton of teak and 12,000 kyat (\$19) for a ton of pyinkado; this does not reflect the true value of the timber.¹²⁷ For instance, according to the Tropical Timber Market Report, teak logs of sawing quality were being sold for around \$1,200. They are also responsible for transporting the logs, sometimes 30 miles from the forest from where the Htoo Company picks them up.¹²⁷

18.4.4 The DKBA and logging in Karen State

"In the beginning the logging took only the large trees, now they take the medium and small trees.... There is no replanting, there is no replanting when there is no peace."²⁹³ DKBA battalion commander (defector to KNU), 2001

According to a DKBA defector "all the DKBA leaders are involved in logging and have become wealthy from it."²⁹³ The defector stated that the wealth of the leadership is a cause of dissatisfaction within the DKBA²⁹³; this is reminiscent of feelings within the KNU before the DKBA split away. Large areas of forest as well as sawmills, that were under KNU

control, were captured by the DKBA/SLORC during their mid 1990s offensives. The DKBA also inherited stockpiles of logs left in the forest, and in KNU camps such as Kawmoorah and Mannerplaw.

The DKBA also has nominal control over areas in Karen State, and logging operations on the border and further inland. Timber from the DKBA-controlled forests is exported to Thailand as well as via Burmese merchants into Burma and from there on to the international market. Much of the timber produced for direct export to Thailand is in processed or semi-processed form and enters via Tak Province (see page 64).

Logging in parts of Pa'an and Northern Dooplaya (opposite Tak province) reflects a potent mix of unchecked Thai logging interests and the short-term opportunism of the groups who participate. Most of the timber is exported to Thailand, rather than Burma, where profit margins are greatest. Many think that this particular area will become exhausted within the next few years and there is already a shortage of suitable leaves for roofing houses as teak and dipterocarps are becoming increasingly scarce.

According to a KNU officer interviewed by Global Witness, in the last six years huge areas of forest have been seriously degraded between the Moei River and the Dawna mountain range. Most of the remaining good forest is in the mountainous areas and, since the current Thai government under Prime Minister Thaksin Shinawatra came to power, there has been renewed pressure from Thai logging companies to open up these areas. The area controlled by the KNU's 7th Brigade, in Pa'an District, is mentioned in particular.²⁹⁴

According to a DKBA defector from 999 Brigade there are 'hundreds' of sawmills in Myawaddy District, mostly operated by Thais with many employing Thai workers.²⁹⁴ In the defector's previous area of operation Thai businessmen initially negotiate with the DKBA leadership for logging concessions, after which they deal with the local units where their concessions are located. Sawmills owners are reported to pay the DKBA 10,000 baht (\$222) each month and 300 baht (\$7) for each day and 300 baht (\$7)^{aa} for each night worked. The fact these sawmills are run 24 hours a day has been confirmed by villagers from Wa Le Town, Phop Phra District in Tak, just a short distance from Burma across the Moei River.

The defector claimed that when Burmese Forest Department Officials visited DKBA-controlled areas and ordered the DKBA to close sawmills, the requests were ignored.²⁹³ It is thought that overall permission for the logging comes from the SPDC even though the Forest Department may have little control over specific operations and it is thought that there have been no official agreements. Global Witness has been told that the deals are struck at regional command level, in this instance the S. E. Regional Command, but this has not been confirmed.²⁹³ Taxes are said to be shared between the Regional Command and the Military Intelligence.²⁹³

Some DKBA combatants work for the logging companies providing labour and security. As the area is still contested it is probable that DKBA security would protect the sawmills from KNU combatants demanding taxes.

In May 2003 it was reported in the media that a Buddhist leader and a colonel from DKBA Battalion No. 906 were involved in cutting teak near the Three Pagodas Pass border town. According to the news agency's source the DKBA sold 17 tons of teak in April 2003 at a price of 18,000 baht (\$430) per ton. Some of the teak is sold to local traders, made into furniture and exported to Thailand.²⁹⁶

18.4.4.1 The DKBA and logging in Karen State away from the border

Although logging is heaviest near the border, the DKBA is also involved further into Burma where it deals directly with timber merchants and larger companies such as the Htoo Company. These companies have logging concessions granted either by the central government or by the S.E. Command, possibly both. Many DKBA-controlled areas are still actively contested by the KNU, and are deemed to be insecure zones. When a logging concession is granted in an insecure zone the DKBA arranges for the timber to be cut and transports it to 'handing over points' where it is passed to the company that has the logging concession.²⁹²

Timber from these concessions enters the Burmese timber market via the MTE and private timber merchants. The DKBA is reportedly paid 10,000 kyat (\$16) per ton of timber officially extracted from their areas, which appears to be an agreement between the DKBA and the SPDC.²⁹²

As with other ceasefire groups that are given permission to log for development or maintenance purposes, the DKBA has a 5,000-ton logging allowance per year for the upkeep of Myaing Gyi Ngu, the DKBA headquarters.²⁹² The Buddhist monk, U Khay Mi Ka, is responsible for dealing with the DKBA's official timber income. It is not certain if the 10,000 kyat payment, per ton mentioned above is limited to this 5,000-ton allowance that the DKBA has been given.

The DKBA derives further income by logging unofficially, for instance with SPDC army units or by charging private individuals who want to build sawmills on the edge of insecure zones where logging is conducted.²⁹² This is said to be particularly profitable for the local DKBA and SPDC units as most of the money is retained instead of being passed to higher levels of command.^{127, 292}

The DKBA and individual DKBA officers own sawmills and furniture factories in Kawkareik and Myaing Gyi Ngu where the DKBA also has a timber jetty on the river. The DKBA sells teak to traders who come up from Moulmein. Timber traders also use the DKBA to transport illegal timber to Rangoon to avoid checkpoints.²⁹²

^{aa} \$1 = 45 baht in 2001.

18.4.4.2 DKBA/SPDC and logging in

Kyaukkyi and Shwegyin Townships

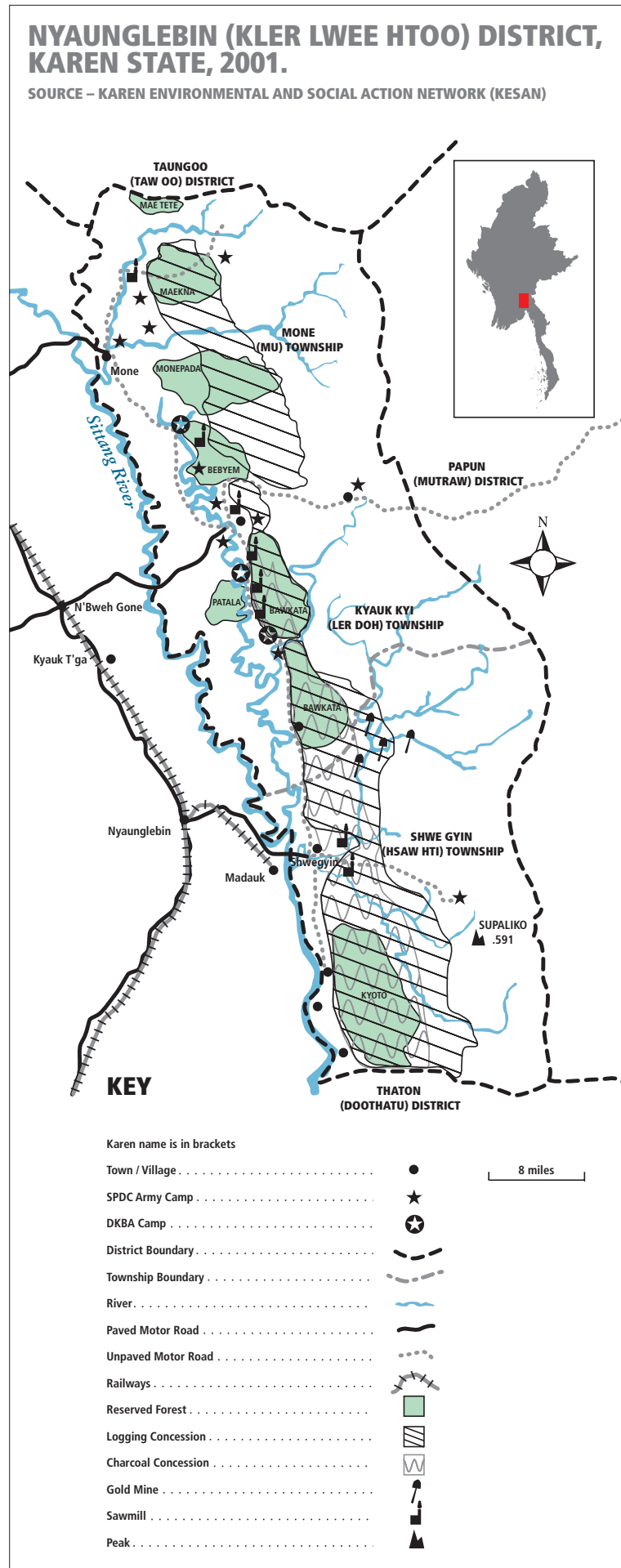
In Kyaukkyi and Shwegyin Townships there are no official concessions from either the SPDC or the KNU. Instead the logging in Kyaukkyi and Shwegyin is mainly controlled by SPDC and DKBA battalions based in the area. DKBA and SPDC officers own the majority of sawmills and their permission is required by any civilian wanting to run one.

There are 10 battalions of SPDC troops in Shwegyin Township. Each battalion has to send 50,000 kyat (\$80) each month to their division (“daign” in Burmese). In order to raise the money the battalions run many logging and gold mining businesses in the area. However despite the battalions’ best efforts the money is not always passed up: “All SPDC, DKBA and Burmese individuals worked on logging enjoyed the benefit by their own and nothing was benefit [sic] to their higher authorities.”¹²⁷ After milling, either pyinkyado or teak, a ton of sawn timber can be sold for 90,000 - 100,000 kyat (\$145-\$160).

In Shwegyin part of the No. 66th Division, Light Infantry Brigade 4 commanded by Colonel ‘Nyi Nyi’, has operated logging operations in the Kyotu Forest Reserve.¹²⁷ Logs are floated down the Maw Dta Ma River to the Sittang River and onto Pegu.

SPDC soldiers also hire, and sometimes force, villagers to transport logs using oxcarts, to the river or to the Pegu Highway for 1,500 kyat (\$2.4) per ton. Here timber merchants from Rangoon and Mandalay purchase the logs for 15,000-20,000 kyat (\$24-\$32).¹²⁷ Soldiers also hire villagers to drag logs, using their buffaloes, from forest areas to sawmills owned by DKBA and SPDC officers. For example the DKBA operates two sawmills in P’yalaygone and three sawmills in Yangmyo Aung.¹²⁷ SPDC officers and Burmese civilians operate four sawmills in Yangkyi Aung and others in places such as Yangmyo Aung.¹²⁷

Burmese villagers can apply for logging permits from SPDC military officers; the legal status of these permits is not known. In Kyaukkyi, Karen villagers are paid 30 kyat per plank on a four hour journey. In Shwegyin the SPDC units hire villagers for 400 kyat per day for cutting timber. As in Mone Township, the high level of taxation on villagers’ crops means that employment in the logging industry is an important additional source of income.



18.5 Logging and Landmines in Karen State

"The DKBA soldiers came to stay in my village. They are planting landmines to protect their logging...so we dared not stay." ¹⁶⁴ Anon, Karen villager, 1999.

Mines are used by all sides in the conflict. They are most often deployed to obstruct enemy troop movements, to block supply lines, to seal escape routes, to defend positions and to deny villagers access to their land after they have been forcibly relocated. In Karen State there were more landmine casualties in 1999 than for the whole of Cambodia, one of the most heavily mined countries in the world.²⁹⁷

However the use of landmines is not restricted to military purposes. Defectors from the DKBA described to Global Witness, in November 2001, how they use landmines in their logging operations.²⁹³ This has been corroborated by Nonviolence International (Southeast Asia)^{bb, 298} through the collection of accounts from landmine victims from Burma, being treated in Thailand, for Landmine Monitor.^{cc} Civilians inside Karen State have also described to Global Witness an incident of Burmese logging merchants paying the *Tatmadaw* to remove landmines, so that logging could commence. U Soe Myint, a wealthy timber merchant, has been allowed to extract 2,000 In – Kanyin (Keruing) and 500 Pyinkado (Ironwood) trees from an area three miles uphill from Daung-ya village in Bilin Township, Mon State. The permit was issued by the SPDC. In turn, U Soe Myint has given the *Tatmadaw* 60 lakhs (6 million kyat, or roughly \$9,700) to clear mines that they planted in this area.²⁹⁹

In DKBA-controlled territory within Karen State landmines are frequently used to control regions of forest that are going to be logged, particularly those controlled by the 999 Brigade in Pa'an district.^{293, 300} Landmines are used to demarcate logging concessions, to stop loggers operating outside their concessions and to stop the KNU from taxing or disturbing the logging companies.²⁹³ In some cases Thai businessmen hire former combatants to lay the mines.^{293, 297} Active DKBA combatants also lay landmines in what appears to be part of a range of services, including protection and road building, that they provide the logging companies; their main source of income.²⁹³ Thais are said to provide the explosives and detonators.^{293, 297} Not only do these landmines kill and maim combatants and civilians but their presence also severely impacts on people's livelihoods through restricting access to forest resources and killing their livestock.

Ironically logging is sometimes carried out by SPDC units for welfare purposes in some cases to assist handicapped soldiers including mine victims, injured in a conflict that has much to do with control over logging.¹²⁷

18.6 Charcoal Making in Nyaunglebin District

Charcoal making is a major cause of deforestation in Kyaukkyi and Shwegyin Townships, in Nyaunglebin District. The relationship between conflict and charcoal making is clear, as the trade is an important source of funds for both SPDC and DKBA units. Charcoal making is also taxed by the KNU but as it is relatively weak in this area it can tax only a small part of the trade. The SPDC and the DKBA each charge villagers 600 kyat (\$1) a month for a permit to operate a charcoal oven.¹²⁷ Where it can, the KNU taxes 5000 kyat per year. In some places villagers pay taxes to the SPDC, DKBA and the KNU.

The SPDC and the DKBA also operate charcoal ovens where villagers are forced to work.¹²⁷ The charcoal ovens are fired twice a month and produce 60-200, 50-kilogram sacks of charcoal each month. The cost of hiring a bullock cart to carry the charcoal to a collection point is 50 kyat per sack. The SPDC and the DKBA have charcoal collection points at Yangki Aung (DKBA), P'yalagone (SPDC and DKBA) and Yangmyo Aung (SPDC).

The price that charcoal makers receive, 350 kyat per sack, is controlled by the SPDC and the DKBA and is artificially low.¹²⁷ However, as the SPDC units squeeze villagers for resources, through forced labour, forced portage and tax on crops, charcoal burning has become an important means for villagers to make ends meet.

Many of the charcoal makers are Karen villagers who were relocated by the SPDC from hill areas to Kyaukkyi and Shwegyin townships on the sub plateau of the Sittang River plain. These villagers have complained that there is not enough cultivatable land here and that this is exacerbated by flooding. "Because of a huge number of people and no land for cultivating and raising animals, region people had their fields destroyed by flood, so they started to do charcoal business."¹²⁷



^{bb} An NGO that provides assistance to individuals, organisations and governments globally seeking nonviolent means to achieve their social and political goals.

^{cc} Landmine Monitor is a civil society based reporting network to monitor systematically and document nations' compliance with the 1997 Mine Ban Treaty, established by the International Campaign to Ban Landmines.

19 THE CHINA-BURMA BORDER

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

Resource rich, and hemmed in by the two most populous nations in the world, China and India, Kachin State has been described as one of the most valuable pieces of real estate in the world.³⁰¹ In a little over a decade Kachin State has been transformed from a marginalised, war-torn region of north east Burma, to a natural resource storehouse for development in China. In contrast the Chinese have already exhausted most of Shan State’s forest reserves. The transformation in Kachin State has taken place against the backdrop of ceasefire deals that removed many of the obstacles to rapid resource exploitation that existed during the insurgency period. The logging trade has boomed because of two prime factors: Chinese demand for timber and political instability in Kachin State.

19.1 Chinese-Burmese Relations

*“The Burmese leaders have repeatedly indicated their wish for us to be involved in the development of resources in northern Burma.”*³⁰² Peng Yongan, Chinese academic et al

*“Today, they have gained control over the whole of northern Burma. They control our resources, our markets. But what can we do?”*³⁰³ Anon, local person, on the Burma-China border, 1991

In the aftermath of the violence of 1988 the military leaders of the SLORC faced ostracism by the international community. China was the first country to recognise the regime, and the continued lack of engagement by the majority of other nations lead to an intensification of this relationship. China’s sustained support gave the SLORC time to strengthen its domestic position; without this support the regime may well have collapsed.^{186, 304, 308}

In 1988 the two countries signed expansive agreements on border trade. In December 1989 the then governor of Yunnan Province, He Ziqiang, led a delegation to Burma and signed 11 trade agreements, including forestry deals.³⁰² In 1991 the SLORC Minister of Finance and Planning, Brigadier-General David Abel, led a delegation to Yunnan during which the SLORC “extended

*a welcome to the Yunnan side to examine and discuss gold mining... and carried out in-depth discussions on cooperation in jade and forestry.”*³⁰² This visit took place prior to the KIA ceasefire but after the NDA(K) ceasefire.

China has also facilitated the massive expansion of Burma’s armed forces through the supply of military hardware and the provision of training. Military sales from China to Burma between 1988 and 1998 are estimated at between one and two billion dollars. Most of this has been bought at discounted prices, through barter deals and interest-free loans.^{10, 305}

Fundamentally China is expanding its economic space, contributing primarily to the border regions but also to the national economy as a whole. In the process, severe disparities in economic growth between the southern coastal regions and the landlocked inland provinces and the resultant threats to national security have been somewhat relieved. China needed Burma’s natural resources to fuel future economic growth in the border provinces and in this context the Burmese insurgencies became a hindrance to China’s development, by blocking access to natural resources, trade and communications.

It is not known for certain what role the Chinese had in the ceasefire agreements but it is highly likely they were involved in some way. For example it has been claimed by some Kachin that China applied significant pressure to the KIO to sign a ceasefire agreement with the Burmese regime, although this is officially denied by KIO. Other Kachin sources have gone further than this stating that China made it clear



Jinxin company log stock pile near Gudong, 2001.



Road building in China close to the Burma border. The truck is carrying timber from Kachin State.

19.2 Chinese-Burmese relations and Natural Resource Colonialism

“As for the exploitation of forest resources from Northern Myanmar for export to China, transportation is much easier, costs are low and it is convenient to bring Chinese labourers into Myanmar to cut trees ... Myanmar has made several requests to us for the exploitation of its forest resources jointly with China....

