

PART TWO: GLOBAL WITNESS RESEARCH AND INVESTIGATIONS

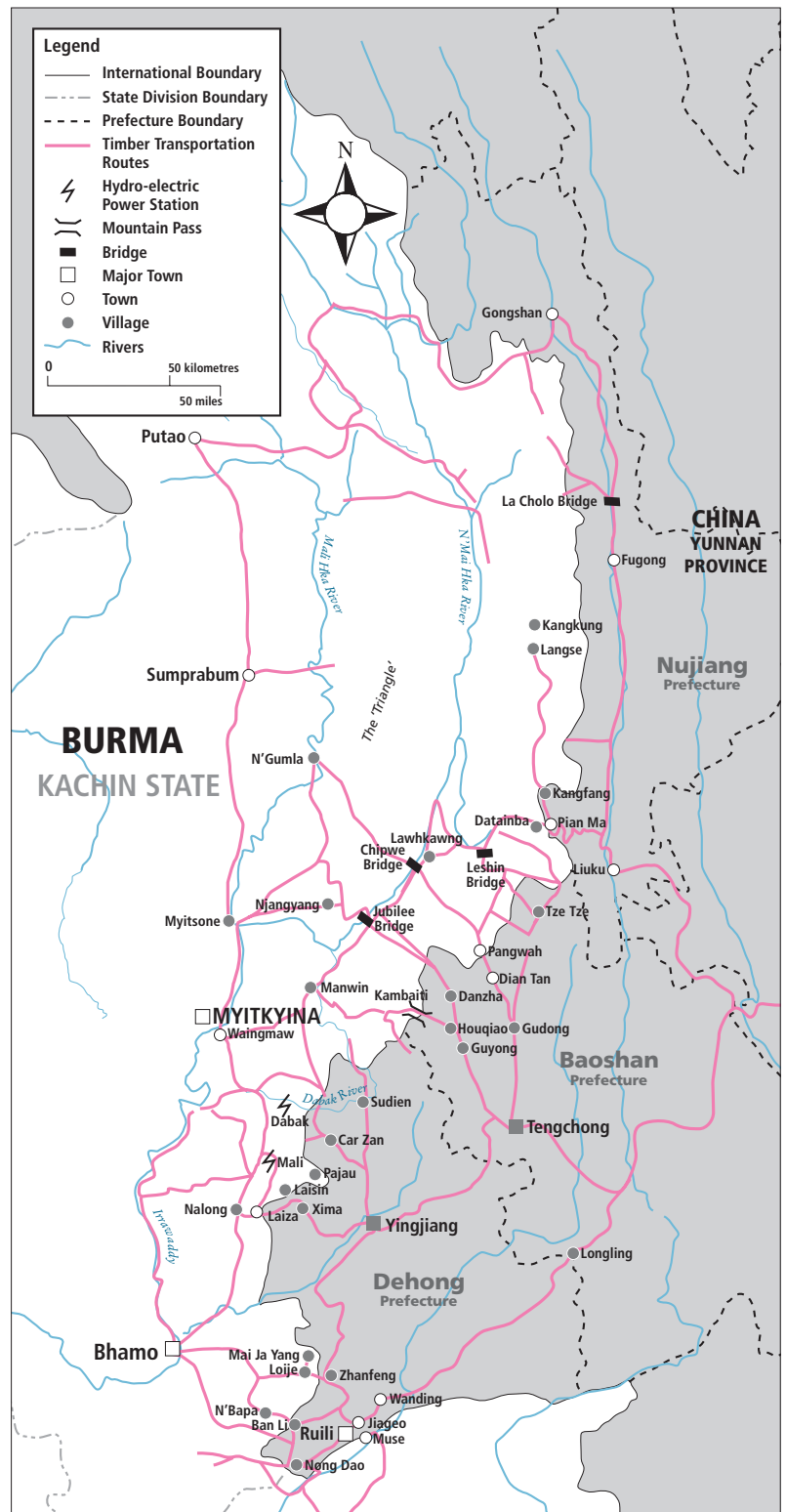
9 THE TIMBER TRADE ON THE CHINA-BURMA BORDER