Importing timber from Myanmar has many advantages. Firstly, there are many species of trees, in good quality, obtainable at a cheap price; secondly using timber from this source can support the increasing demands from China’s domestic markets and reduce the amount of the forest cut in Southwest China, thus protecting our environment. Thirdly, we can develop our timber processing industries (cutting of teak, producing wood fibre, paper mills, furniture manufacturing), and assist local economic development ... Myanmar is the only country in which we do not have to pay foreign currency (we can pay directly in Chinese yuan), for imported timber ... In fact, Myanmar is playing the leading role in compensating for the short-fall in the consumed volume of forest of Yunman.”³⁰⁹

Chenwen Xu, academic, 1993

to the KIA that they must sign a ceasefire.³⁰⁶ Certainly, after the collapse of the Communist Party of Burma in 1989 and the signing of subsequent ceasefire agreements, border trade between the two countries increased, and border towns in Yunnan such as Ruili and Tengchong boomed from the trade in Burma’s natural resources. China also secured access to the Burmese market, providing China’s then failing industries with an outlet.

There has also been an influx of Chinese into northern Burma, including many businessmen, especially into Mandalay. Estimates vary from hundreds of thousands up to over one million people, and 30-40% of Mandalay’s population of 1.2 million is said to be ethnic Chinese.³⁰⁷ This has caused resentment amongst many in Burma who see this as an invasion by China; part of a plan to take over parts of the country. Many of the Chinese interests in Burma remain veiled in secrecy so the full extent of Chinese influence is difficult to gauge.

The SPDC is aware of the risks in depending too much on China. From its point of view Burma’s admission to ASEAN in 1997 was a means of providing balance. The SPDC has also recently bought military hardware from countries other than China, most recently MiG fighter planes from Russia (see *Bartering* page 28). Burma has also strengthened its ties with India. These moves have irritated China. However, it will be difficult to reverse China’s influence not least because of Burma’s strategic and economic importance to a country that will not want this to happen.³⁰⁸

China has four per cent of the world’s forest cover, ranking it fifth in global terms. However, with 22% of the world’s population China has one of the lowest forest area per capita figures at 0.11 ha, compared to the world average of 0.77 ha.³¹⁰ The situation is similar in terms of both farmland and mineral resources. This weak resource base contrasts sharply with China’s increasing resource requirements in terms of its own growing and increasingly wealthy population and its increase in exports. China’s economy now stands at over \$4.5 trillion,³ 22 times larger than it was in 1978³¹¹ and continues to grow at about 8% per year. In 1997 Yunnan’s economy was 100 times larger than it was in 1987.

China needs Burma’s natural resources and it is this need for timber, gold and other minerals that has helped shape China’s policy towards the regime in Rangoon and the insurgent groups along the China/Burma border. Natural resource extraction in Burma has fuelled development in China’s Yunnan Province and China’s ability to import timber freely has been even more important since the imposition of its own logging ban (see page 83). It appears that in the minds of the Chinese policy makers the environment ends at the border, as they have shifted the ecological burden of Chinese development to the people of Burma, in particular those living in Kachin State.

It is also likely that a number of the deals are struck at a county or provincial level but it is not known to what extent these are influenced by the authorities in Beijing. The situation obviously has parallels with that

on the Thai/Burma border but in this instance, given the rapidly increasing demand in China, the implications for Burma's forests and people are even more serious.

It should be noted that despite China's high demand for timber, its average timber consumption is only 0.12 m³ per person per year, less than one-fifth the global average.³¹² Consumption in the UK is eight times this figure, and that of America 19 times making them the world's largest consumers of wood products per capita.

Nevertheless, China's population is growing at 0.88% per year³ and consumption patterns are changing, especially for timber. In the larger cities consumption is believed to match the global average.³¹² Houses have become larger and contain decorative features such as wood flooring and wooden doors. In Shanghai, over 200,000 new homes are built each year.³¹³ Each household consumes almost 2.5 m³ of timber a year, totalling 500,000 m³ per annum. By 1998 the import value of wood products to China ranked first, surpassing for the first time petroleum and steel products.

Despite the dire implications, the forest exploitation in northern Burma has been largely unreported. However, a report entitled "*Research on the Complementarities of Economic Development in the Chinese-Burmese Border Regions*", part of a series dealing with the opening up of border trade and funded by the Chinese National Foundation of Natural Sciences, explains in great detail the need to develop trade, particularly in natural resources with Burma: "*With the surrounding undeveloped countries... Yunman, which has developed its independent industrial structure... needs their*

resources/raw materials to fill the needs of Yunnan's own industrial development"³⁰²... "*In [our] border areas, because of the lack of resources, the people who live below the poverty line up till the present number in the millions. It is difficult to shake off the poverty ... Burma's land resources, forest resources, biological resources and mineral resources are very rich, and these are precisely the important resources that we urgently need*"³⁰²... "*the forests have not been developed for use, maintained a primordial state, urgently beckoning people to develop and use them.*"³⁰²

There is even a section entitled, "*Yielding Wonderful Ecological Benefits*"³⁰² within which it is explained how logging in Burma will "*lessen the level of extraction of our country's [China's] forest resources, bringing ecological benefits*". The same section provides a graphic description of the terrible effects of logging in the Nujiang Valley, near the town of Fugong where many of the logs from the N'Mai Hku Project are destined (*see page 104*).

In relation to mineral resources the report goes on to say: "*Our country lacks raw minerals, and has a special demand for Burma's resources.*" Although China ranks third in the world in terms as a source of mineral resources it is only 80th in terms of resources available per person, hence the huge demand.³⁰²

It is clear from these reports that China's sole consideration is the further development of China, especially Yunnan Province. Burma and in particular Kachin State is seen as part of the solution to China's resource needs. There is no mention of the people who live in these forest areas and the biological and cultural value of the forests has been ignored.



Pian Ma, Yunnan Province, China; 2001.

19.3 The impact of logging in China

*“Protection of natural forests is pressing work, and by delaying efforts by even one day, our losses will add up by one inch, and our Yellow and Yangtze rivers will not give us peaceful days.”*³¹⁴ Zhu Rongji, Chinese Premier, 1999

The development strategy of post revolution China had a serious impact on China’s environment, particularly its forests. Forest cover fell from 21% in 1949 to only 14% in 2003. However, it is now on the increase, as China makes efforts to reverse the deforestation of the past with extensive afforestation programmes, mainly through plantations. Afforestation and territory greening have been defined as a *“common duty of society.”*

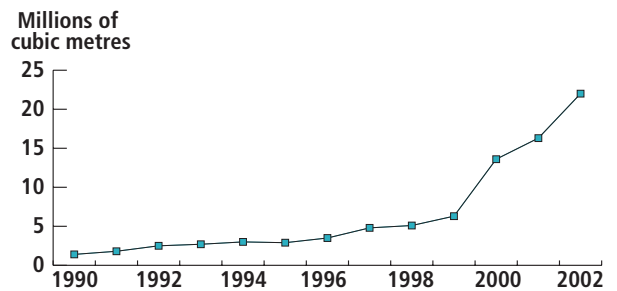
In 1996 and 1997 floods cost Yunnan 3.2 billion yuan (\$402,500,000) and 4.5 billion yuan (\$542,170,000) respectively.³¹⁵ Severe flooding on the Yangtze River in 1998 affected one-fifth of China’s population in 29 provinces, killing more than 3,600 people and destroying about 5 million hectares of crops. Economic losses throughout China were estimated at over \$36 billion.³¹⁶ Soil erosion caused by logging in the watershed of the Jinshajiang River, which flows through north eastern Yunnan and western Sichuan, led to the river depositing 280 million tons of sediment into the Yangtze every year.³¹⁵ This was found to be a major contributory factor to the flooding.³¹⁷ These floods prompted China to recognise the importance of protecting its remaining natural forests, leading to the introduction of a nationwide logging ban in 1998.

Yunnan also suffers from mudslides that kill hundreds of people each year. In Yingjiang County opposite Kachin State, in August 2000, a mudslide destroyed a hydroelectric power station with 45 people inside, killing at least 14 people.³¹⁸ The damage was estimated at \$2.4 million.³¹⁹ A similar event is reported to have happened in Kachin State recently with a KIO hydropower project.³⁴⁴



Chinese slogan pillar, on the road from Luzhan to Pian Ma, China; 2001. Translation: “Protecting the Gaoligong Mountains is protecting our own garden; Protecting the forestry resource is glorious; Damaging the ecological balance is shameful; Protecting the forest and maintaining ecology is an achievement in the present era; Profit in centuries; To set fire to the mountain forests, to poach, to steal and cut trees and deforest is strictly prohibited.” Propagated by the peoples government and the administrative bureau of the nature reserve of Lushui county.

IMPORTS OF TIMBER INTO CHINA FROM ALL COUNTRIES AND OF ALL CATEGORIES SOURCE: CHINESE CUSTOMS DATA



19.4 The impact of China’s logging ban

“Logging in China is forbidden, it is a very serious offence, even to cut a small tree ... If you look around Tengchong, you can see that they are planting trees everywhere.” Anon KIO officer, 2002.

Before the logging ban, Beijing had ordered some counties in Yunnan to stop logging, in part due to the fear of further mudslides. Following the 1996 logging ban in Yunnan major forest enterprises decreased their output by two thirds. But despite the ban smaller enterprises continued logging, taking the view that *“The sky is high, and the emperor is far away.”*

In 1998 China imposed a country wide logging ban on natural forests in specified regions of 18 provinces, approximately two-thirds of the country. China recognised that the deterioration of the ecological environment in major watersheds had become a limiting factor for its continued economic development.³¹⁰ Soon after the imposition of the ban on a visit to Yunnan the Chinese Premier, Zhu Rongji, said that the *“protection of forests should be viewed from the vantage of the entire nation’s economic and social development, and from the height as something that concerns the Chinese people’s long-term development.”*³²⁰

The Chinese authorities are making every effort to enforce their own logging ban. In Yunnan in 1999 *“forest police handled over 10,000 cases related to poaching wild animals and destroying forest resources. And 16, 000 people were dealt with according to the law;”*³²¹ or as one Chinese official, referring to the dismissal of bureaucrats caught permitting logging in Yunnan, put it *“the felling of one tree now costs one head to roll.”*³¹⁵ But this is ultimately at the expense of other timber producing countries as diverse as Indonesia and Liberia, and in the case of China’s near neighbours concern for the environment appears to end at the border.

This ban is part of the *“Natural Forest Conservation Programme”* (NFCP) that, amongst other things, aims to reduce log extraction in natural forests in China from

32 million m³ in 1997 to 12 million m³ in 2003. Timber import tariffs were also decreased on a national basis from 50% to about 5% to facilitate imports.³²² In Yunnan, which imports most of Burma's timber, the import tariffs may have been lower.

China is the world's only developing country that is a major net timber importer and is the world's fastest growing market for tropical timber products. In 2001 commercial timber consumption in China was about 95 million m³ per annum.³²³ Since the logging ban China's imports of logs have risen from less than 5 million m³ in 1998, to over 10 million in 1999. In 2001 log imports stood at around 16 million m³.³²² According to recent Chinese customs data timber imports, comprising mainly logs and sawn wood grew significantly in 2002 as a result of strong GDP growth at 8% per annum and huge growth in investment. China imported 24.333 million m³ of logs valued at \$2.138 billion during 2002, up 44.3% in volume terms and up 26.2% in value terms compared to the same period of the previous year. Imported sawn wood totalled 2.52 million m³ worth \$ 550 million during the first half of the year, up 39.3% in volume and 22% in value respectively over the same period for 2001.³²⁴ Coniferous log imports at 15.78 million m³ represented 64.9% of the total, an increase of 72.6% compared to 2001. Hardwood log imports accounted for 8.553 million m³ or 35.1% of the total, an increase of 10.8%. China imports both coniferous and hardwood species from Burma.³²⁵

But the NFCP has added to China's unemployment problem. In Yunnan alone, 63,000 loggers lost their jobs and nationwide 1.2 million people were laid off. As a result, China looks more than ever to Burma as a rich



Log trucks parked up in Yingjiang Town, China; 2001.

source of natural resources. As one KIO Officer put it, "China has thanked the KIO several times, they said from Ruili to Tengchong, Yingjiang, Changkong, and up to Kunming, the whole province has profited from Kachin resources, jade, wood. The Chinese used to say because of your resources we have improved and developed our area, which is recorded in our history."³²⁶ Amongst China's politicians and security forces there is mounting concern that the growing ranks of the unemployed represent a pool of discontent and a potential source of social instability. Burma's forests are viewed, in this context, as an opportunity to find employment for some of these timber workers. There are currently believed to be over 20,000 otherwise unemployed Chinese working as loggers and road builders in Kachin State.³²⁷

The Chinese logging ban presented the SPDC with an ideal opportunity to increase its revenue from timber exports by raising the unit price. However, the unit price of timber being imported by China has remained steady at approximately \$90 per m³ since the mid 1990s.³²⁸ This is extraordinarily low and may represent the quid pro quo for the extensive financial, military and political support that China provides to the SPDC.



One of several multi-million dollar wood processing factories located near Tengchong Town, China. This factory makes doors and window frames for export.

19.5 The timber trade on the Chinese side of the border



The end of open fighting in Burma on the China border, in 1994, allowed the local Chinese authorities to implement the border trade plans that they had devised in the early 1980s. In 1985 for example they had drawn up “*Decisions Concerning Opening Up the Whole Prefecture as a Border Trade Area*”, even though at the time the border was not under the control of the Burmese government. In the same year the Beijing Review published an article “*Opening to the Southwest: An Expert Opinion*” which discussed finding an outlet to the sea through Burma.

Trade, particularly the timber trade boomed. In Dehong Prefecture there were 13 wood-processing factories in 1988, each with an annual output of approximately 10,000 yuan (\$1,200).³²⁹ By 1996, this had risen to 74 factories, with an annual average output of more than 100,000 yuan (\$12,000), and a total of about 80 million yuan (\$10,000,000). China’s official trade figures, which are likely to be underestimates, show that 840,000 m³ of timber were imported from Burma in 2000 (see *Timber Statistics* page 39).

Previous research in Yunnan, such as a detailed

timber trade and wood flow study, commissioned by the Mekong River Commission, highlighted several factors that hampered data collection including: “*inadequate access to forestry statistics*” and a “*lack of importance placed on accurate statistics.*”³⁰⁶ This lack of available Yunnan import data meant that all foreign trade data had to be compiled from sources in the exporting countries. The scarcity of data is not because there is no data. In fact the collection of data by local, county, level governments on the border is extremely systematic. At almost every border crossing that Global Witness visited there were one or more checkpoints that taxed and registered log import as well as checkpoints to ensure that logs have come from Burma rather than Yunnan’s own protected forests. Notably, Yunnan authorities denied to timber trade researchers in 1999 that there are any significant wood imports to the province.³³⁰

Nujiang, Boshan and Dehong districts of Yunnan Province border Kachin State in Burma; Licang Simao and Xishuangbanna border, for the most part, Wa-controlled areas of Shan State.

19.5.1 Nujiang Lisu Autonomous Prefecture

19.5.1.1 Pian Ma

Pian Ma (Burmese: Hpimaw) has been a major east-west trade route for centuries, and is home to around two thousand mainly ethnic minority people. This changed after the NDA(K) (see section on NDA(K) logging, page 94) was granted logging concessions as part of its ceasefire deal. Pian Ma now has a floating population of 20,000 people, mostly involved in logging but also mining in Kachin State. The town’s rapid development since 1989 has been largely sustained by the logging in Kachin State in areas about 70km from Pian Ma. In 1991, when the provincial government in Kunming designated Pian Ma as one of 12 Special Economic Zones, it became a “*provincial level Open Port*” for trade. Since then policies designed and enacted from national to county levels have created a business climate devoid of government interference.

Infrastructure to facilitate and administer border trade was put in place and supported by fiscal incentives embodied in a series of laws aimed at attracting investment. These included: “*Policies Regarding Preferential Treatment as a Means to Expand, Open and Attract Foreign Investment*” and “*Policies Regarding Steps Towards the Progress of Pian Ma Trade Port and its Rapid Expansion and Development*”.³³¹

All these have been successful in attracting logging companies and Pian Ma went from having four companies in 1984 to over 150 in 2001. It is now one of the busiest border logging towns on the China-Burma border. To encourage logging companies elsewhere, the local government has opened what it has described as “*International Border Ports*”. Today these ports are simply logging roads. The corresponding town on the Kachin side of the border is Datianba in Kachin Special Region 1 (NDA(K)).



Log stockyard in Pian Ma.

In 2000, at least 150,000 m³ of timber were imported into Pian Ma.³²⁷ Some reports, based on interviews with loggers, have placed the volume as high as 350,000 m³.³¹¹ Accurate data on the value of trade is not available but officials have said that it amounted to \$11 million in 2000.³²⁷

Pian Ma may soon become more important for mining in future as forests are becoming exhausted and rich mineral deposits have been found in the area. Companies are already having to work 70km from the border and are planning to move on within the next two or three years north to Fugong and Gongshan.³²⁷ Further south, the Tengchong government appears to be trying to divert log traffic away from Nujiang County. By building roads to the north log traffic that may have gone to Pian Ma will be diverted to border towns such as Dian Tan. In this way Dian Tan can expand as logging starts in the Triangle area (*see page 101*).

According to official figures there are over 100 private companies either logging or processing timber. In addition there are over 15 companies that have been given the right to 'manage border trade'. Although there are 80 sawmills in Pian Ma and despite the development, the town lacks adequate infrastructure, water and electricity supply, and storage space, so the bulk of the timber is transported to Dali and Kunming.³²⁷

There are three particularly large companies, with over 10 million yuan (\$ 1,250,000) of investment working in Pian Ma. These include the De Long Forest Resource Co. Ltd, Jinxin Co. [Pian Ma Enterprises Department] (one of several Jinxin depots along the border) and the Hong Sen Company. De Long and Hong Sen both process timber, whilst Jinxin uses Pian Ma as a log storage area. Jinxin claims that it is the biggest logging company working in Yunnan Province and has other log depots in Tengchong, Dian Tan, and Guyong.³²⁷

19.5.1.2 The De Long Forest Resource Development Company

De Long Forest Resource Development Ltd, thought to be based in Xingjiang Province in North West China, is registered with 20 million yuan (\$2.5 million) of capital. Local people told Global Witness that the company is a joint venture between Taiwanese and Japanese companies. It appears to have a nationwide operation in natural resource extraction and is as interested in gold mining as it is in logging.³²⁷

De Long has operated in the Pian Ma area since 1998. Its 35,000 ha concession in alpine forest, granted by the NDA(K), allows the company to cut timber for 15 years, although it expects to have exhausted the area within 10 years.³²⁷ However, the company appears to have good relations with all sides across the border in Burma and is confident of working in Kachin State "*whoever is in control*."³²⁷ It has opened up large areas of forest north of Pian Ma where it has built a 150 km road network. According to company staff more than 50 workers, of a total workforce of 3000 running 150 trucks, have died in the road building and logging operations since 1998.³²⁷ De Long is the largest company in the Pian Ma area accounting for around 80,000 m³ of timber each year. This, amounts to over half of official imports for Pian Ma and is projected to rise significantly.³²⁷

The company has invested significantly in an hydroelectric power plant, kiln drying technology and machinery to produce export-quality wood flooring for the Chinese domestic and international markets.³²⁷ In addition to carrying out logging itself, De Long sells concessions to smaller logging companies and in early 2001, the company was said to be selling two concessions for two and four million yuan (\$250,000 to \$500,000) respectively.³²⁷

19.5.1.3 Liuku

Liuku is the capital of Nujiang Lisu Autonomous Prefecture. Log traffic from the N'Mai Hku Project (see *N'Mai Hku Project*, page 104) and Pian Ma border port (see *Pian Ma*, page 85) comes to this town, before passing to Dali for transport, by rail or the recently upgraded road, to Kunming or elsewhere. In 2001 there were relatively few wood processing facilities or log stockpiles in Liuku though the town is an important banking and administrative centre for the logging industry and has prospered from it.³²⁷

There are less than 10 sawmills in Liuku, by far the largest of which is the Nu Jian Hong Ta Chang Quing wood factory, four kilometres from Liuku on the east bank of the Nu Jian River. The company claims to be the largest single investment along the border and is a joint venture between a Malaysian company (60%) and the Chinese state owned³³² Hong Ta Group (40%).³²⁷ The company purchases most of its timber from the De Long company in Pian Ma (see *De Long Company*, page 86) and exports over 1,000 m³ of processed timber each month. Much this goes to Korea in the form of doors and window frames.

19.5.1.4 Fugong

Fugong is the capital of Fugong County in Nujiang Lisu Autonomous Prefecture. The town is set to become a major log trading and processing centre akin to Pian Ma, as timber from the N'Mai Hku Project in Kachin State (see *N'Mai Hku*, page 104) continues to arrive. A new bridge over the Salween and Nujiang rivers was completed in late 2000/early 2001, approximately 28 km north of Fugong. The bridge leads to the Yaping and E'ga roads of the N'Mai Hku Project, which began carrying logging traffic in the middle of 2001.

Ironically, the Fugong area has suffered from severe environmental destruction following the loss of its

forests from commercial logging and agricultural conversion. Each square kilometre of sloping farmland loses between 5,000 and 15,000 tons of topsoil annually, and the area is subject to landslides and flash flooding.³⁰² As early as 1979 heavy rainfall caused flash floods and landslides killing 143 people, injuring 88 and destroying the livelihoods of 40,000 people.³⁰²

19.5.1.5 Gongshan

Gongshan Town, in Gongshan County, Nujiang Lisu Autonomous Prefecture is becoming increasingly involved in logging in Kachin State. A new 96 km road leading to the Burmese border at Dulongjiang was completed in 1999 and is, according to locals, one of the most expensive roads ever built in China, costing one million yuan (\$120,000) per mile.^{327, 333} The, as yet, unfinished Danzhu Road, which is part of the N'Mai Hku Project (see *N'Mai Hku*, page 104) from Gongshan Town to the China-Burma border, was being used to carry small amounts of timber in 2001.³²⁷ In addition, the road between Liuku and Gongshan has been widened and sealed with bitumen in the last few years, by the Ministry of Communications.³³⁴ All three of these roads are central to the opening up of forest and mineral resources in Kachin State. In particular, there are important zinc and gold mines in the Dulong area, with the third most important zinc deposits in Yunnan Province.

There have been reports of at least one crackdown on forest crime in Yunnan. In early 2001, 13 Gongshan County government officials and company managers were jailed after investigations by the State Forestry Bureau, which found that leaders of the local government had illegally issued a 4,200 m³ logging license to a Hong Kong businessman's company in 2000. The company illegally clear-cut forests and extracted more than 23,780 m³ of timber in China.^{327, 335, 336}



Nu Jian Hong Ta Logging company stockpile; 2001.



Log trucks entering China at Hoquiou border port from Burma; 2000.

19.5.2 Baoshan Prefecture

19.5.2.1 Tengchong

Tengchong is a large town in Baoshan Prefecture that has built its economy on logging. Timber merchants told Global Witness that at the height of the logging, during the last 10 years, up to 400,000 m³ of logs a year were imported into Tengchong through the border ports Dian Tan, Tze Tze, and Houqiao.³²⁷ There are several large value added timber production facilities in the town.

In particular, the Jinxin Company, the largest logging company operating in Kachin State, which is also building the road from Myitkyina to Pangwah, is based here. Company representatives told Global Witness that they negotiated deals with the Myanmar consulate in Kunming, although this may be more due to their road building projects in Kachin State than their logging operations.³²⁷ One businessman went so far as to say that the Tengchong government had negotiated with the Burmese Government to ensure that logs were transported to Tengchong, rather than seeing them go to places such as Pian Ma.³²⁷

Another large company operating in Tengchong, the Tengchong Border Trade Development Company appears to be state-run. Global Witness investigators were told by a company employee that it imports MTE-felled teak from Burma.³²⁷

19.5.2.2 Dian Tan

Dian Tan in Baoshan Prefecture is opposite the Pangwah Pass, which is probably the busiest border pass between China and Burma. There are over 70 sawmills in the town and in 2001 Global Witness saw a constant stream of logging traffic.³²⁷ According to local sources there are 5,000 loggers working from Dian Tan.³²⁷

Despite the fact that the areas close to the border are virtually logged out, in 2001 Dian Tan appeared to be

preparing for more log traffic as several companies are building factories on the outskirts of the town.³²⁷ There is a 'township' checkpoint on the road between Dian Tan and Tengchong where all log trucks must stop so that the logs can be checked to ensure that they originate in Burma, rather than China.³²⁷

19.5.2.3 Tze Tze

Tze Tze is north of Tengchong in Baoshan Prefecture and is only 15 km from the Burmese border. It has been involved in the logging trade for over a decade.³²⁷ There are two roads from the town that lead to the border, at border posts seven and eight. In addition, the road from Gudong to Tze Tze was being upgraded in early 2001.³²⁷ There are around 20 sawmills, but the majority of timber arriving in the town is transported on to Gudong without being processed. Log traffic was heavy. In 2001 Global Witness investigators saw on average 12 trucks an hour heading towards the town.

19.5.2.4 Houqiao

Houqiao in Baoshan Prefecture is opposite the Kambaiti border pass, and is linked to Tengchong by a good road. The border port was in the process of being upgraded from provincial to national status, and is likely become the principle route to Myitkyina from China. Log truck drivers told Global Witness that the town is an official border crossing which deals with teak sourced from the Burmese government.³²⁷ One log truck driver explained that he had transported his load of teak from Myitkyina, where it had arrived by rail from Rangoon.³²⁷

The Yunnan-Tengchong Company, one of the largest wood processing factories along the border, is based near Houqiao. The company employs more than 100 people, and is Malaysian owned. It makes wood flooring and furniture for export to Malaysia and Japan.³²⁷

19.5.2.5 Guyong

Guyong town is situated at the junction of the Tengchong to Houqiao road and the road to Tze Tze in Baoshan Prefecture. The town has been involved in logging, as a log storage area, since 1994 and as a processing centre since 1997. In 2001 there were approximately 100 sawmills in the town, including those in Minguan Township.³²⁷ Most of the factories are very small and relatively crude.



Making wood flooring in a small workshop in Guyong.

19.5.3 Dehong Dai Jingpo Autonomous Prefecture

In late 2000 the official cost of teak was at least \$800 per m³, whereas the Chinese could get it, all costs included, for 3,000 yuan (\$361) per m³ and sell the timber for 5000 yuan (\$602) per m³ in China, according to one Sino-Burmese businessman interviewed by Global Witness. This represents an instant tax-free profit of almost \$250 for every cubic metre imported to China. According to the same source the Burmese Forest Department was very concerned because in places such as Hong Kong, Vietnam and Malaysia, Burmese timber could be bought at lower prices than in Rangoon, because of the illegal timber traffic across the Chinese border.³³⁷

The main destination for the timber was China's domestic market, with wood being transported from the border to cities such as Kun Ming, Guang Zhou, and Shang Hai. Some of the timber was destined for export; planks to Japan and flooring to Italy being mentioned by a number of businessmen.³³⁷

19.5.3.1 Ruili

The economies of Ruili and Wanding boomed immediately after the 1988 border trade agreements between Burma and China. Until then, insurgent groups controlled the border and Ruili was a supply centre for Chinese aid to the Communist Party of Burma (CPB). After 1988 natural resources poured out of Burma whilst cheap Chinese goods poured in. Ruili and nearby Wanding were also key border ports for the export of timber.

In 1993 one observer remarked that between 1,500 and 3,750 tonnes of wood, mostly teak, left Burma via Wanding six days in every week. *“It is possible to make a conservative estimate that at least 300 five-tonne trucks, and as many as 750, return across the border from Burma and back into China every working day and at least half of these, including covered trucks, carry mostly short cut logs, some milled timber and even parquet flooring.”*³³⁸

Observers in 2000 also reported significant movements of log trucks; one account mentioned upwards of 70 log trucks coming across the border near Ruili each day.³³⁹ Although in April 2001 relatively few log trucks were seen coming from Burma those that were seen were carry cargoes of teak and were larger than the regular Chinese five tonne trucks, that otherwise dominate the cross border logging trade. This suggests that these were official transports between Burma and China.³²⁷

A businessman interviewed in Ruili told Global Witness that there had been a serious decline in the timber trade since about 1998; there were once 100 timber companies operating in the area but by early 2001 only ten companies were left. The same person said that the crushing of the Mongkoe Defence Army in late 2000 had had a significant impact on the trade. According to the businessman, the Burmese government was firmly in control of the other side of the border. Chinese companies had been told by the *Tatmadaw* to leave the forests in Burma and anyone cutting hardwood trees would be shot.³³⁷

One company visited by Global Witness that had fixed assets in Ruili and could not therefore leave easily needed to get their timber from Meng'a further south along the border, adjacent to Wa-controlled areas. However, in comparison to the level of the logging trade adjacent to Kachin State, this was very small. Global Witness was also told that in November 2000 the SPDC had given orders that all logging and the smuggling of timber across the borders in northern Shan State, opposite Dehong Prefecture, was illegal, and that loggers were increasingly moving north, to areas fed by Kachin State, such as Pian Ma (*see page 85*) and Tengchong.

19.5.3.2 Yingjian

There are between 50 and 70 sawmills in Yingjian Town that are supplied by at least four feeder towns: Hong Bom He, Laozhaizi, Xima and Carzan.³²⁷ The timber

processed here originates in Burma. Workers in Yingjian told Global Witness that the *Tatmadaw* had held Chinese loggers hostage in Burma until the companies paid ransoms of approximately 10,000 yuan (\$1200) per person.³²⁷

19.5.3.3 Hong Bom He

Hong Bom He Town is situated on the Hong Bom River inside the Tonbiguan Nature Reserve. The town was built in 1993 after private companies illegally built a logging road to the Burmese border ostensibly with the consent of local Chinese authorities.³²⁷ The town is illegal insofar as it was built after the area was designated a nature reserve.

In 2000 there were 2,000 people working in the town and in the forests across the border in Kachin State, although by early 2001 the town appeared to be closing down and was effectively working at 20% capacity or less.³²⁷ There was still some log trading activity with Chinese logging trucks and stockpiles of wood present on the Burmese side of the river. Three sawmills were operating, albeit at low capacity. In Yingjian locals claimed that the balance of power between the KIO and the SPDC had changed, leading to increased taxation of the Chinese logging companies by the SPDC. However, the low level of activity may have been simply due to the fact it was the end of the logging season.

19.5.3.4 Laozhaizi

Laozhaizi is a small town in Yingjiang County. It is only 20 km from Hong Bom He, and similarly was experiencing an outflow of people in early 2001. Trucks full of families and possessions were seen heading east.³²⁷ Some of the migrants said that the reason for the change was that the price of wood was too low. Others said that

the increasing presence of the SPDC had led to more taxation. Both accounts suggest that logging was becoming less profitable. Local people told Global Witness that both the KIO and the SPDC controlled the forests and border crossing.³²⁷

19.5.3.5 Xima

There was no indication that the small town of Xima had anything to do with logging although it is well connected to the border.³²⁷

19.5.3.6 Car Zan

Car Zan is a busy logging town with two large stockpiles of logs and approximately 30 sawmills in 2001.³²⁷ The town has been associated with logging for 10 years and is opposite KIO controlled areas.³²⁷ Global Witness investigators saw more than 20 log trucks, each carrying nine m³ of logs, entering the town in a period of an hour and a half, suggesting that the town is more important for the timber trade than the number of sawmills suggests.³²⁷

The road between Car Zan and Yingjian is in excellent condition and supports the carriage of logging trucks. However, traffic was light in March 2001.

19.5.3.7 Ban Li

Ban Li in Dehong is reached by a paved road from the Nongdao junction, opposite the town of Namkhan in northern Shan State. The town functions as an extensive stockpile area, with storage areas covering several hectares on both sides of the border.³²⁷ There were no processing facilities in 2001.³²⁷ The last few kilometres of the road were in very bad condition, even during the dry season, which may indicate that this border point is becoming less important.

19.5.3.8 Hse Pong

Hse Pong is a small seasonal logging settlement, of no more than 200 people, which is apparently only active during the dry season. In 2001 there were approximately 10 log trucks in the village.³²⁷

19.5.3.9 Nong Dao

There are a number of sawmills west of Ruili. The largest concentration of these is around Nongdao village where there are at least eight medium sized mills. At the time of the investigation there appeared to be very little processing and storage yards were empty.³²⁷



Veneer sheets laid out to near Ban Li.

19.5.4 Lincang Prefecture

19.5.4.1 Qin Swe He

Qin Swe He is a small border town in Gengma County with no signs of logging activity other than some small teak logs in the stockyard of the customs house.³²⁷

19.5.4.2 Zao Yuan

Zao Yuan is 14 km from the border port of Yong He in Cang Yuan County. There are six sawmills in the town, which appear to be supplied by the Wa authorities. Soldiers from the United Wa State Army were seen in uniform in the town and the Wa leadership is said to own at least one hotel in Zao Yuan.³²⁷ The largest sawmill is Hong Feng Wood Industries Ltd, which claims to source timber from the Ban Hong area, in China. Company workers said that the sawmill produces approximately 300 m³ of wood flooring a month.³²⁷ The Foreign Trade Economic Co-operation Bureau, a state organisation in the centre of the town, sells teak.³²⁷

19.5.5 Simao Prefecture

19.5.5.1 Meng'a.

Timber in Meng'a was from Mong Hpen, Ho Tao and Pangsang, areas controlled by the UWSA. Pangsang and Mong Pawk are the nearest Wa-controlled towns. In late 2000 locals claimed that between ten and 20 log trucks were passing each day, but when Global Witness was there fewer than ten trucks were seen. Pine, teak and less known species such as hong mei gan come across the border here. In late 2000, pine cost 450-500

yuan (\$54-\$60) per m³, whilst top quality teak for parquet flooring cost between 4000 and 5000 yuan (\$482-\$602) per m³.

Some of the trucks in Meng'a were *en route* for the parquet factory at Pu'er. The timber also goes to companies in Kunming, Shanghai, Kentung and Fuzie. Log truck drivers estimated that about 10,000 m³ was brought across at Meng'a border post every year. The traffic had been more intense in the past but it is thought the Wa have all but exhausted the easily accessible sources of timber.

19.5.6 Xsibuangbanna Dai Autonomous Region

19.5.6.1 Damenglong

According to Global Witness interviews with truck drivers carried out in late 2000 Damenglong has a substantial timber trade. One driver said that his company had tried to buy 20,000 m³ from Burma and that another company had brought 50,000 m³ across the border during the year. The price of timber was 850 yuan (\$102) per m³ whereas in Jinghong, the capital, it was 900 yuan (\$108).

19.5.6.2 Daluo

Until 1998 there was a lot of timber, mainly softwood, arriving in China at Daluo but in 2000 very little appeared to be crossing the border, and only small amounts of timber were seen. Logging near the border at this point had dried up and locals claimed that the timber dealers had moved to Menghai. Sawn planks were arriving in small volumes from Kengtung, the main town in East Shan State.



Log truck in Meng'a, China.

20 KACHIN STATE



20.1 The Nature of Conflict in Kachin State

The level of resource extraction during the insurgency, used for the insurgent economy, was minor compared to current levels and to begin to understand the logging in Kachin State now it is important to look closely at the ceasefires.

From its inception the ceasefire process contained dimensions related to the control of natural resources.

In the Second World War, Kachin State was the location of some of the most decisive battles fought in Asia. A brief spell of peace was followed by three decades of conflict, beginning in the 1960s, between Kachin insurgents, fighting for autonomy, and the Burmese government. The first ceasefire was agreed in 1989 and the last in 1994.

There are three ceasefire/armed opposition groups in Kachin State, the Kachin Independence Organisation (KIO), the New Democratic Army (Kachin) (NDA(K)) and the Kachin Defence Army (KDA). Of these groups the KIO is more strongly driven by political demands than the other two, which are best described as militias driven by economic motives. That said, these groups, like all insurgent or ceasefire groups, are made up of people of differing points of view, which change over time. The way in which these groups have behaved is also to a large extent determined by the political and economic circumstances in which they find themselves. This does not currently encourage responsible, transparent, long-term natural resource management planning. The ceasefire groups lack an enabling environment and often do not have adequate access to relevant information or assistance from the outside world.

20.2 The Kachin Independence Organisation (KIO)

The KIO was formed in 1961 in northern Shan State by a number of Kachin students. They took up arms against the central government because of grievances over discrimination by the Burman majority, and because of the economic marginalisation of Kachin State. The decision of the U Nu government to declare Buddhism as the state religion, and the ceding of several Kachin villages to China during a border demarcation agreement, also played an important role. The rebellion spread quickly and the KIO together with its armed wing, the Kachin Independence Army (KIA), assumed control of large areas of Kachin State.

The KIA became one of the most powerful insurgent armies in Burma helped by strong martial traditions in Kachin culture, and considerable funding through its control of the Hpakant jade mines, the world's premier source of jadeite jade. The KIO administered an area of more than 15,000 square miles containing more than 300,000 people.³⁴⁰ In the early 1990s the KIA had 6,000–7,000 troops plus militias.³⁴¹

During the initial years of the rebellion the KIA sought support from the West through its outpost on the Thai border, Tam Ngop. The invasion of the Communist Party of Burma (CPB) from China's Yunnan Province into northern Shan State had huge consequences for the KIO. With support from China the CPB established its North East Command (NEC) in areas along the Chinese border. The CPB offered the KIO support in arms and ammunition from China if it accepted the CPB's political leadership. The KIO refused, and in 1968 heavy fighting broke out between the KIA and the CPB, which lasted until 1976 when the two organisations signed a ceasefire. In the same year the KIO was a founder member of the National Democratic Front (NDF), an alliance organisation of ethnic opposition armies.