“As a matter of fact, the company imports great quantities of rare timbers from Myanmar every year for processing, among which include teak, padauk wood (*Henry Ormosia*), rosewood, cumara and nanmu.”¹⁴⁰ Tengchong Gulin Responsibility Company website, 2005

Global Witness’ research suggests that large tracts of forest adjacent to the China-Burma border have been almost entirely logged out. As a result, Chinese logging companies have had to move deeper into Kachin State to source their timber, increasing extraction costs and reducing profit margins. To compound the problem, extraction costs in northern Kachin State would appear to have been initially underestimated. Here, options for developing new logging sites are more restricted than in the south, because of the sparse road network and lower standard of road maintenance. In the northern prefectures of Yunnan Province many investors are struggling to recover their initial investment. Indeed, some timber traders spoken to by Global Witness feel that the era of rapid exploitation of Burma’s forests may soon come to an end.¹⁴¹

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

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



¹⁴¹ For further information, see Forest Trends publications: F. Kahl & S. Yufang, Forest Trends: “*Navigating The Border: An Analysis of the China-Myanmar Timber Trade*”; 2004, and “*An Overview of the Market Chain for China’s Timber Product Imports from Myanmar*”; 2005.

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

Timber from Kachin State constitutes the majority of the cross-border timber trade along the China-Burma border.^{141, 144, 145, 152} It is easier to determine exactly where the timber originates as you move north along the border. For instance, timber imported to Fugong or Gongshan (see '9.1.3 *Fugong*', page 41 and '9.1.4 *Gongshan*', page 42) is cut within 40 km of the border, the extent of road construction. Further south, as the road network improves, timber imported to Hoquiou or through Laiza may originate from Sagaing Division, Shan

State or even lower Burma. Teak, tamalan and other valuable species are usually sourced far from the border.

It is interesting to note, however, that despite the prosperity of the Chinese border towns relative to those in Kachin State, even they are not benefiting from the cross-border timber trade to the same extent as places such as Guangdong and Shanghai. The relative lack of investment compared to these towns has left the Chinese communities on the border vulnerable to the vagaries of the timber trade; something that could be mitigated by a shift away from the over reliance on Burma's natural resources.¹⁴²



Lin Rui Woodworking Factory, Tengchong, Yunnan Province; 2004



Chinese road construction in Kachin State (between Chipwe and Pangwah); 2004

9.1 Nujiang Lisu Autonomous Prefecture

Nujiang Lisu Autonomous Prefecture is located at the juncture of northwest Yunnan Province, northeast Kachin State and southeast Tibet. It is renowned for its exceptional biodiversity, part of which is protected by the Gaoligongshan Reserve.¹⁴³ The area remains one of the least developed in Yunnan, despite a 52% increase in the prefecture's Gross Domestic Product (GDP)^v between 1997 and 2001.¹⁴⁴ The prefecture government is therefore keen to further develop cross-border trade and to attract inward investment in infrastructure, tourism and mining. This includes a contentious 13 dam hydropower project on the Nujiang River. A number of Non-Governmental Organisations (NGOs) working in conservation, poverty alleviation and health have been attracted to the region.

The cross border timber trade has boomed in recent years, in part due to the introduction of the Natural Forest Conservation Programme (NFCP) throughout China in 1998. Official trade data show, according to an analysis by the environmental organisation Forest Trends, that timber imports from Burma into Nujiang Prefecture increased 756% between 1997 and 2002, from 36,000 m³ to 308,300 m³. Nujiang imported more than a third of the 876,865 m³ of timber imported into Yunnan from Burma during 2002.¹⁴⁴ This trade has attracted several tens of thousands of migrant workers, mainly from Sichuan.

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

9.1.1 Liuku

Liuku is the capital of Nujiang Lisu Autonomous Prefecture and an important banking and administrative centre for the timber trade. Log traffic from the N'Mai Hku Project (see '10.4.6 The N'Mai Hku (Headwaters) Project', pages 66-67) and the border port of Pian Ma passes through Liuku en route to Dali. In 2001, there were only 10 sawmills and relatively few log stockpiles in Liuku.¹⁴⁵

Little had changed by 2004 although there were more cars on the roads and the people looked generally more affluent. The largest sawmill in Liuku, the Nu Jian Hong Ta Chang Quing wood factory, is a joint venture between a Malaysian company (60%) and the Chinese state owned¹⁴⁶ Hong Ta Group (40%).¹⁴⁵ Global Witness researchers did not visit this company in 2004.