Peace talks between the KIO and the Burmese military government in the early 1960s and the early 1980s failed to produce any results. The KIO started talks with the SLORC again in the early 1990s, according to the KIO "to find a peaceful settlement for the political conflict, and to solve the problem on the table, not on the battlefield."³⁴¹ The KIO believed that social, humanitarian and economic development gained in the ceasefire would lead to political development and reconciliation. After long negotiations a ceasefire agreement was signed in February 1994. The KIO expected the other NDF members to follow suit so that this strategy would be part of a nationwide ceasefire. However, this did not happen leaving the ethnic political groups further splintered and making it difficult for the KIO to press for political changes when other NDF members were still fighting.³⁴² Unlike some other cease-fire groups such as the NDA(K), the KIO is recognised as a political organisation and not as a militia, and the KIO makes a point of the fact that it has not "returned to the legal fold."¹²¹

The KIO's headquarters are located at Pajau near the Chinese border. The SPDC refers to the KIO as

Kachin State Special Region 2. Until the ceasefire the KIO's main source of income was jade. This shifted to logging, and to a lesser extent gold mining, border trade, and a number of small businesses initiatives under the BUGA Company, such as the Nam Hti sugar mill.

20.3 Jade and the KIA's insurgent Economy

*"The Burmese military government said that the main artery of the KIO is the Hpakant region. That is why that main artery had to be destroyed. They do not fight physically with us, they do it behind our backs"*³⁴³
KIO Officer, May 2002

Kachin State is the world's premier source of top quality jadeite. Jade, known as the stone of heaven is revered, particularly in China for its physical properties and ethereal qualities. Top quality jade commands high prices and jade boulders can be worth millions of dollars. Since the late 1960s the KIO's insurgent economy was based on the control of jade rich areas, jade mining and the marketing of jade.

The KIA taxed the jade trade, granted jade digging concessions to mining outfits, and operated some jade mines. KIA jade experts worked at checkpoints, where jade was supposed to be taxed at 10% of its value although this was usually negotiated down.³⁴⁴ Kachin jade merchants also became key benefactors of the KIA.

From the early days of the insurgency until the late 1980s, KIA convoys carried jade from Kachin State to Tam Ngop, a KIA outpost on the Thai border. Here, jade was bartered for weapons and other essential supplies. In the early days of the insurgency the KIA also bartered opium. Opium was often the only source of currency in the hills of northern Burma and the 'war tax' that the KIA imposed on Kachin villagers was paid in kind. The KIA later introduced strong anti-drugs policies.

With economic reforms introduced in China, the jade trade moved from the Thai to the Chinese border. The SLORC also increased pressure on the KIA economy. Jade mines in the Hpakant area and trading points on the China border became targets for SLORC offensives and the heavy fighting between the KIA and the SLORC in the years preceding the ceasefire, took place in the border areas between Bhamo and Myitkyina, apparently targeting KIA supply routes. The Burmese government also began to sell jade mining concessions in KIA held areas to private interests, further undermining the KIA.

By the time of the ceasefire, the KIA revenue from jade had fallen significantly. Kachin sources claim that the terms of the ceasefire, though largely unknown, gave the KIA continued control of some of the jade trade, yet by 1997 the KIA had been squeezed out. The price of jade is reported to have fallen and more and more concessions were awarded by the SPDC.

The loss of jade was a serious blow to KIA finances and to its reputation. One jade merchant told Global Witness that taking control of the jade mines benefited

the SPDC in several ways; as the KIA lost its main source of income and the SPDC substantially increased its revenue base.³⁴⁴ The SPDC had also taken control over another resource with which to reward favoured people and groups such as the Wa and Pa-O ceasefire groups. Both groups now have large interests in the Hpakant jade mines and elsewhere. The SPDC has stated that the Wa's share amounts to 30%. Any attempt to try to regain control of the jade by the KIA would inevitably pit it against other ceasefire groups and powerful business groups, not just the SPDC.

Competitive bidding for jade concessions also excluded many Kachin jade merchants who were unable to compete with the newcomers. Jade mining increasingly became an important means to launder profits from the heroin trade, which boomed after the ceasefires, either through investing in the mines or buying jade. Groups with 'dirty' drugs money had less to lose if some of their concessions did not turn a profit. The jade and drugs trade were more directly linked through smuggling. In some instances jade boulders, hollowed out, have been used to smuggle heroin into China.³⁴⁵ Hollowed out logs have also been used to smuggle heroin to China and India.^{172, 173} (see page 56)

Changes to the control and practices of the jade trade also affected local economies that serviced that labour intensive trade. In the 1990s jade mining was increasingly mechanised, whilst the new breed of jade mining companies imported their own food and other supplies, bypassing the local economies.

20.4 Dabak and Mali Hydroelectric Power Projects

"The Dabat hydroelectric power project and the Mali hydroelectric power project are the results of [the] KIO's endeavours for the local people's interests. Electric-powered home industries and commercial-scale industries will emerge even in villages in the area including Myitkyina and Waingmaw after the completion of the projects... The entire people of Kachin State are pleased to know that the two projects are being implemented under the assistance of the government."

The New Light of Myanmar, 11 April 2001

Electricity generation in Kachin State is totally inadequate. The Jinghkrang Dam built by the SLORC in 1993 does not produce sufficient electricity to supply Myitkyina let alone the rest of Kachin State, and that which is generated is prioritised to the *Tatmadaw* bases.

Since 1997, the KIO has been involved in two hydroelectric power schemes, the Mali Creek hydropower scheme and the Dabak River dam, to increase electricity generation in the state. This would increase the rate of development and provide for the needs of nascent industries in the area. In terms of the timber trade this could mean an increase in processing capacity and the manufacture of value added timber products. However, it is far from clear whether there would be a ready market for such value added products;

China is currently benefiting hugely from the importation of raw logs. There is little or no processing taking place in Kachin State and this is in marked contrast to China, where large state of the art factories, sometimes only a few kilometres from the border, process Burmese timber for export to Malaysia and Korea.

Sources close to the KIO have told Global Witness that the SPDC, rather than providing the finance itself, has encouraged the KIO to seek external funding. The KIO in turn has approached international funding agencies but no funds have been forthcoming.

It is thought that the initial construction of the dams, in particular the Mali scheme which is being constructed by Chinese and Burmese companies, has been paid for in timber worth millions of dollars; far in excess of the value of the works carried out.^{344, 348} This has led to suggestions that the project has been subject to corruption, though lack of business acumen may also have played a part. The project is still far from being complete and it is feared that more timber will be felled in order to pay for further work. Global Witness has been told that the N'Mai Hku Project (*see page 104*) is seen by the KIO as a way to pay for these dams and other 'development' projects.³⁴⁶

Kachin State would benefit from well-targeted development initiatives but the current way of paying for these projects, which are of doubtful development value anyway, may in the long term undermine future sustainable development in the state. Natural resources, in particular timber, are being sold at prices below their true value and they are being extracted in a wholly unsustainable manner. In addition it is generally believed that much of the money that has been raised through this natural resource exploitation is being siphoned off by a few of the ruling elite and not benefiting the Kachin people as a whole.

20.5 The New Democratic Army (Kachin) (NDA(K))

The NDA(K), led by Zakhon Ting Ying, originally broke away from the KIO in 1968 and joined the Communist Party of Burma to become the CPB 101 War Zone. Since that time relations between the NDA(K) and the KIO have been tense, and in some cases have led to fighting. The collapse of the CPB in 1989 resulted in a new political order in northern Burma. After dissatisfied ethnic Wa and Kokang troops mutinied against the Burman leadership of the CPB, they set up new organisations along ethnic lines. These groups, such as the United Wa State Army (UWSA) in Wa State and the Myanmar National Democratic Alliance Army (MNDAA) in Kokang quickly signed ceasefire agreements with the SLORC. The 101 War Zone followed suit, renamed itself New Democratic Army (Kachin), and was officially recognised as a border militia by the government in December 1989. At the time of the ceasefire, the first one in Kachin State, the NDA(K) had about 800 soldiers. The NDA(K) area comprises inaccessible territory on the Chinese border between Kambaiti and Hpimaw passes. The area controlled by the NDA(K) is referred to by the SPDC as Kachin State Special Region 1, and its headquarters is based at Pangwah on the Chinese border. The major source of income of the NDA(K) consists of logging, gold mining and agriculture.

In December 2000, in northern Shan State, over 100 soldiers of the Mongkoe Defence Army (MDA), a CPB ceasefire group were massacred by the SPDC. Amid infighting in the MDA, the SPDC had summoned part of the group for a meeting and subsequently surrounded and shot them. The leader, Mong Sala was jailed and the SPDC forced the rest of the group to disarm. A Shan news agency report at the time stated



A Kachin Independence Army soldier at the KIA's 3rd Brigade Headquarters, Wara Bum near the China border. The KIA made a ceasefire with the SLORC in 1994.

© Tom Kramer

that the NDA(K) had also been given an ultimatum to disband.³⁴⁷ This report appears to have been unfounded, but sources claim that the NDA(K) were *'waiting for their turn'*: that they would also be disarmed or crushed by the SPDC if the opportunity arose.

20.6 The Kachin Defence Army (KDA)

As a consequence of the ceasefire agreements in Shan State the pressure from the Burmese army on other insurgent groups in the area increased significantly. As a result the KIA's 4th Brigade in northern Shan State became isolated and communication with the KIO headquarters in Kachin State became difficult. Internal conflicts finally led to the KIA's 4th Brigade to break away in 1991, and to sign a separate ceasefire agreement with the SLORC. Led by Major Matu Naw, the group renamed itself the Kachin Defence Army and became an official government militia force. The KDA does not control any border regions. At the time of the ceasefire the KDA had an estimated 2,000 troops. The development region assigned to the KDA is referred to by SPDC as northern Shan State Special Region 5. Its headquarters is at Kaung Kha. Sources of income of the KDA include logging, and reportedly also opium.

20.7 How the ceasefires have affected insurgent groups in Kachin State

*"This ceasefire is meant to exploit Kachin's natural resources. On the other hand the uncertainty of the political situation is also giving people a chance to do 'illicit' activities such as drug trafficking, gambling, prostitution, logging and black market trading."*³⁴⁸ KIO officer, 2001.

The ceasefire deals have altered the nature and extent of control over territory in Kachin State. Before the deals, territorial control was relative, mostly undefined and subject to change, with many areas being contested rather than controlled. However as part of these deals the KIO and the NDA(K) now control specific areas. Territory outside the defined ceasefire areas is mainly under the control of the SPDC.

For the NDA(K), the ceasefire has translated into a high degree of autonomy with little interference from SPDC troops in areas under its control. SPDC troops are, however, present in KIA areas apart from outposts and barracks. This is an important distinction as SPDC troops typically facilitate or tax resource extraction and trade generally. The more people, particularly combatants, you have in any given area the more people you have trying to make money, but the less clear it is who is doing what.

As part of its ceasefire deal the KIA has the right to engage in business. The KIA claims that whilst it does carry out business activities, such as logging, mining and agriculture, it is not a business group and only does the minimum that is necessary to support the organisation. Unfortunately for the KIA it appears that its business ventures have not been successful for reasons both within and outside its control.

One factor undermining business in Kachin State is the high level of unofficial taxation. To some extent this is common throughout Burma, but it also reflects the high level of militarisation in Kachin State particularly the large number of SPDC troops. In January 2002, on the Myitkyina to Laiza road that leads to the China border, around 60 miles, there were reported to be



Kachin Independence Army Logging check point opposite Hong Bom He – a small logging town illegally built in the Tonbiguan Nature Reserve in China.

19 roadblocks, 15 of which are SPDC the others manned by the KIO.³⁴⁹ Most of these demand some form of tax regardless of the burden to the business. This makes some forms of trade impossible whilst debilitating others and further increases the pressure on natural resources.

The ceasefires have led to a vast improvement in the human security of the average person in Kachin State. This includes a very significant decrease in the loss of life and significant decreases in the most serious human rights abuses such as forced portering, rape, and torture. In addition for the first time in three decades of war many families were able to plant crops again and come out of hiding in the jungle.³⁵⁰ There have also been small improvements in education and healthcare, freedom of movement and trade. A small number of Burmese and a handful of international NGOs have been allowed to operate in a limited way to implement health and development work. The KIO is said to have prioritised resettlement programmes for tens of thousands of displaced Kachin people but it is not certain how much resettlement has actually taken place.

However, forced labour as well as indiscriminate killing still takes place in Kachin State.^{8, 344} There are also manifold problems with the way that the ceasefires have been implemented, that go a long way to undermining the immediate benefits derived from the cessation of fighting and may ultimately lead to the breakdown of the ceasefire agreements themselves. For instance, there are serious problems of natural resource depletion, health and land rights issues. Since the ceasefires the nature and scale of natural resource extraction has changed radically. Some of these changes may have been written into ceasefire agreements, whilst other changes have resulted from power struggles within and between ceasefire groups and the SPDC. There is also concern about the increasing number of SPDC troops based in Kachin State.

The ceasefire deals have also weakened the former insurgent groups as the future is uncertain and political progress has been very limited. Both the uncertainty and lack of political progress appear to have been deliberately engineered by the SPDC, which has told the KIA that there can be no political discussion because it is a transitional government and as such does not have the mandate to make political settlements. This has led to negative effects on the internal character of the some ceasefire groups. To some extent, the discipline and a sense of duty, evident during the conflict, have been replaced by self-interest, opportunism, corruption and incompetence.

The situation has been exacerbated by the presence of natural resources in abundance. Although many of the ceasefire groups are clearly exploiting these resources, little of the money generated by this exploitation enters the official accounts of the groups such as KIA and NDA(K).³⁵¹ Increased corruption has subverted the functional and political capacity of the KIA; to conduct public works, maintain political

direction and to oppose the SPDC and provide an alternative to it. They have become less cohesive and the rank and file more disillusioned and frustrated as a result.³⁵¹ Since the ceasefire, the KIO's image and self-image have been damaged, it has become increasingly marginalised and its popular support has waned. The deposing of Chairman Zau Mai in 2001 may have been an attempt to recover some of the support it had lost by addressing corruption and a lack of political direction. The KIO has also tried to improve its image, by engaging in development projects but these have been problematic particularly where natural resources have been adversely impacted as a result, as has been the case with road and dam building.

One way for the KIO to regain direction and power would be to reassert its military strength, necessarily funded by natural resource extraction. This seems unlikely, but would have serious implications for peace in Kachin.

20.8 HIV/AIDS and Extractive Industries in Kachin State

There is a strong correlation between the incidence of HIV/Aids in Burma and the presence of extractive industries including logging and mining, particularly on the China-Burma border. There are serious health implications for China as well as Burma, as most of the labourers are migrant Chinese workers. In fact China's HIV/Aids epidemic started on the border in the Chinese town of Ruili (see *page 89*). The speed and extent of HIV/Aids spread throughout the Chinese population is compounded by the presence of truck drivers; timber and other natural resources being transported hundreds of miles from Burma to Kunming and sometimes as far as Guandong.

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

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

20.9 Logging in Kachin State

*“We can work in our concession whoever is in control on the other side.”*³²⁷ General Manager, (Pian Ma timber company), 2001

Background history of logging

Kachin State’s forests form part of an area said to be *“very possibly the most biodiverse, rich, temperate area on earth”*³¹ but also suffer from the highest rate of deforestation in Burma. Research by Global Witness along the Chinese border indicates that the volume of timber exported from Kachin State to Yunnan is no less than 500,000 m³ each year.³²⁷ The pace of logging and extraction of other resources such as gold (*see page 103*) is set to increase as a series of new roads are built in Kachin State (*see page 109*). It is surprising that to date the current level of resource extraction has not received more attention at the international level. A number of factors may explain this including the remoteness of the region, the number of groups cooperating in the process and the lack of transparency.

The current phase of logging seen today in Kachin State dates back to before the ceasefires, probably around 1987. Early logging deals were made between the KIA’s Third Brigade and businessmen from Dehong County, Yunnan. CPB 101 War Zone (subsequently NDA(K)) is also believed to have begun logging around the same time, exporting via the Kambaiti pass opposite Tengchong County in Yunnan Province.

Logging and timber extraction by the Chinese in Burma is organised in a multitude of different ways.

However, two contrasting methods in particular have been described to Global Witness. In the first instance the entire forest cover of a whole mountain or mountain slope is bought, to be extracted within a defined period, often three to five years. This can result in clear-cutting. Second a form of ‘selective logging’ takes place, in which the company, usually smaller businesses, buys the right to extract a certain number of cubic metres of timber from a specific area. These companies tend to cut the more valuable species.

Logging on the China-Burma border has many parallels with the situation on the Thai-Burma border. In some cases, SLORC frontline commanders granted concessions to Chinese logging companies as the KIA lost ground. In frontline areas Chinese logging companies paid local SLORC commanders for the freedom to operate in KIA areas undisturbed.³⁴⁸ According to press reports, fighting between the KIA and SLORC in Bhamo District, in 1990, was driven by the SLORC’s determination to clear log routes to China.³⁵²

It is likely that control over logging was factored into the ceasefire between the KIO and SPDC, and continued to be discussed thereafter. It is not known whether or not there have ever been any official profit sharing agreements between the KIO and the SPDC¹⁰² but it is most likely that such agreements take place on a regional command basis and with frontline SPDC units. In some areas nominally controlled by the KIA companies are subject to power struggles between the KIA and the SPDC. On other occasions it is thought that armed groups of loggers, probably Kachin, some of



Waiting to go to China. At least 15 Log trucks waiting to pass an New Democratic Army (Kachin) checkpoint; 2001.

them led by Chinese companies, operate beyond the control of either the KIA or the SPDC.³⁵³

In contrast in NDA(K) areas, by virtue of the ceasefire agreement and the NDA(K)'s relationship with the SPDC, there is greater autonomy and logging companies usually work relatively undisturbed. However a recent incident, reported by the Democratic Voice of Burma in June 2002, gives an insight into how the relationship can break down. The NDA(K) had permission to log in the vicinity of Panwa and Kampaiti (Kachin State Special Region 1), but in May 2002 Infantry Battalion 231 seized over 100 log trucks. The troops planned to transport the confiscated logs to Northern Military Command Headquarters in Myitkyina. On 1 June 2002 the NDA(K) responded by blowing up a bridge between Sadone and Waingmaw. According to the report the Northern Military Command ordered the NDA(K) to take action against the people who had mined the bridge, and to rebuild it.³⁵⁴ The circumstances behind this apparent crackdown are unknown.

Much of the forest in ceasefire areas has been subjected to industrial logging and there is little or no control over the manner in which the forests are being logged. The situation is chaotic but companies and individuals operating in these areas have differing experiences, some using the confusion to their advantage whilst others find it very difficult to operate with any degree of security or certainty. The perspective of a Chinese forest department official reported in a 2001 Washington Post article is very different to that of the De Long Company worker referred to above: *“When a warlord is changed over there [Kachin State], they rip up the contract and things get very difficult. Lots of contracts have been broken. There have been serious losses.”*³¹¹

The struggle to control the forest resource has clear economic and security implications for the logging companies. In 1991 there were reports that Chinese loggers had been kidnapped by the *Tatmadaw*.³⁵⁵ Again in early 2001, Chinese loggers working in Kachin State opposite the Yingjiang area of Dehong were kidnapped and held to ransom by frontline SPDC troops.³²⁷ The ransom was paid and they were later released.

According to the Chinese, the inherently unpredictable nature of working in ceasefire areas is compounded by the unpredictable way that the ceasefire groups deal with the companies.³²⁷ To counter the uncertainty some of the companies cooperate with each other, with the assistance of the Chinese authorities at a county level. But despite this logging concessions often overlap and contracts are frequently not honoured. Loggers also complain that their business becomes uneconomic, as they have to pay more tax.

This apparent lack of stability is at least a factor in the way logging is conducted in these areas; the long-term viability of the operations are not considered as

companies try to make as much return on their investments as soon as possible. This combined with the inherent greed of the logging companies and the almost complete lack of regulation is disastrous for the forests.

Forests under the control of the SPDC, areas along the railway line between Mandalay and Myitkyina, north of Katha, are also being logged unsustainably. Timber from these forests is trucked through areas controlled by the ceasefire groups, particularly the KIO, en route to China.^{327, 350, 351} The massive amounts of timber entering China are therefore not entirely from logging operations controlled by the ceasefire groups.

In China, a short distance from the Burma border timber is sold from between 600 yuan (\$75) per m³ to 3600 yuan (\$430) per m³ depending on species and quality, the average price in 2001 being 1500 yuan (\$180).³²⁷ This wood is milled in Kunming, rather than in Kachin State, adding value to the timber (*see section on logging towns in China page 85*).

Impact of the logging

The diverse nature of Kachin State, both from a political and geographical standpoint, means that the logging practices are also extremely varied. Logging in northern alpine forests is very different from the cutting of tropical hardwoods further south. The intensity and impact of logging also varies enormously with the most serious logging believed to take place in NDA(K)-controlled areas, where forests are clear-cut and even bamboo and rattan are removed by Chinese companies.

In the steep alpine forests of the NDA(K) and further north, in the N'Mai Hku Project (*see page 104*), skidders are used to haul logs to the logging roads. Lack of planning has resulted in large areas of forest becoming skid tracks and forest soils suffering from compaction and severe erosion. Landslides make the logging companies' investments particularly the extensive road network, which is very expensive to build and maintain, particularly vulnerable and inherently risky. The Chinese authorities claim that there are over 500 miles of logging roads in the NDA(K) region and on such steep terrain road building is a destructive activity in itself.¹⁷⁷ A visitor to the area told Global Witness that in these areas logs are rolled down the steep slopes, destroying smaller trees and wiping out vegetation.³⁵⁶

Both the KIO and the NDA(K) have tree nurseries and there has been some effort to replant in both KIO and NDA(K) areas. Some replanting, for instance, is taking place around the NDA(K) headquarters in Pangwah where logging and cutting for fuel wood has led to severe deforestation. There are also some commercial orchards in the ceasefire areas where pears, oranges and walnuts grow with some degree of success.³⁴⁸ But the orchards and plantations are frequently the private interests of officers from the ceasefire groups and in any event an inappropriate way to mitigate natural forest loss.³⁵⁷

20.9.1 The KIO and logging in Kachin State

*“Those that needlessly destroy the forests are the enemies of all the people. All forests and jungles are for the survival and lifeline of the people. So as for the valuable forest jungle treasure let all peoples endeavor to preserve and protect.”*³⁵⁸ KIO Central Committee, 1 June, 2002.

Like elsewhere in Burma the control of resources is complex, obscured, politicised and rarely in the hands of any one group. Whilst the ceasefire groups appear to be the main brokers of resources, the SPDC, the SPDC Regional Command and front-line SPDC troops also play crucial roles. To some extent the Kachin ceasefire groups are acting as proxies for the SPDC striking deals with logging companies and the provincial Chinese authorities, in the context of natural resource agreements made between the SLORC and the government of China in the late 1980s.

In what has become quite a desperate situation for the ceasefire groups, a mixture of uncertainty and greed has sometimes led to a situation of ‘*natural resource fatalism*’, whereby the justification to control and liquidate natural resources is founded on the conviction that the natural resources will in any case be lost; as one KIO Officer put it, *“A main reason why the KIO has started logging in the N’Mai Hku Project is because if we did not do it, then the NDA(K) would.”*³⁵⁹ (see page 104 *N’Mai Hku Project*). *“The KIO think that the forests will go during the time of the SPDC, so if the roads can be built as part of this, then it is a good thing.”*³⁶⁰ People will obviously paint themselves and their organisations in the best possible light, but it is important to consider that these can be genuine factors that influence decisions about natural resource “*management*” in Kachin State.

Power struggles between the KIA and local SPDC units are a function of the SPDC trying to assert greater control over areas formerly controlled by the insurgents. But at a local level these struggles often driven by clear economic motives as army units seek to capture logging revenues. Increasingly, little logging takes place in KIA areas without local SPDC units being paid off.

In June 2002 the KIO Central Committee issued a statement acknowledging the “*massive destructive deforestation being witnessed on a daily basis in Kachin State as a result of the large scale logging...*” The statement went on to say that the KIO had decided to “*protect and save the forest which had previously been protected by our ancestors, before they are totally destroyed and depleted.*” The statement blames illegal loggers and smugglers for the destruction. It continues: *“As of this date all illegal logging must be stopped other than concessions legally approved by the Central Government, (Myanmar) to be used by the KIO for raising funds for various development projects such as road construction and the development of hydroelectric projects.”* Whilst it is encouraging that the KIO has at least made such a statement it is questionable how much less destructive the ‘legal’ logging is, as are the benefits of such development projects (see page 93).



KIO Central Committee statement; June 2002.

Organisation

According to fieldwork conducted in early 2002, concessions in the KIO’s Eastern Division, between Myitkyina and Bhamo, are allocated to current and ex-KIO officers and Kachin businessmen on an annual basis for 3000 yuan (\$ 375) each. This is very little given that the concessions can be as large as 5 by 5 miles.³⁴⁹ Each year the agents of Chinese timber companies negotiate, with the concessionaires, prices for the timber and extractions costs, such as road building, labour and transportation. These costs are charged back to the concession holders some of which choose to leave most of the business of logging to the Chinese. Such a concessionaire could earn between 50-80 yuan (\$6-10) per ton of timber extracted.³⁴⁹ In order to increase the profit margins the concessionaires can pay up front for extraction costs, which are substantial. Across Kachin State generally road-building costs are between 12,000 yuan (\$1,500) and 80,000 yuan (\$10,000) per kilometre depending on the topography; the more mountainous the terrain the higher the cost.^{327, 349}

Although the concessionaires can make large profits from these logging operations it is clear that the Chinese benefit most from the arrangement particularly because of the use of Chinese labour and the fact that logs rather than finished products are exported. Little or none of the money generated by these operations finds its way into the pockets of the average person in Kachin State; paralleling the situation through out Burma in Cambodia and many other resource rich countries.

Revenue

In addition to the concession fees, ceasefire groups levy a tax on the volume of timber exported. This is collected at the numerous checkpoints on the major roads into China. It is thought that the system is widely abused and that little of the money raised reaches, for example, the treasury of the KIA.³⁴⁴ A source close to the KIA claims that the organisation actually receives less than one-third of the border tax revenue that it should from the timber trade.³⁴⁴

Corrupt officials working with soldiers at the checkpoints take the largest proportion of the money.³⁴⁴ Logging companies routinely under-declare the volume of the timber they export but get away with this by bribing officials manning the checkpoints thereby avoiding tax on the undeclared timber.³⁴⁴ The taxes are charged per 'lifang'^{dd} and usually range from 100 yuan (\$12.50) to about 250 yuan (\$31.50) according to the species and quality of the timber. However teak and other luxury species may be taxed as much as 800 yuan (\$100) per lifang.

No records have been made available by the ceasefire groups that show how much timber goes from Kachin State to China making any attempt at controlling the trade all but impossible. However, the authorities in China keep better records and these give some idea of the scale of the problem (see page 39).^{344, 361} The KIO may tax as little as 80 yuan (\$10) per lifang yet the Chinese authorities charge an import tax of 200 yuan (\$25) per lifang for the same timber.³⁴⁴

20.9.2 The NDA(K) and logging in Kachin State

Organisation

A similar system operates in NDA(K) controlled areas. Logging concessions are given to members of the Central Committee who in turn negotiate with logging companies through the NDA(K) Financial Department.³⁴⁹ In contrast to the annual concessions in KIO areas, some logging companies working in NDA(K) areas have concessions for up to 15 years. The De Long Company for instance negotiates with the NDA(K) and in turn sell areas of forest to smaller Chinese companies.³²⁷ De Long is working on a 15-year concession and also claimed to have mining rights.³²⁷ Other loggers in Pian Ma Town, China, said they were working on 5-year concessions in NDA(K) controlled areas (see section on *Pian Ma* page 85).

Logging companies told Global Witness that in order to secure a concession accessed from Pian Ma, to carry out selective logging, a company needs to give an initial payment of between two to three million yuan (\$250,000 to \$375,000) to the NDA(K) Financial Department. Further payments are made depending on the volume of timber exported. Alternatively a company can buy a whole mountain at a cost of five to ten million yuan (\$625,000 to \$1,250,000) and remove all the timber. This practice has been confirmed by other logging companies. One company representative stated a piece of land can be bought for 250 yuan (\$31) per mu (0.16 acres), though it appears that this is negotiable.



New Democratic Army (Kachin) checkpoint; 2001.

^{dd} Cubic metre, Chinese vernacular.

Revenue

The NDA(K) does not appear to permit log trucks to carry more than five tons of timber.³²⁷ However, it is thought that this limit is routinely exceeded by up to 50%.³⁴⁹ In addition logging companies working on behalf of powerful Kachin concessionaires avoid paying taxes at the checkpoints. Chinese loggers in Pian Ma told Global Witness that log trucks can be taxed 10, 20 or 30 yuan (\$1.25, \$2.50 or \$3.75) or sometimes nothing at all depending on the relationship between the Chinese company and the NDA(K). The same loggers said that log trucks are driven at night to avoid the checkpoints.³⁴⁹

20.9.2.1 The expansion of NDA(K) logging interests.

The Southern Triangle, formerly N'Jangyang Township, is an area that lies between the N'Mai Hka and Mali Hka rivers, north of their confluence, to the Hkrang Hka River. In 2001 SPDC merged N'Jangyang Township with Chipwe Township thereby placing it under the control of the NDA(K).³⁶² There are approximately 25,000 people living in the Triangle area.³⁶³

The NDA(K) is understood to be in the process of aggressively expanding its logging activities into both the Southern Triangle and the N'Mai Hku area (*see page 104*).³⁶⁴ This is being done with the permission, and possible encouragement, of the SPDC and the cooperation of the Tengchong County government.³²⁷ Many NDA(K)-held areas have been logged out and Tengchong County needs to secure new logging supplies. Workers from the Jinxin Company in Guyong, Yunnan, told Global Witness that the Tengchong County government had actually paid for road and bridge building in Kachin State.³²⁷ Jinxin has been contracted on a road-building project that is planned to last eight years.³²⁷ In addition it has been awarded a logging concession that contains over four million cubic metres of timber and is, according to staff at the company “*larger than Dehong Prefecture*.”³²⁷ Around March 2001 an agreement was signed at the Burmese consulate in Kunming, between the SPDC and the Yunnan authorities, relating to a road building and a hydroelectric project in Kachin State.³²⁷ It is thought that this is the deal that Jinxin is working on.

Chinese companies have built two bridges across the N'Mai Hka River into the Southern Triangle (*see map page 92*).³⁶⁴ In 2001, surveying was taking place in the Laukhaung District of Chipwe Township and apparently a road is planned to Htoi Ra Yang.³⁶⁴

Parts of NDA(K) and KIA territory had never been formally demarcated until forest concessions were given to companies by one or other of these groups. The NDA(K) expansion of its logging interests referred to above has created tension with the KIA, which is possibly what the SPDC intended. Another source of tension has been the struggle to

control former no-man's land in the south of the N'Mai Hku Project. In 2001, Chinese loggers in Pian Ma told Global Witness that there had been skirmishes in the forests north of Pian Ma in the two previous years. They said that they had been forced to stop logging and to return to Pian Ma because of these clashes. Information from sources close to the KIO has corroborated this account.³⁵⁹

20.9.3 The SPDC and logging in Kachin State

The SPDC also taxes logging using checkpoints on major roads that they control. In January 2002 there were 15 SPDC controlled checkpoints between Myitkyina and Laiza. Some are just military checkpoints, others are known as ‘gathering points’ where SPDC departments, such as customs, military intelligence, immigration and police carry out inspections and collect taxes. Checkpoints on the Myitkyina road demand between kyat 50,000 (\$80) and 100,000 per ten-ton truck, more for teak logs. It is not clear how many times taxes must be paid, but as different factions control different checkpoints it is likely that multiple taxes are paid.

20.9.4 Villagers and logging in Kachin State

“*Lots of woodlands became empty, almost no more [trees].*”
Anon, Kachin villager, 2001

In the ceasefire areas most logging is beyond the control of ordinary people. However, the ceasefire groups do allow some village level involvement, to avoid causing excessive tension. In both NDA(K) and KIA areas village headmen can negotiate directly with logging companies. It is also the case that in some instances local people carry out the logging and sell the timber to Chinese traders. In some instances the KIA has given villagers the freedom to sell their own forests but, involvement in the decision making process can be a double-edged sword for the villagers.³⁶² The villagers do not always have the skills or experience required to negotiate favourable deals with the Chinese logging companies. More often than not it is the logging company that has the advantage and many villagers have become totally disenfranchised. As one Kachin community worker put it, “*Villages have also been able to arrange for Chinese companies to come in and log in exchange for money or building roads, schools, houses and water supplies. Sometimes the Chinese build very poor quality water systems that are useless after just one or two years. The Chinese companies are much smarter than the villagers.*”³⁶²

A KIO officer told Global Witness that local people understood the dilemma that the KIO faced, of having no other source of money after losing the jade mines, and that they did not blame the KIO for being involved in logging.³⁶⁰ But despite the KIO's apparent

efforts to avoid conflict with villagers, logging is a significant source of resentment between the organisation and ordinary Kachin people. When asked who made logging legal one villager responded, “The [Burmese] military government. If you have a good relationship with the generals, the military government, it’s still legal. But if you don’t have, it’s illegal. And from the KIO side, it’s the same as the Burmese. If they get a kind of tax, then they issue the permission to the trader.”³⁶⁵

According to a development worker, who visited KIO-controlled areas in Eastern Division in 2001, villagers said that the forests “belonged to the KIO” and that they could do nothing to control the logging. According to the same source the KIO protects logging companies from the grievances of local people, although it also arranges compensation for villagers, in the form of roads and schools.³⁶⁶

Whether or not such ‘development’ is the motivation behind the decision to allow logging or it is merely an afterthought to avert public criticism is open to debate. Neither is it clear if these development projects have any intrinsic value for local communities and, if they do, how far they go to mitigating the adverse effect that logging is having on the development

of these areas in the long term. In the KIO Eastern Division, Kachin people have been displaced from logging areas after streams and their wells dried up. These people have either had to clear more land elsewhere, or they have moved to the towns where there is little hope of employment.

In NDA(K) areas negotiations that take place between villagers and companies is often to do with arranging compensation, where the company already has a concession granted by the NDA(K). Loggers in Pian Ma told Global Witness that they make payments to village headmen when, for instance, logging roads run through their areas.³²⁷ However in some cases, with permission from ceasefire groups, the villagers also grant concessions.

It has also been reported that the NDA(K) has a policy of moving villagers down from the mountains towards roads, so that they can be resettled in larger villages.^{301, 364} Whether this is to facilitate logging, or if it is a crude method of social control is unclear. The NDA(K) has claimed that this is done to ‘protect’ the forest from shifting cultivation carried out by the villagers.³⁶⁴ A logger from Pian Ma told Global Witness investigators that the Chinese government is helping these displaced villagers with agriculture.³²⁷



KIA controlled area; 2001



Onboard a gold dredging barge, Kachin State; 2001.

20.10 Gold Mining in Kachin State

"In the N'mai Hka they also search for gold using big motors. They work the whole day and the whole night. They search for gold in the river and also on the riverbanks. I feel very upset because God gave us a beautiful land but it's been destroyed, and the beautiful environment is going to be destroyed also". **Kachin Person from Laiza 2002**

The SPDC has been making serious efforts to open up the mining industry to foreign investment since 1988 by offering for tender blocks of land with mineral potential throughout the country, both for prospecting and for exploration. Many of these blocks are in central Kachin State, where there are significant deposits of gold, gemstones, copper, platinum group metals, chromium, molybdenum, iron and manganese.³⁶⁷

Like the forests of northern Burma, Kachin State's mineral resources, particularly gold, have been parcelled off, mainly to Chinese investors through an SPDC concession system that started in 1990. *Tatmadaw* officers, the NDA and the KIO also have financial stakes in these companies. Most of the gold mining is unregulated and takes place on the N'Mai Hka and Mali Hka rivers whose confluence, just above the city of Myitkyina, gives rise to the Irrawaddy. There are also gold mining concessions in Kachin State's Hukawng Valley.

Often the mining is carried out from moored barges that pump large quantities of sand from the riverbeds, which is then processed with mercury to extract the gold. The equipment and most of the employees for such operations come from China. Other gold mining concerns excavate and dredge along the riverbanks, or tunnel into hillsides. The mercury is often handled without protection, and disposed of by burning or dumping. This may have serious long-term health effects, as mercury is not only toxic but persists in the environment, causing damage to the brain, nervous and reproductive systems, and birth defects.