North of Liuku, on the road to Fugong, a road branches westwards towards Burma, from the small town of Bihpu between border-posts 27 and 28. The road leads towards the large standing forests in the southern N'Mai Hku area. Although construction of the road, and a bridge over the Nujiang River, commenced in 2002 it has not yet been completed. Rough terrain and high costs at 200,000 yuan per km have hampered progress.¹⁴⁷



Timber truck on the road between Pian Ma and Fugong, Yunnan Province; 2004

^v 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 one year and is the government's official measure of how much output an economy produces.

9.1.2 Pian Ma

*“The Chinese understand ecological balance. The Burmese don’t know how to protect their forest”*¹⁴⁸ Chinese log truck driver, Pian Ma, 2004

Pian Ma was the busiest logging town visited by Global Witness in 2004, accounting for 94% of the annual timber imports into Nujiang Prefecture, at approximately 290,000 m³; approximately one third of total imports of Burmese timber into China.¹⁴⁴ The town is home to about two thousand people, with a floating population in 2003 of 37,000 mostly involved in logging in Kachin State. This followed the granting of logging concessions to the NDA(K), which control the area opposite Pian Ma, as part of its ceasefire deal. The number of sawmills operating in Pian Ma has increased since 2001 from over 80 to about 100. The largest of these companies are the De Long Forest Resource Co. Ltd, Jinxin Co. [Pian Ma Enterprises Department] (see pages 26, 59, 61, 69), the Hong Sen Company¹⁴⁵, and Yuan Dong (see ‘A Conflict of Interests’, page 86). In addition 10 sawmills have been set up on the Burmese side of the border but it is not clear who is operating these mills.

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

The road network north of Kangfang is being expanded by the NDA(K) to access forest stands opposite Fugong County in the N’Mai Hku area.^{148, 149, 150} The new road to Langse will be extended to Kangkung for mining, and to facilitate increased mobility of the NDA(K) and arms transport.¹⁵¹ In 2001, the logging companies were operating 70 km from the border. Logging roads now extend up to 120 km into Kachin State and are in poor condition. It would appear that the timber trade peaked in 2002. People interviewed by Global Witness in Pian Ma reported that their own businesses, and those of their competitors, had been in decline for two years and that some traders had already left. Several market stallholders said that they too would leave next year if business did not pick up. In early 2004, the NDA(K) increased its log tax from 200 Yuan (US\$24) to 300 Yuan (US\$36) per m³. Increased transportation costs, together with a drastic reduction in the number of high value species, low prices, and increased competition has led to several companies facing a fall in profits of between 30% and 50% in the last 2 years. Flooding and erosion in July 2004 only added to the problems.¹⁵¹ Some of the larger companies are struggling to recover their initial investments.^{144, 152}



Waste from saw mill in Pian Ma, Yunnan Province; 2004

9.1.3 Fugong

Fugong is the capital of Fugong County in Nujiang Lisu Autonomous Prefecture. Large stands of forests exist on the Burmese side of the border adjacent the area north of Fugong towards Gongshan, and to the south towards Kangfang. Despite KIO contracts stipulating selective felling, some clear cutting of trees has taken place close to the border.¹⁵³ Most logs are stored temporarily about 5 miles from the La Cholo/Yaping Bridge, along the Yaping Path towards Burma, before being shipped to Kunming.

However, at the time of Global Witness' visit few logs were left because the road to Burma had been closed for several months during winter. Eight of the larger buildings on the site, some of which contained very basic one-room flats, housed truck drivers and military personnel during the logging season. Log trucks are also repaired here.¹⁵⁴

However, earlier predictions that this town is set to become a major log trading and processing centre akin to Pian Ma, utilising timber from the N'Mai Hku Project, have yet to materialise. The few sawmills that there are in the area complain about falling timber prices, low quality wood and that they are struggling to do business.¹⁵⁵ Global Witness researchers found three sawmills, which, because of the time of year, had little timber.