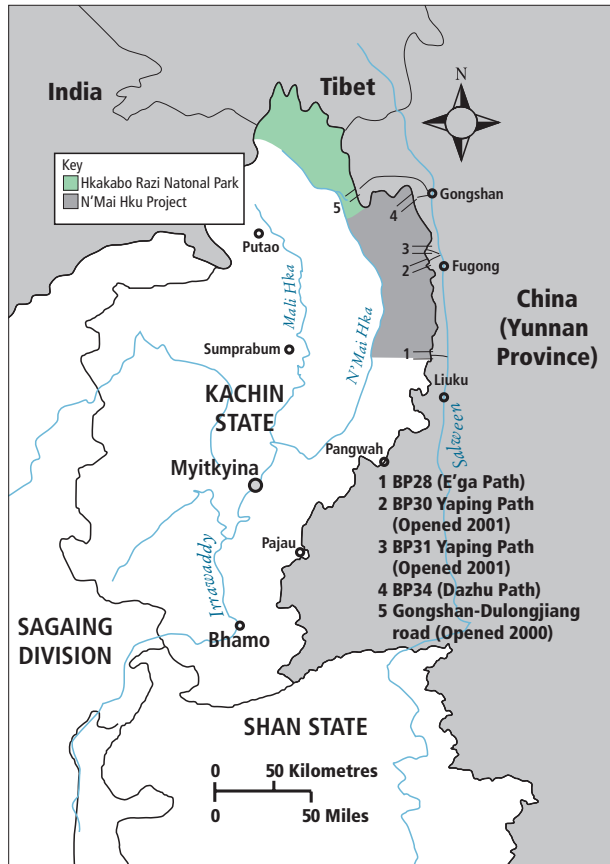
In August 2002 the SPDC solicited tenders for 42 new mining concessions, including 23 for gold prospecting in Kachin State. The SPDC is apparently encouraging international mining companies to bid on these blocks but many of the larger firms have avoided or left Burma in recent years, because of a lack of infrastructure, corruption and other problems.

One Kachin community worker described how in areas where the KIA had granted gold dredging concessions to Chinese companies, it has prevented villagers from panning for gold; something they had traditionally done to supplement their income. This led to a conflict between villagers and the KIA and in turn led to the killing of a KIA soldier by a villager. It was said that the KIA investigated the incident and that the villager was later cleared of murder.³⁶²



There are several hundred Chinese gold dredgers on the N'Mai Hka River north of Myitkyina.

20.11 The N'Mai Hku (Headwaters) Project The Area



The N'Mai Hku area lies between two of the world's most biologically rich and threatened environments: Indo-Burma and South Central China. The forests of N'Mai Hku grow in a critical watershed for the Irawaddy River and form part of an exceptional biodiversity hotspot.

The N'Mai Hku Project itself is situated on the western slopes of the Gaoligongshan Mountains and according to the California Academy of Sciences the area is unanimously recognised by global conservation agencies as one of the "hottest" of biodiversity hotspots worldwide.³⁶⁸ The forest types are (above 9,000 feet) predominantly evergreen coniferous or sub-alpine snow forest and (between 6,000 and 9,000 feet) temperate semi-deciduous broad leaf rain forest. The terrain is very steep and has never been subject to large scale logging before, although certain species, particularly the Chinese Coffin Tree *Taiwania*, have been extracted for centuries with the use of mule trains.³⁶⁹ N'Mai Hku is also an area of outstanding natural and geological beauty, which is why a large proportion of the Chinese side of the mountains is protected by two national nature reserves: the Nujiang Reserve and the Gaoligongshan Reserve.

What it is

The Project is a combined logging and mining operation that covers the area, east/west between the

N'Mai Hka River and the China-Burma border, and north/south between boundary posts BP27/28 and BP42. The southern boundary of the project is at the northern limit of NDA(K) territory whilst the northern boundary follows the course of the Dulong River (known in China as the Taron River). This northern boundary is also the southern boundary of Hkakaborazi National Park.

Professional planning and surveying for the Project dates back at least seven years. The Hua Sing Company has estimated that there are 20 million m³ of standing timber in the Project area based on a satellite survey carried out by the Australian Longbow Geological Services. A Hua Sing representative told Global Witness that the level of timber extraction from its area would rise to 150,000 m³ each year over 15 years.³²⁷

Whilst concession agreements in the N'Mai Hku Project area are said to stipulate selective felling there is no reason to believe that this will be followed.³⁶² It is feared that the companies will replicate the clear-cutting they have carried out in areas further south. According to one Kachin businessman interviewed by Global Witness the area may be logged out within six years, another thought 10 years more likely.³⁴⁴

The Gaoligongshan Mountains on both sides of the border are exceptionally rich in a wide variety of minerals. Important discoveries of gold and zinc in the Dulongjiang area of China have been made. In Pian Ma, just south of the Project area, discoveries of molybdenum have attracted the interest of mining companies that have built processing facilities in the town.³²⁷ The 2% quality of the ore is reportedly higher than anywhere else in China and it is expected that Pian Ma will become a major source of the mineral for China.

Resources in the N'Mai Hku area have never been systematically exploited although there is extensive artisanal and mechanised gold mining on the N'Mai Hka and Mali Hka rivers. The survey conducted by Longbow indicates the whole of the N'Mai Hku Project, between border posts 27 and 42 is rich in gold, lead, zinc and silver. Other accounts suggest that iron, copper, uranium and nephrite are also present.³²⁷

How it came about

It is difficult to second guess why the KIO became involved in the N'Mai Hku Project. It has been suggested that N'Mai Hku was given the go-ahead in order to pay for the Tabak Dam; a border area development project, which like N'Mai Hku itself, is of questionable intrinsic value to the people of Kachin State.³⁶² Global Witness has also been told by a source close to the KIO that the KIO received a 10 million yuan (\$ 1.25 million) signature payment from one of the Chinese companies involved, although it is not clear which one.³⁴⁴ Despite this the KIO may well only receive 20% of the value of the resources extracted or even less.³⁴⁴ The same source claimed that the 'expenses'



Logging in the N'Mai Hku region.

associated with the project have been very high. This could indicate that the KIO is obliged to cover the road building and other infrastructure costs, as seen elsewhere in Kachin State, or that the people involved in the negotiations have passed on very little of the initial money received for the project. Both seem likely.

Fears that if the KIO did not engage in logging in this area the NDA(K) would, may also have played a part. Many of the areas controlled by the NDA(K) to the south of N'Mai Hku have been deforested and it is thought that the NDA(K) is in the process of aggressively expanding its logging operations northwest into the Triangle area, between the N'Mai Hka and the Mali Hka rivers.³⁶⁴ It is also thought that the NDA(K) is building a road north from Kangfang, near Pian Ma, to the N'Mai Hku area.³⁶²

The N'Mai Hku Project is the result of negotiations between a very small group within the KIO, and private and state interests from China and Malaysia. There has been little or no public consultation in Kachin State and, most likely, strictly limited discussion within the KIO. Details both of the process and of the Project itself are very sketchy. The extent to which the SPDC and the Chinese governments were involved in these negotiations is not known, but given the size of the project, its strategic importance and the level of investment it is highly likely that both Beijing and the authorities in Rangoon were involved. Certainly it is almost inconceivable that deal was not agreed by the SPDC and the Kunming-based administration of Yunnan. One businessman interviewed by Global Witness said that the

Chinese companies would not have invested in the Project without having seen SPDC approval.³⁴⁴

A KIO source claims that a KIO delegation visited Rangoon several times in 1998 and 1999 to discuss the Project. There are also several references in the official SPDC press at the time to meetings between the Kachin/KIO leadership and senior ministers in the SPDC including Secretary 1, Khin Nyunt, and the Minister of Forestry, U Aung Phone,^{ee} to discuss "*Forestry and Mineral Development*."³⁷⁰ There is also reason to believe that the KIO were given permission by the SPDC to exploit this area, as part of its Border Area Development policy, and to compensate the group for its loss of the jade mines in Hpakant (*see page 93*).



Sino-Myanmar Mineral Development document of the Lin Hua Firm.

^{ee} According to a 26 July AFP article Aung Phone was sacked on 25 July for 'malpractice'.

2001

The Project was, in 2001, still in its early stages with activity confined mostly to road building and logging. However this year saw the opening of a 150-metre bridge across the Salween River, north of Fugong at 'La Cholo'. In addition, at least one of the two major roads that lead to the Chinese border from the bridge was completed. Global Witness saw loaded log trucks carrying timber from Burma down the Yaping Path towards China and across the Salween/Nujiang River over the new bridge.³²⁷ A log pile containing 100 or so small pine logs was also visible on the west bank of the Nujiang River near the bridge.³²⁷

The level of logging was relatively small with possibly 10,000 m³ being cut during 2001.³²⁷ This is just a fraction of the proposed harvest that is believed to be 150,000 m³ a year from the Yaping Path alone.³²⁷ A road network inside the project area is already developing, though in spring 2001 this extended no more than 10 kilometres into Burma.

A year later, reports by visitors to the area suggest that the road network is being rapidly expanded. Roads are being built from Yaping and Dazhu border points by different business interests to an area rich in timber. Preliminary studies suggest that there are approximately 500,000 m³ of timber in this area known as Hkawng Lang Phu. Another place mentioned was Ladago. Both locations are also believed to be rich in gold.³⁵⁶

There are varying opinions as to the current degree of control that the KIO has in the area; some suggest that it is waning but this has not been confirmed. Sources claim that the Burmese army, based in Putao, has visited the project site opposite Fugong. Kachin also claim that the army visited the Yaping Path at Border Posts 30/31 repeatedly in 2001 to monitor and tax the trade but this has not been confirmed.³⁴⁴ It is not thought that the Burmese army maintains a permanent outpost or on whose authority they are operating. Global Witness has been told that at one point in 2001



The construction of the bridge at La Cholo.

the SPDC sent three battalions of troops into the area but again this has not been confirmed.³⁴⁴ It is also thought that the SPDC actively monitors the progress of the Project. However, local Chinese officials have claimed there was SPDC presence in the towns of Fugong or Gongshan during 2001.³²⁷

20.11.1 Companies operating in the N'Mai Hku Project area

*“Yuen Sheng Co. belongs to the Forestry Department of Yunnan. They built the bridge.”*³³⁷ Chinese businessman in Pian Ma, 2000

The origins of the project can be traced back to negotiations in the early 1990s between the KIO and the Yunnan Forest Department in Kunming.³⁵¹ The KIO sought to realise some of the value of the resources within territory that it was likely to control after any ceasefire deal. It is most likely that the significant investment needed to build the infrastructure that would support such a project could not be found until after the ceasefire.

A senior figure at that time in the Yunnan Forest Department, and involved in these discussions was Mr Chang Chuan. Mr Chang is now a wealthy businessman with several wood processing factories in Kunming. He also established the Yuen Sheng Company and negotiated in a private capacity with the KIO for a concession in the N'Mai Hku area.³⁵¹ Despite having a concession, the Yuen Sheng Company lacked the substantial capital needed to develop the project and later either sold the concession, or became involved in a joint venture with the Huaxin Group Co. Ltd³⁵¹ The Huaxin Group Co. Ltd is based in Kunming and is an alliance of six companies from Kunming, Beijing, Shanghai, two from Guandong and the Ministry of Railways.³²⁷ It has a registered capital of 85 million yuan (\$10,625,000).³²⁷

The KIO later rescinded the Huaxin deal and negotiated a new deal with the Heng Huat Company.³⁵¹ It is believed that the KIA delegation that visited Malaysia in 2002 visited Heng Huat to negotiate details relating to the road building projects in Kachin State.³⁷¹ It is also thought that the Jadeland Company has contracted Heng Huat to build the Myitkyina to Sumprabum road.³⁶² This Malaysian company, owned by Tan Soo Bing a Sino-Malaysian businessman, has interests in agribusiness and quarrying as well as logging and road building. The majority of the Heng Huat group of companies are registered in Malaysia but others are registered in China, Hong Kong and Indonesia.

A Heng Huat Indonesian-registered company, PT Sarpindo Graha Sawit Tani, is involved in oil palm plantations and other cash crops including soybean production. This company is 25% owned by Macmahon Holdings³⁷² a large company listed on the



A road inside the N'Mai Hku Project. Trees logged above the road are often rolled down the slopes on to the road.

Australian Stock Exchange. PT Sarpindo Graha Sawit Tani was also one of 29 plantation and timber companies which had their licenses revoked for failing “to present documents disproving the government’s allegations that they were responsible for starting brush and forest fires” that devastated vast tracts of Indonesia’s forests in 1997.^{373, 374} In this case the company was working in south Sumatra.³⁷⁴

Despite the deal with Heng Huat, the Huaxin Company later secured a concession with the support of the Chinese authorities and as a result both companies now have concessions in the project area.³⁶² The company is believed to control the N'Mai Hku Project between BP30/31 up to BP34. Within this area, only Huaxin has the right to award subcontracts. It has a contract to extract all resources from the Project area, including timber and minerals, for 15 years. In 2001 the company stated that it had invested 60 million yuan (\$7,500,000) excluding the cost of the bridge and the road building to the border.³²⁷ According to Huaxin, the cooperation of the Nujiang authorities is crucial to the success of the Project, as the county is a major partner through its control of land along the border.³²⁷ The involvement of other state bodies is referred to in the description of the four roads linked to this Project.

Heng Huat appears to have the right to log the areas outside Huaxin’s concession.

20.11.2 Villagers and the N'Mai Hku Project

According to the Longbow land-use survey (*opposite*), there are 16 large villages in the N'Mai Hku area, eight of which are on the N'Mai Hka River. In addition there are many smaller settlements, thought to be in the region of 49 villages with 477 households and a total of about 3,500 people.³⁵⁹ These people ultimately face loss of land, loss of their access to forest resources, and the destruction of watercourses through siltation.

Two separate interviews from both China and Burma suggest that the Project is already the source of discontent amongst local inhabitants from Lisu and Rawang groups who live in the area.^{327, 356} A Rawang headman visited Gongshan Town in China apparently to complain that the logging roads had not brought any benefit to the villagers, as had

been promised before they were built. Complaints have also been made to the SPDC. The logging company was subsequently forced to pay around 600,000 yuan to build a six-kilometre road to link the village to the logging road.³⁵⁶ In this case the villagers would seem to have more recourse with the SPDC than they do with the KIA. KIA relations with many Rawang have been poor since the 1960s.¹⁷

Further tension between the proponents of the Project and local people seems inevitable. Loggers themselves, mostly Lisu of Chinese nationality, are said to be concerned that without the support of the local communities in these areas they will be unable to work.



Road leading from China into the N'Mai Hku project area during the winter.

20.11.3 Road Building in the N'Mai Hku area

Natural resources are transported directly from the N'Mai Hku area into China, and to further improve the transport infrastructure a network of roads is being built into Kachin State from the Chinese side, at several border-crossing points. Roads have also been upgraded in China to facilitate any increase in transportation. The terrain is very difficult and all road building represents substantial investment. In marked contrast in 2001 there appeared to be no serviceable roads that link the logging areas in N'Mai Hku to the existing road network in Kachin State.³⁶⁴ By 2001 three roads had been, or were still being built that cross into Burma from the Salween Valley.³²⁷ Another road from Gongshan to Dulongjiang has been built in the direction of Burma and may be extended to the Burma border.

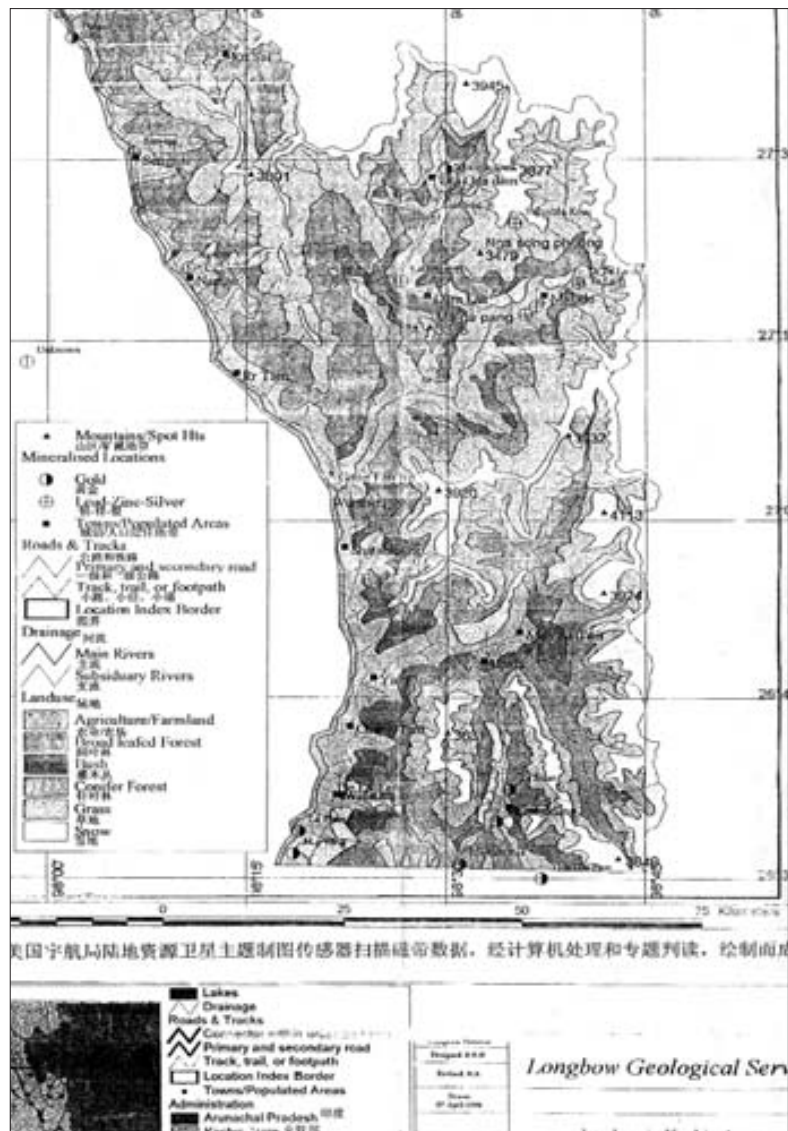
From south to north the roads are the E'ga Path, the Yaping Border Trade Path, The Dazhu Border Trade Path, and Gongshan – Dulongjiang Road. The E'ga Path is located in Lushui County on the border with Fugong County. Construction began in 1997 and the finished length will be 38 km. By 2001 around 20 kilometres have been completed and 6 million yuan (\$750,000) have been invested. Companies involved in the construction of this road include the Dongfang Forestry Bureau of Heilongjiang Province, the Comprehensive Construction Company from Chuxiong Prefecture (Yunnan) and the Golden Ring Company from Lufeng County (Yunnan).³²⁷

The Yaping border trade path is located in Fugong County. It is 32.2 km from the new bridge to BP 30 and 36.9 km to BP 31. The road was built by the Yunseng Group and the 20th Bureau of the Ministry of Railways, on behalf of the Hua Sing Group Co. Ltd.³²⁷ By early 2002 the road crossing at BP31 had reached less than 10 km into Kachin State. As part of this road building scheme a bridge has been built at La Cholo 28 km north of Fugong at a cost of approximately \$2 million. The roads and bridge were completed in 2001 when they opened to log traffic. The total investment for the roads and bridge has been estimated at least \$5 million.³²⁷

The total length of the Dazhu border trade path from Gongshan to BP 35 is 35.9 km. This road was constructed jointly by the People's Government of Gongshan County, the General Company of Forestry of Nujiang Prefecture and the Yuntaishan Forest Bureau. Construction began in 1994 and the road had not been officially opened by the middle of 2001.³²⁷ At this time only the General Company of Forestry of Lujiang had the right to extract timber along this

path. This company together with Gongshan Country government has established the "Gongshan Dazhu Border Development Company of Yunnan Province". Total investment had reached 10 million yuan (\$1,250,000). Global Witness has been told that the manager of the Dazhu path is concerned that political changes in Burma, as well as discontent from the Rawang and Lisu villagers in Burma, will cause problems for the project and put off foreign investors.^{327, 356}

A 96 km road runs from Gongshan to Dulongjiang towards the Burma border. Known as the Dulong Road it was completed around 1999 and according to locals the road is one of the most expensive roads ever built in China, costing 1 million yuan per mile (\$ 125,000).³²⁷ However, the road is said to be 60 kilometres short of the border. There are important gold mines in and around Dulong and the area is thought to have the third most important zinc deposits in Yunnan Province. The Dulong River, known in Burma as the Taron River, and the source of the Irrawaddy River crosses the border at around BP 42.



Longbow land-use survey.

20.12 Road Building in Kachin State

*“The problem for most firms is that the mountain roads are not good and that each year the rainy season is five months or longer. If they only could, they would cut every tree and transport every log into China.”*³²⁹ Anon, academic, 2000.

As elsewhere in Burma, it has been the physical isolation of the forests in Kachin State that has protected them from logging. However this is set to change as three significant routes, currently little more than tracks, have been earmarked for upgrading. These roads will link several major towns, but the primary motivation for the scheme probably has more to do with the opening up of large parts of the state for resource extraction than with serving the community. A great deal of forest will be lost as part of the construction process but this is likely to increase significantly upon completion as previously inaccessible forest becomes accessible for the first time.

Detailed road construction plans for Kachin State date back to shortly after the ceasefire, at which time the *The New Light of Myanmar* described plans to upgrade six major roads.³⁷⁵ In late 2001 details emerged about three road-building deals that were linked to large logging concessions, in areas that had not been subject to the same logging pressures as the forests near the Chinese border. Logging here is of particular significance as it is the first time that the SPDC has been involved overtly in logging in this part of Kachin State.³⁶⁰

The upgrading of two of the roads involves the SPDC, the KIO and the Jadeland Company. Jadeland has subcontracted the road building to a Chinese company, which is thought to be Heng Huat, one of the companies involved in the N’Mai Hku Project (*see page 104*). The upgrading of the other road involves both the SPDC and the NDA(K). It is thought that the NDA(K) has given the contract for this project to the Jinxin Company. Jinxin is probably the largest logging company in Kachin State and has been working in NDA(K) territory for many years (*see China section*

page 80). A representative of the company in Guyong (Yunnan Province) told Global Witness that the deal was signed in the first few months of 2001.³²⁷

The roads are going to be upgraded to Third Class, 3.8 metres wide, at a cost of 600,000 yuan (\$75,000) per mile. Neither the SPDC nor the ceasefire groups have the money needed to pay for these roads, so payment is being made in logs.³⁶⁰ It appears that both the KIO and the NDA(K) have been given permission by the SPDC to extract 10,000 tons of timber for each road from designated extraction blocks.³⁶⁴ However, given the low prices paid for timber by the Chinese it is unlikely that these allocations will be sufficient to cover the full cost of the roads.

A key motivation for the road building appears to be further resource extraction, as during and after the construction period new areas will be opened to logging and mineral extraction. The concessions that Global Witness is aware of are far larger than that needed to simply pay for the roads. Work has already begun, but there have not yet been any reports of increased logging activity in the concession areas. There have been delays in the construction of the Myitkyina – Sumprabum road and, according to a source close to the KIO, the SPDC will not allow any logging until the road has been upgraded all the way to the confluence of the N’Mai Hka and the Mali Hka rivers.

The latest information on the road building plans for the Myitkyina-Sumprabum road suggest that rather than upgrading the old British road to the west of the Mali Hka River, Jadeland, together with Heng Huat will build a bridge across the Mali River and the road will be built inside the ‘Triangle’ area (*see page 101*). The rationale for this is that it is easier to get access to the timber inside the Triangle area. Jadeland is said to have stated that there is very little valuable timber along the old British road.

There has been some concern, even within the KIO, that by signing into this deal the KIO has added legitimacy to an otherwise unviable plan that is more about natural resource extraction than development.³⁶⁰



TABLE 7: ROAD BUILDING IN KACHIN STATE

Organisation building the road	Route	Length of road
NDA(K)/Jinxin Company [Tengchong Government]	(Myitkyina) – Waingmaw - Chipwe – Pangwah	80 miles
KIO/Jadeland Company	Myitkyina – Sumprabum – (Putao)	285 miles
KIO/Jadeland Company	(Myitkyina) – Waingmaw – Bhamo	120 miles

20.12.1 Jadeland Company

Jadeland's association with this road building dates back to before 1999, when the company's owner, Yup Zau Hkawng, travelled along the Myitkyina- Sumprabum- Putao road with his 'cultural troupe' donating gifts to villagers and seeking support for the road.³⁶⁴

Yup Zau Hkawng is a wealthy jade dealer and a very influential and respected figure in Kachin affairs. He has close connections with the Kachin ceasefire groups and as with many other jade merchants was formerly an important benefactor of the KIO. He also has good connections at the highest levels of the SPDC, in particular he is known to have had a very good relationship with the former Northern Commander.³⁶⁴

These relationships have been mutually beneficial. Notwithstanding Yup Zau Hkawng's own interest as a businessman, and his wish to be involved in a 'development' project for the benefit of Kachin people, his involvement means that there is a better chance that the road building will proceed as planned.

It is thought that the planning for the scheme was worked out between the SPDC and Jadeland with KIO involvement only at a later stage.^{360, 364} Yup Zau Hkawng played a central role in negotiating with the KIO.³⁶⁰ In mid 2001 he visited the KIO's headquarters at Pajau, with the Chinese company, which he subcontracted to build the road.³⁶⁰ At this meeting, attended by senior members of the KIO, Yup Zau Hkawng outlined the road building plans and the corresponding logging concessions. Having already secured permission from the SPDC and the Northern Commander the deals were signed June 2001.³⁶⁰



Jade Land machinery being used to improve the road from Myitkyina.



Myitkyina offices of the Jade land Company owned by Yup Zau Hkawng

21 WA STATE



UWSA billboard, Pangsang.

Wa State, (Shan State Special Region 2) is located in northern Shan State between the Salween River and the Chinese border. In the north it is bordered by Kokang State. Like other border areas, little development has taken place in Wa and it remains very poor. The land consists mainly of inaccessible mountain ranges with steep slopes and infertile soil, making less than half of it suitable for agricultural purposes. As a consequence where deforestation occurs, soil erosion is rapid and there has already been large-scale conversion to grass and scrubland.³⁷⁶ These high mountains are characterised by broad-leaved evergreen rainforest, subtropical and temperate rain forest; the main commercially valuable tree species is pine.

Most of the area is under control of the United Wa State Party/Army (UWSP/A). The UWSP was formed in 1989, by Wa units that mutinied and subsequently broke away from the Communist Party of Burma. The UWSA signed a cease-fire agreement with the SLORC in the same year, and is recognised as a government militia. There are a considerable number of ethnic Chinese officers and advisors in the UWSP but local communities have very little say in even day-to-day decisions of the party.

The UWSA also maintains control over a significant area along the Thai border. Fighting continues between the SPDC, assisted by the UWSA, and the Shan State Army (South), formed after the surrender of the Khun Sa's Mong Tai Army. The presence of the UWSP along the Thai border has become a huge security issue for the Thai authorities. The UWSP has been accused of smuggling opium and heroin into Thailand and is also seen as the major producer in Burma of Amphetamine Type Stimulants (ATS).

21.1 Logging in Wa State

“Until three years ago on both sides of the road there was still a lot of forest of pine wood trees... Now there are no more trees. The Chinese build a road to cut more trees. They expanded this road year by year, and cut every big tree... They began in Ho Tao, then continued to Meng Pawk and then came to our area and further on... This year’s dry season there were a lot of trucks coming from village, day and night, in total about 40-50 trucks per day... Now there are no more pine trees, thus no more construction wood... After the logging, there is only bush forest left, which is only useful for cattle, but no so good for upland agriculture.”³⁷⁷ Anon, village headman, 2001.

As in Kachin State the 1998 logging ban in Yunnan Province lead to increased pressure upon the Wa forests, the Chinese authorities actively encouraging logging across the border in Burma. As one development worker put it: *“It is also evident that the extractive logging and similarly severe commercial firewood extraction as currently practiced by Chinese interest are in stark contrast to what is allowable immediately across the Chinese border in Menglien District of Simao Prefecture of Yunnan Province of PROC. Simao prides itself in being ‘green’ and has some of the most severe penalties against illegal cutting and forest fires, including long jail terms.”³⁷⁸*



Orphaned child soldier guarding the UWSA headquarters, Pangsang.

They are however concerned about Chinese logs being re-imported across the border as Burmese logs to evade the logging ban.³⁷⁷

The UWSP officially banned logging in April 1999. In February 2000 the UWSP reportedly also banned the export and extraction of all commercial firewood in all townships in the Wa region. There is however little evidence that this policy has been put into practice.³⁷⁷

Southern Wa State, south of the China border, consists of three districts from east to west: Mong Pawk (Mongpauk), Ho Tao, and Mong Phen. To the east lies another ceasefire area, which is under control of the Myanmar National Democratic Alliance Army (MNDAA - Eastern Kengtung), referred to by the SPDC as Shan Special Region 4. Logging has increased dramatically in southern Wa since the ceasefire in 1989. Satellite data and ground-truthing indicate that forest cover in parts of Mong Pawk District, for instance, declined by 39% between 1973 and 1999.³⁷⁶ Virtually all of the logging in the region is carried out by Chinese companies and controlled by the UWSP from its headquarters in Pangsang. The UWSA's Security Brigade, based in Mong Hpen, makes its own deals with the logging companies. District and township liaison offices have also made deals with the Chinese but it is not known how this has been negotiated with Pangsang.³⁷⁷

The standard practice is to establish a sawmill and build feeder roads in the direction the good forest. The Chinese provide most of the labour for logging and road building. Local people are occasionally employed to remove branches, to square logs with hammers and wedges, and to drag wood to the mobile sawmills. Global Witness has come across instances of local people being paid 20 yuan (\$2.40) a day to prepare roads, approximately twice what they would be paid for labouring in poppy fields.³⁷⁷

All commercially valuable timber is cut which often results in the clear-cutting of large areas. According to one UWSP official, the Chinese companies cut any tree with a diameter larger than 10 cm.³⁷⁷ The companies do not stick to the concession boundaries and extract more timber than they have agreed to³⁷⁷ and the Chinese have already taken the best accessible pine trees.

During 2000 and 2001, logging was concentrated on the areas of Mong Kar, Nam Phai and Meng Yin, on the Nam Saw Ridge.³⁷⁷ There were 80 trucks working in Meng Yin, and 60 around Nam Phai and it is likely that



Truck heading from Shan State towards Kunming with high-value squared teak logs and teak planks.

all of this activity was controlled by the Security Brigade. It was also evident that an area further north along the Nam Lui River, north of its confluence with the Nam Khun River had been stripped of all commercially valuable trees.³⁷⁷

Some communities have used the logging to finance small-scale projects, though the money that goes to the villages in each case is minimal. For example, Ho Tao Township awarded logging concessions in Kyeng Kham and Nam Tu to two companies in 1998 and 1999 in order to finance the building of a Township Office.³⁷⁷ The companies built a road to the logging areas each dry season and agreed to pay the township 180 yuan (\$22) per m³; any money surplus to the building requirements had to be sent to Pangsang.³⁷⁷ The total amount expected to be raised over the two years was \$22,000, from timber worth at the very least

^{ff} Based on an estimate of price of the timber in China of \$80 per cubic metre, and an international trade price of around \$300 per cubic metre

\$80,000 if sold in China, and far more on the international market.^{ff}

Forest loss in southern Wa State has already led to increasing food security problems and could have a huge impact on development in the long-term.^{376, 377} Villagers have to travel longer distances to find non-timber forest products including medicines and foodstuffs. The logging has also resulted in depleted fish stocks in part through siltation of local streams but also through the use of electric currents and dynamite fishing.³⁷⁷ Hunting has also increased as the forest is opened up. One village headman explained that; *“Before 1996 there was still some deer here, and porcupines. Not big animals, but now there are no animals at all anymore, even no more wildcats.”*³⁷⁷

Logging companies also use flat, often productive land to locate their sawmills where crops could have been grown. Sometimes this is without compensation and even after the company has left the land may have become too compacted to be of much use for farming.³⁷⁷ Log trucks and heavy machinery compact the soil throughout their area of operation and poorly planned roads have destroyed irrigation canals.³⁷⁷ Logging has also led to landslides and flash floods, the loss of pine wood for construction of houses, and the increased recurrence and impact of forest fires: *“These flash floods never happened before the Chinese [loggers] came. We have only last year and this, but never before.”*... *“Last year our bridge was gone, washed away.”*³⁷⁷

Numerous logging roads have been built without prior planning and villagers have been refused access to the logging areas and forbidden from selling any timber.³⁷⁷ With the loss of good forest around villages, there is decreased availability of spring water, soil erosion, impoverishment of the forest soil for shifting cultivation, and decreased fertility of the paddy land around the villages.³⁷⁷

There is often no consultation between the logging companies and the villagers and the companies work with no supervision from the authorities that granted the concessions in the first place.³⁷⁷ There is also a problem with continuity as frequently it is not the same company that returns to log the following year. This results in little if any strategic long term planning and an increased tendency to take advantage of the local people. For instance villagers have complained about not being paid for labouring on road building schemes (3000 yuan (\$375) per kilometre) and the companies’ failure to settle bills for rice and pork that they have supplied.³⁷⁷ Even if the companies do return, the personnel are frequently changed leading to little or no accountability. The villagers have little recourse and fear reprisals rather than support, from the USWA Central Committee and the Mong Hpen Security Brigade, if they complain.

Different logging companies work each year and there is little continuity, or long-term thinking given to logging. No one at the village level appears to have any power to stop the loggers and there seems to be fear of reprisals from above for interference in the logging.

21.2 Timber Exports through Wa State

Increasingly, Wa State is being used as a centre for logs in transit, from areas under SPDC control in southwest and east Shan State, to China. The main route for timber going into China from the Wa areas used to be the Muse-Ruili border crossing.³²⁷ However, since 2000, this has come under firm SPDC control. Interviews with logging companies at Ruili suggest that the main crossing is now from Pangsang to Meng’a, from where timber goes to Mengliang, Simao and Kunming.³³⁷

As the timber supply in UWSP-controlled areas is nearly exhausted, logging companies in eastern Shan State are now moving south and west into SPDC-



The Kunming Forest Products Trading Centre, an important trading centre for Burmese timber.

controlled areas. The single largest source of timber crossing the border into China from the Wa areas in the 2000/2001 season was teak from areas around Taunggyi, under control of the SPDC.³⁷⁷ Kentawng, a sub-township of Monghai, which lies 140 kilometres southeast of Taunggyi is said to be the biggest logging area in Shan State. Other logging areas include Namlan-Tonglao-Mongkerng (logged by the Shan State Army North), Lawkzawk-Mongpiang (loggers include Tun Myat Aung) and Mawkmai-Gandu-Hsaikhaio (logged by the Shan State Nationalities People Liberation Organization, a Pa-O ceasefire group).³⁷⁹ It is also believed that good quality teak is also being logged in Nawngkhyo, and Mune in the SPDC controlled area of southern Shan State, and being transported via the Wa areas to China.³⁷⁷

Southern Wa State is controlled by the Ministry for Progress of Border Areas and National Races and Development Affairs (NATALA). In some cases, the logging has taken place with permission from the Forestry Department and from the highest levels of the SPDC. In 2001, the Chief Commander of the area and the Forestry Department of Kengtung gave permission to log a pine forest near Mong Kat. A forestry department official indicated that this was done with the permission of General Khin Nyunt.³⁷⁷ The felling was carried out by a Chinese company, between January and April and all trees taller than 5 metres were extracted. The company paid the Forestry Department 800 kyat (\$1.10) for every ton of timber they cut, and provided the *Tatmadaw* with timber for seven military buildings in Mong Yang. In SPDC controlled areas, some Chinese traders have been given permits by the Burmese Military Intelligence to export timber across the Thai border at Tachilek to sell it to Thai saw mills in Mae Sai and elsewhere.³⁷⁷ The military border patrol also strikes deals directly with the logging companies to make money.³⁷⁷

The border crossings are also the main point of taxation for the UWSP but a lot of transportation takes place at night.³⁷⁷ Interviews at Meng'a in China indicated that the number of trucks and quantity of timber crossing the border from Pangsang increased during 2000.³³⁷ The Security Brigade in the south of Special Region 2 was taxing logs transported from SPDC areas in 2001 whilst maintaining good relations with the NATALA.³⁷⁷ The export tax, charged by the Wa authorities, for pine was 180-200 yuan (\$22-\$24) per cubic metre.³⁷⁷ This represents up to a third of the sale price of the timber, which was fetching 600-700 yuan (\$72-\$85) per m³ in Mengliang, just across the border in China.³⁷⁷ In Burma, the prices were slightly cheaper, at 400-500 yuan (\$48-\$60) per m³.³⁷⁷

During the 1998/1999 dry season, it was estimated that over 100 m³ of timber passed through the Mong Pawk border crossing each day.³⁷⁷ By 1999/2000, this had increased to 150 m³ a day.³⁷⁷ Based on a logging season of five months this trade represented in the region of half a

million dollars for the Wa authorities each year. In 2000/2001, 25-40 trucks crossed the border each day each carrying six to eight cubic metres of timber (150-320 m³ a day or half-one million dollars per annum). These figures relate to only one of many crossing points. The timber passing via Pangsang to China, for instance, is likely to be far more valuable, as a lot of this is illegal teak coming from southern Shan State.³⁷⁷

21.3 Road building in Wa State

Most of the roads in the area have been built by Chinese companies with the agreement of the UWSP, in exchange for logging concessions.³⁷⁷ The Chinese companies maintain the roads, bulldozing them every year at the start of the logging season.³⁷⁷ In April 2000, the UWSP headquarters gave permission to the Mong Hpen Security Brigade to build a wide highway to China between Kengtung and Mengliang, with the help of Chinese and possibly also Thai subcontractors.³⁷⁷ Lo Hsing Han's Asiaworld Co., which also built the Mandalay-Muse road, may also be involved.³⁷⁷ The Security Brigade leadership later met with the SPDC Triangle Commander of the Office of Strategic Studies, who manages the NATALA budget in the area, in May 2000 and agreed the project.³⁷⁷ The road is expected to be completed by 2004.