According to a number of people involved in the trade, the logging companies operating in Kachin State opposite Fugong are experiencing operational difficulties.^{152, 156} The steep terrain is subject to landslides, and the high altitude roads are blocked by snow from November to April. In the three-year period between 2001 and

2003, the Huaxin Company was only able to extract 20,000 m³ a year,¹⁵⁶ and according to local timber trade employees future annual logging volumes are unlikely to exceed 30,000 m³.¹⁵⁵ Indeed, workers in the timber trade have estimated that only 30,000 m³ of timber entered Fugong from Burma via the Yaping Path throughout 2003.¹⁵⁵

Several hundred workers harvesting medicinal plants and working for the Yunseng Group pharmaceutical company access Burma from the logging roads. Gold miners also use this road for access.^{154, 155}



The view towards Kachin State from the Yaping Path close to Fugong. The snowy mountain passes between Burma and China are blocked for timber transport during the winter months; 2004

9.1.4 Gongshan

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

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

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

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



Log pile by the Danzhu Path, Nujiang Prefecture, Yunnan Province; 2004

Timber imports have risen quickly since the road opened. According to official figures, 4,500 m³ of timber were imported in 2001-02, rising to between 21,000 and 25,000 m³ in 2002-03. This was expected to rise to 40,000 m³ in 2003-04.^{159, 160} The Gongshan Department for Border Trade estimates that the timber will last for at least another decade.¹⁵⁹

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



Ting Ying's newly built villa in Myitkyina, 'The Solid Rock'. In early 2004, many Yunnan-based businessmen brought elaborate gifts to the housewarming party.

9.2 Baoshan Prefecture

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

Local officials estimate that Baoshan Prefecture imports between 100,000 and 150,000 m³ of timber from Burma each year, including many high value species such as teak, tamalan and walnut. However, in volume terms this is the lowest of the three border prefectures.¹⁵² The supply of timber to this area is likely to increase in the coming years due to improvements in the transport infrastructure funded by Chinese logging companies and Chinese county governments in Burma, and in part by the Asian Development Bank (ADB) in Yunnan Province. A marked increase in the number of wood processing plants has taken place here in recent years and it is thought that the neighbouring ports of Houqiao and Dan Zha will account for the bulk of this trade in the future.^{144, 152}

9.2.1 Tengchong

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

During 2003 and 2004 another four large timber-processing plants opened at the Stone Mountain Industrial Park on the outskirts of town, in addition to the two factories visited in 2001. These include the Lin Rui Woodworking Factory, the China Yunnan Tengchong Chengxin Woodcraft Company Ltd, the Teng Chin Wood Factory and the Tai Hua Wood Factory. The four factories employ more than 1000

workers between them making doors, window frames, wood flooring and panels. Global Witness researchers saw many log trucks passing through town but no large log stockpiles.¹⁵²

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

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

Chengxin has received numerous awards, for example: the ‘Green Construction Products’ award in June 2002 from the China Lumber Association; the ‘Good Quality and Harmless Green Products’ awards from the China Lumber Circulation Association; and the ‘Trustworthy Award’ from the China Consumer Protection Fund.¹⁶²



The entrance to the Chengxin Company, Tengchong, Yunnan Province; 2004. Inset: A display of many of the ‘green’ awards won by the Chengxin Company; 2004

Given that statistics would indicate that less than 2% of the cross-border trade is legal (see '7.4 The illegal nature of the Burma-China timber trade (Chinese law)', pages 23-25) and the fact that most of the timber imported into Tengchong does not come from the only legal export point at Muse,^{146, 151} it seems unlikely that the Burmese timber used by this, and other companies based in Tengchong, is of legal origin let alone sustainably harvested. Global Witness has not, however traced the exact origin of the Burmese timber used by Chengxin and has not ascertained whether it is in fact legal or illegal.

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

9.2.2 Gudong

Gudong Town is located at the junction of the Tengchong to Dian Tan road, the road to Tze Tze and the road to Guyong/Houqiao. In 2001, there were approximately 100 small relatively crude sawmills in the town.¹⁴⁵ Trade increased throughout 2001 and 2002 but although the town still appeared to be booming

when Global Witness researchers visited in 2004, they were told that the business climate was beginning to cool. The town is small compared to towns such as Tengchong, but a large hotel had been built and several main roads upgraded since Global Witness' last visit. The number of sawmills had also increased. Timber is processed into flooring and furniture and shipped from here to the rest of the country, predominantly to Shanghai and to Guangdong.¹⁵²

9.2.3 Guyong

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

9.2.4 Houqiao

The town of Houqiao is the only border port in Baoshan that has been designated as a national-level checkpoint by both the Chinese and the Burmese authorities.^{144, 152} It is located opposite the Kambaiti



Teak or tamalan on truck near Gudong town, Yunnan Province; 2004

border pass, and is linked to Tengchong by a good road. Houqiao, and the nearby port of Danzha feed into Guyong and are emerging as two of the most important ports for timber import on the border. One local trader spoken to by Global Witness in April 2004 estimated that 100,000 m³ of timber are imported into Houqiao each year.¹⁶³ Much of the timber arriving in these towns originates in the Southern Triangle (see '10.4.4.1 The Southern Triangle', pages 61-62) where logging operations have expanded rapidly since 2004.¹⁶⁴ The number of sawmills and log stockpiles has also increased substantially since Global Witness' last visit in 2001.

for completion within two years, will reduce transportation costs between Dian Tan and Tengchong by 30 yuan (US\$3.6) per m³, from 50 yuan (US\$6) to 20 yuan (US\$2.4).¹⁶⁵ Current imports stand at between 70,000 and 80,000 m³, down from 100,000 m³ in 2000.^{165, 166} In addition, a wide range of valuable timber species is imported via Dian Tan. This makes the trade more robust and allows for greater flexibility than is possible in towns such as Pian Ma further north.¹⁵² The number of sawmills has increased from the 70 documented by Global Witness in 2001, to between 80 and 90 in 2004. Many log piles were seen at the mills north of town. Facilities at the industrial park, in the centre of town

9.2.5 Dian Tan

Dian Tan is located opposite the Pangwah Pass and Pangwah Town, the headquarters of the NDA(K).

Many areas close to the border have been logged out and companies are now working up to 130 km from the border.¹⁶⁵

According to local timber traders, a round trip, which is not possible for five months each year due to the rainy season, takes three days. Concession fees have also increased, but some of the timber traders interviewed by Global Witness remain optimistic. For instance the road to Tengchong is being upgraded. The project, which started in 2004 and is due



Sawmills in Dian Tan, Yunnan Province; 2004



Sawmill in Dian Tan, Yunnan Province; 2004. The full writing on the wall says "Seize New Opportunities, Develop a New Dian Tan, Establish a New Image".

by the river, have also improved. The park now houses about 20 newly-built medium-sized wood processing factories.¹⁵²

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

9.2.6 Tze Tze

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

Private companies, mining lead and zinc in Kachin State, have paid for the construction of several roads from Tze Tze to Burma.^{170, 171}



Nujiang Prefecture, Yunnan Province; 2004



Storage site in Tze Tze; 2004

9.3 Dehong Dai Jingpo Autonomous Prefecture

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

Dehong has two national level and two provincial level checkpoints¹⁴⁴ as well a number of smaller border crossings to Kachin State, and to Shan State. The border trade is more diversified than further north. Timber which originates from KIO-controlled areas, and areas controlled by other ceasefire groups and by the SPDC, is a principal component of this trade. This is made possible here because the road to the border links up with the road network in Burma proper. As a result the timber trade is more stable than further north and a larger number of species can be imported. According to official figures, Dehong Prefecture imported 259,503 m³ of timber in 2002. However, there has been little change in the level of timber imports since 2001, with the exception of an increased volume being imported into Yingjiang Town. Yingjiang and Ruili are the key logging hubs and are fed by a number of smaller towns adjacent to the border.