The UWSP gave the Security Brigade permission to extract timber in the area between Mong Hpen and Kengtung including SPDC and UWSP-controlled areas, during the 2000/2001 dry season in exchange for the road's construction.³⁷⁷ All of the revenue from the sale of logging permits went to the Security Brigade. The Security Brigade also applied for a logging concession in the Tasang area to 'compensate' for resources used in building the section of road from Mong Hsat to Mong Yawn, near the Thai border.³⁸⁰ The request, to extract 10,000 tons of hardwood, was submitted to Major General Thein Sein from the Triangle Regional Command based in Kengtung but permission to extract only 500 tons was given.³⁸⁰ Many logging companies were cutting in the area in April 2000.³⁷⁷ Global Witness saw log stockpiles in Mong Kat, Mong Pok and Nao Cho. By June 2001, there were still 3,000 to 5,000 cubic metres of timber in the piles.³⁷⁷

21.4 Plantations in Wa State

Chinese economic dominance in the border areas of Burma has also taken the form of large rubber plantations set up by Chinese companies south of Phangsang, controlled by the Security Brigade.³⁷⁷ This has been referred to by some members of the UWSP command as reforestation, and China's official stance is that this is to reduce dependence on opium production. By contrast, across the border in Xishuangbanna, rubber plantations are being uprooted and the areas reforested, because the plantations have degraded the soil and produced little in the way of economic benefit.³⁷⁷

22 CONCLUSION

Burma has been all but abandoned by the international community, in particular the West. Diplomatic ties have been cut or substantially reduced, economic sanctions have been put in place, and history has been left to run its course in the hope that, somehow, the military regime, repugnant to so many, will disappear and be replaced by the democratically elected civilian administration. This has not happened. Over half a century since the start of the ethnic insurgency in 1948, forty years since the imposition of military rule in 1962, and a dozen years since the NLD won national elections in 1990, the SPDC remains resolutely in power, sustained by its control over natural resources, in particular timber. In the absence of any new initiatives such a state of affairs is likely to remain until Burma's natural resources are completely exhausted.

Years of isolation have not brought about the changes in Burma so desired by the international community. Isolation has only served to make the Burmese regime more introspective and more suspicious, and has pushed it into the arms of two countries, China and Thailand, that are more intent on helping themselves to Burma's natural resource wealth than helping Burma in any meaningful way.

Burma's natural resources, in particular the forests, have been inextricably linked to over fifty years of conflict as access to, and control of, these resources have been fought over. The material wealth and power derived from the control of the resource base has corrupted individuals, and it has been used to manipulate foreign relations and to ensure internal

stability and security. It has also enabled all sides in the conflict to promote their political ambitions through violent means. What could, and should, have been used to develop a post-colonial Burma has instead torn the country apart.

The installation of the democratically elected government is of vital importance for the future, as is finding a suitable ethnic accommodation for all minority groups within the Union of Burma. It is also essential for a lasting peace that the manner in which Burma's natural resources are exploited and who determines this exploitation are addressed, to ensure that future development is both equitable and sustainable. Projects such as the N'Mai Hku (Headwaters) Project must be halted and radically reassessed.

Trade sanctions and the suspension of aid may be morally justified, but their effectiveness is questionable, and other isolationist policies have been counterproductive. It is imperative that the international community renews efforts to end the conflict in Burma, actively encourages a dialogue between all stakeholders and creates conditions that make it possible for the military to release the reins of power. The people of Burma need the support of the international community on many levels and this includes maintaining pressure on the regime to change. However, certain issues can only be effectively addressed by engaging the SPDC on a diplomatic level; engagement does not amount to legitimising the regime or condoning what it does. Issues such as the unsustainable exploitation of Burma's natural resources and environmental destruction are so fundamental to Burma's long-term future peace and development that they simply cannot be put on hold.



23 APPENDIX I: FOREST POLICIES, LAWS AND REGULATIONS

23.1 National Policy, Laws and Regulations

Over the last decade, the SPDC has been working at improving the policy framework for sustainable forest management, most of which had not been updated since its creation under British rule. The recent changes have been largely in response to Burma's participation in international forestry-related fora, such as the Rio Conference in 1992, and its becoming a member of the International Tropical Timber Organisation (ITTO) in November 1993.^{gg}

At the time of writing environment related rules are scattered over 56 laws and regulations.³⁸¹ This includes:

- the 1992 Forest Law;
- the 1994 Law on the Protection of Wildlife and Wild Plants and Conservation of Natural Areas;^{hh}
- the 1995 new Forest Policy,ⁱⁱ new set of Forest Rules,^{jj} National Forestry Action Plan^{kk} and Community Forestry Instructions;^{ll}
- the 1996 Format and Guidelines for District Forest Management Plans, which led to the revision of the Forest Management Plans and Annual Allowable Cut in the same year;
- the 1996 Criteria and Indicators for Sustainable Forest Management, which were revised in 1998;^{mmm}
- the 1998 Management Plans for the 62 Forestry Districts;
- a 30-year Forest Sector Master Plan, which was drafted to address the issues in the National Forest Action Plan in the context of the Forest Policy, and which is currently in the process of being approved;

- a National Code of Practice for Forest Harvesting, which is currently being drafted, “*incorporating existing standards, rules and regulations of logging and extraction.*”³⁸² This is part of the intention to meet the criteria of the ITTO certification process.
- a National Framework Environment Law, which is designed to integrate existing environmental rules and regulations and to add new provisions, including environmental impact assessments and the establishment of a Ministry of Environment. However, it is unlikely that this framework will be implemented in the near future as various existing line ministries in charge of the economic exploitation of Burma's natural resources strongly resist the ideas of environmental impact assessments and being monitored and potentially restricted by an Environment Ministry.³⁸³

23.2 National Commission on Environmental Affairs

The national focal point on environmental matters is the National Commission on Environmental Affairs (NCEA), which was set up in February 1990.ⁿⁿⁿ The Commission is tasked with developing sound environmental policies, setting standards, designing plans, and promoting environmental awareness.

However, it is probable that the NCEA is regarded by the Government as an instrument of foreign policy, rather than playing any serious internal role. While the NCEA has well-intentioned staff, it has neither the power, personnel nor means to fulfil its ambitious remit. In the field of forestry, it is only the Ministry of Forestry, which has full jurisdiction over forest conservation, management and exploitation.

^{gg} Myanmar joined the ITTO on 16 November 1993 [www.myanmar-information.net/infosheet/2001/ 011212.htm]. There have been two significant ITTO-assisted development projects in Burma, namely ‘Introducing Myanmar lesser-used timber species to the world market’, implemented by the Forestry Department and ‘Upgrading production efficiency in furniture manufacturing’, implemented by the Myanmar Timber Enterprise, on the basis of which a project for the ‘Establishment and training and technical information centre for wood-based industries’ has been proposed. The ‘teak-based multi-storeyed agro-forestry system’ project is currently being implemented by the Forestry Department with the assistance of the ITTO.

^{hh} The Protection of Wildlife and Wild Plants and Conservation of Natural Areas Law aims to implement the Government's policy on wildlife and wild plant protection and conserve natural areas, in accordance with the Biodiversity Convention.

ⁱⁱ The Forest Policy has short and long term measures, strategies and actions. It includes policy on the protection of the forest resource, sustainable forest management, economic efficiency, people's participation, and public awareness. The policy stipulates the need to increase the area of reserved forest to 30% of the overall land area, and the protected areas system to 5% over the short-term, and 10% over the long-term, so as to ensure the security of forest resources

^{jj} The Forest Rules were promulgated by former minister of forestry, Lt. Gen. Chit Swe as notification 106/95, on 1 December 1995. They contain definitions and provisions on forest reserves, forest management, forest plantations, extraction and transportation of forest products, rights related to driftwood on rivers, seals and stamps for marking timber, timber storage terminals and ports, the establishment of factories, policing responsibilities of forest officers, and offences and punishments

^{kk} The National Forestry Action Plan began to be drafted in March 1995, with the help of the FAO, in compliance with the Rio treaty. It focuses on sustainable production, basic needs and participatory forestry, protection, efficiency, institutions and participation

^{ll} The Community Forestry Instructions were issued to gain participation of rural communities to “*plant trees in barren lands and to regenerate degraded areas*” (p1). They provide for 30 year tenure periods for user groups to establish and protect community fuel wood and forest product plantations. The instructions are a departure from earlier attitudes toward forestry in Myanmar, in that they are constructed from the starting point of community participation and benefit. As such they have great potential, though they have not yet been very widely implemented

^{mmm} The Criteria and Indicators established a country-specific set of seven criteria and 70 indicators on the basis of the ITTO Criteria and Indicators for Sustainable Forest Management that were revised in 1998

ⁿⁿⁿ The NCEA's chairman is foreign minister U Win Aung, the Office's director is Daw Yin Yin Lay

23.3 Environmental policy

Burma's Environmental Policy was drafted in 1994 and states that:

*“The wealth of a nation is its people, its cultural heritage, its environment and its natural resources... Myanmar's environment policy is aimed at achieving harmony and balance between these through the integration of environmental considerations into the development process to enhance the quality of the life of all its citizens. Every nation has the sovereign right to utilise its natural resources in accordance with its environmental policies; but great care must be taken not to exceed its jurisdiction or infringe upon the interests of other nations. It is the responsibility of the State and every citizen to preserve its natural resources in the interest of present and future generations. Environmental protection should always be the primary objective in seeking development.”*³⁸⁴

The following section highlights some of the major shortcomings of Burma's current Environmental Policy.

- **Environmental Policy is insufficient**

As it stands the Environmental Policy is only a statement about sustainable development. It does not mention the importance of conserving natural areas and wildlife, the rights of ethnic minorities and indigenous peoples, the management and the benefits of the environment, and the importance of protecting people and the environment from over-exploitation of natural resources, pollution and toxic substances.

- **No independent environmental agency**

The responsibility to protect the environment is split over many laws and many agencies, which do not work together. There is no independent agency that has the power to make sure that legal environmental provisions are enforced. The amount of effort to invest in protecting the environment is left to the discretion of each ministry. Given that the primary concerns of ministries are meeting production targets, it is not surprising that environmental concerns receive little attention.³⁸⁵

- **Few minimum penalties and the problem of corruption**

Burma's environmental laws tend to only state maximum penalties that should be imposed, rather than also stating recommended minimum values. Fines that would be heavy for local villagers are derisory for corporate enterprises.

23.4 Forest Policy

TABLE 8: THE FOREST ESTATE MANAGED BY THE MINISTRY OF FORESTRY SOURCE: MINISTRY OF FORESTRY.³⁸²

Legal classification	Area (,000 ha)	% of total land area
Reserved Forest	11,112	16.40
Protected Public Forest	1,479	2.19
Protected Areas System	1,527	2.26
Total	14,118	20.85

According to the 1902 Forest Law, 'Forest Land' was made up of 'Reserved Forests' and 'Unclassified Forests' (UFs). The UFs were not protected and the Forest Department had no legal authority over them; they were therefore potentially at the mercy of whoever wanted to exploit them. The 1992 Forest Law reclassified the UFs as 'Protected Public Forests', thereby giving the Forest Department jurisdiction to manage and protect them. According to U Myat Thinn, SPDC employee, Chairman of the Timber Certification Committee (Burma), efforts are now *“being made to rehabilitate them through natural regeneration and planting where necessary. The public have access to them to harvest for their immediate needs, but cannot harvest for commercial purposes without having acquired an official permit.”*³⁸⁶

'Forest Land' is now made up of 'Reserved Forest' and 'Protected Public Forest'. The 'Protected Areas System' includes Nature Reserves and Wildlife Sanctuaries; these cannot be exploited. Reserved Forest, owned by the State, includes forest managed, by the State, for teak and other hardwood extraction. Much of Burma's forest remains unclassified.

The Forest Policy states that the area of land set aside as Reserved Forest should be increased from 15-18% to about 30% of the total land area of the country. It is likely that much of this additional 12-15% will be gazetted in border areas that were formerly inaccessible to the government due to the civil war. This could have negative implications for local communities and traditional ownership/management schemes, as access to forest resources is likely to be curtailed or denied.

Teak and other valuable hardwoods are considered to be 'reserved species' in the forest policy. This means that they are owned by the State, and that only the State has permission to harvest them and profit from them.

23.5 Community Forestry

Most communities in Burma suffer from a long-standing mistrust of forestry officials. Despite guarantees of 30-year tenure under community forestry programmes, people lack the confidence that the resources will be under their control in the long term. In addition, the new community forestry regulations have tended to result in foresters perceiving local communities as rivals in the forest.

23.6 International Environmental Commitments

A list of some of the international environmental and forestry agreements to which Burma has agreed is given below. Where changes have been made, they have tended not to be enforced.

- **Convention concerning the Protection of the World Cultural and Natural Heritage.**^{oo}

Signatories to this convention are required to identify, protect and conserve sites, which are so culturally or naturally important that they should be considered part of the world heritage of mankind.

- **Convention on Biological Diversity.**^{pp} This convention aims to protect plants and animals by promoting conservation and sustainable use. It requires countries to protect their plants and animals “*as far as possible and as appropriate*” and

concedes that all countries have “*the sovereign right to exploit their own resources pursuant to their own environmental policies.*”

- **International Tropical Timber Agreement.**^{qq}

This agreement has provisions to encourage sustainable logging but its ultimate purpose is to promote the timber industry.

- **UN Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa.**^{rr}

On the initiative of General Than Shwe, the SPDC has set up a special Department for the Greening of the Dry Zone within the Ministry of Forestry to counter the desertification of the dry zone in Central Burma.

- **Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).**^{ss} Although Burma acceded to CITES in 1997, there is ample evidence of a thriving wildlife trade between Burma and China, Thailand and India. The Nature & Wildlife Conservation Division of the Forest Department does not have the financial, staff and logistic means to implement CITES.

The Government is also said to be considering acceding to the Convention on Wetlands of International Importance especially as waterfowl habitat.^{tt}



Mule trains used to carry rare species/high value timber, probably the Chinese Coffin Tree *Taiwania cryptomerioides* from remote areas. This Tree can grow up to 75 metres tall with a diameter of three and a half meters and may live as long as 2000 years, Pian Ma, China.

^{oo} Paris, 1972, Myanmar acceptance 29 April 1994

^{pp} Rio de Janeiro 1992, Myanmar signed 11 June 1992 and ratified 25 November 1994

^{qq} Geneva 1994, Myanmar signed 6 July 1995 and ratified 31 January 1996

^{rr} Paris 1994, Myanmar acceded 2 January 1997

^{ss} Washington 1973, Myanmar acceded 13 June 1997

^{tt} Ramsar, Iran, 2 February 1971

24 APPENDIX II: FOREST LAW ENFORCEMENT AND GOVERNANCE (FLEG)

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

24.1.1 Ministerial Declaration

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

MINISTERIAL DECLARATION

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

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

Deeply concerned with the serious global threat posed to this endowment by negative effects on the rule of law by violations of forest law and forest crime, in particular illegal logging and associated illegal trade;

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

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

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

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

Recognizing that all countries, exporting and importing, have a role and responsibility in combating forest crime, in particular the elimination of illegal logging and associated illegal trade;

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

Declare that we will:

Take immediate action to intensify national efforts, and to strengthen bilateral, regional and multilateral collaboration to address violations of forest law and forest crime, in particular illegal logging, associated illegal trade and corruption, and their negative effects on the rule of law;

Develop mechanisms for effective exchange of experience and information;

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

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

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

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

Involve stakeholders, including local communities, in decision-making in the forestry sector, thereby promoting transparency, reducing the potential for corruption, ensuring greater equity, and minimizing the undue influence of privileged groups;

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

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

Give priority to the most vulnerable transboundary areas, which require coordinated and responsible action;

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

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

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

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

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

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

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

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

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

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

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

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

Annex to the Ministerial Declaration
Indicative List of Actions for the Implementation of the
Declaration

I. Actions at National Level

Political

- High-level expression of political will across sectors

Legislative/Judicial

- Modify and streamline laws and regulations
- Determine law enforcement priorities
- Develop swift prosecution, judgments and enforcement
- Strengthen penalties and sanctions against illegal activities
- Rewards for responsible behavior/motivation
- Recognised complaints mechanisms w/protection for claimants and due process
- Independent monitoring (e.g. single organisation, cooperative model, etc.)
- Integration of customary law into formal law
- Capacity building for legislative, executive and judicial institutions at the local level, including the integration of customary institutions

Decentralisation

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

Institution and capacity building

- Education of judicial and law enforcement personnel re forest crimes
- Improve capacity of forest managers
- Support interagency cooperation in formulation of coherent policy and procedures
- Technology
 - Remote sensing, Geographic Information Systems (GIS)
 - Cheap log tracking
 - Complete chain of custody audit and negotiation systems
 - Resource use planning, warning, monitoring, inspection
- Knowledge, Experience, Skills
 - Awareness raising and training

- Local innovations appropriate to circumstances
- Novel detection and enforcement methods
- Intelligence gathering and analysis
- Rights, Roles, Responsibilities, Rules
 - Codes of conduct
 - Due diligence re financing, investment
- Capacity building for legislative, executive and judicial institutions at the local level including the integration of customary institutions
- Research (for additional details see Section II Regional and Inter-regional Actions)

Concession Policy

Concession Allocation

- Develop/implement transparent and participatory approach to concession allocation
- Develop leasing/contractual opportunities for village/individual households to manage forest resources
- Develop mechanisms for resolving conflicting/overlapping property rights

Concession Management

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

Conservation and Protected Areas

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

Public Awareness, Transparency, and Participation

- Consistent provision of accurate, timely information to monitoring organisations
- Increase public awareness of forest crimes
- Increase public awareness of opportunities for purchasing forest products from sustainable and legal sources

- Provide alternative livelihood opportunities for communities (e.g. poachers to tourist guides/park rangers)
- Registry of business/family interests in timber industry
- Publication of government budgets, resources, staffing levels and programmes on forest law enforcement
- Publication of data on forest crimes, including success rates on detection, interdiction, prosecution and conviction

Bilateral Actions

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

II. Regional and Inter-regional Actions

Information/expertise sharing

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

Trade/Customs

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

Bilateral Actions

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

Research

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



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Fax: + 44 (0)20 7272 9425
e-mail: mail@globalwitness.org
<http://www.globalwitness.org>



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