9.3.1 Ruili

*“Still, Meng [a timber trader based in Ruili] has no trouble getting a fresh supply. Using one of two cell phones, he simply calls a contact that he identifies as a member of a ‘rebel government’ in Burma’s Kachin State. ‘I call, and 24 hours later, the truck comes to deliver,’ he says. Simple as that: one more chunk of the world’s ancient rain forests rumbles into China, ready to be cut, sawed and shaped in the service of the world’s fastest-growing economy.”*¹⁷²
 ‘A Reckless Harvest’, Newsweek, January 2003

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

In December 2004, a China-Burma border trade fair was held at Ruili exhibiting amongst other things value-added timber products from Burma. According to press reports a deal was struck between Burmese and Chinese traders for the export of US\$360,000 worth of products including 600 tons of wooden sculpture and 300 tons of furniture manufactured by five cooperatives in the country’s Mandalay and Sagaing divisions.¹⁷³

Muse, the Burmese border port opposite Jiageo,



Fossilized trees illegally exported from upper Burma on sale in Ruili; 2005

close to Ruili, is controlled by the SPDC. Burmese 'Ka Pa Sa Pa' militias also control a number of smaller crossings along this stretch of the border.¹⁷⁴ The road network extends from Muse to Bhamo in Kachin State, and to the south through Lashio towards Mandalay and lower Burma.

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

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

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

9.3.2 Zhangfeng

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

9.3.3 Ban Li

Log storage areas cover several hectares at the small village of Ban Li situated by the river, which delineates the border between Burma

and China. It was clear that huge piles of logs had been stored in Ban Li but most of them had, at the time of Global Witness' visit in April 2004, been removed. A few remaining logs were seen being loaded on to trucks by Chinese workers prior to being transported to Kunming. Logs can also be seen being hauled across the river during the dry season, as was the case when Global Witness revisited the area in 2005.

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



KIA taxation point Npaba, Kachin State (opposite Ban Li, Yunnan Province); 2005

9.3.4 Yingjiang

Yingjiang receives a steady supply of timber from Burma via the main feeder towns of Car Zan and Laiza, close to the headquarters of the KIA. A provincial level checkpoint has been established between Laiza and the Chinese town of Pingyuan.^{144, 152} Major construction work of the road from Yingjiang to Laiza on the Kachin side of the China-Burma border was commenced in mid-2003 and was scheduled to be complete by the end of 2004. This will facilitate increased border trade via this already busy border crossing. Smaller amounts of timber cross the border via the towns of Laozhaiza, Hong Bom He, Xima and Sudien. Transportation costs have increased and the number of sawmills has fallen slightly since 2001. Tree roots, some domestic timber and endangered yew trees imported from Burma were also being processed in 2004.^{93, 179}

9.3.5 Car Zan

Car Zan is an important logging town, with between 20 and 30 sawmills, and has been associated with the timber trade for the past ten years. Two unpaved roads led from here into KIO-controlled areas. The roads were being upgraded at the time of Global Witness' visit in April 2004. Large timber stockpiles, including illegally imported teak were also seen. There was more teak and tamalan here than anywhere else visited by Global Witness. However, timber traders said that they were concerned about the future, because forests close to the border had been logged out and because of increasing SPDC influence in the area. Apparently the SPDC keep tighter control over the sale of the more valuable timber species.^{180, 181}



Decorative tables made out tree roots from Burma, Yingjiang, Yunnan Province; 2004

9.3.6 Sudien

The large log storage area at Sudien was opened in 2003. At least 75 log trucks were stationed here by the end of the logging season, when Global Witness visited in early 2004. Several large log stockpiles were also seen. However, only a few sawmills have been built so far. Fifty to seventy small shacks on the outskirts of the town function as offices, truck stops and housing for truck drivers and timber traders.¹⁵²

9.3.7 Longling

Longling town located 20 km north of Mangshi, the nearest airport to Ruili, and to the east of the border towns, is home to several wooden plank manufacturers. It is also the starting point for many mule and horse caravans, which carry high value timber from border posts 17, 18, 19 and 22 on the China-Burma border. The caravans also come from Pajau Bum via the Chinese town of Xima.¹⁵¹



Timber truck in the streets of Yingjiang, Dehong Prefecture, Yunnan; 2004

10 KACHIN STATE

*“Within some years all the natural forest will be destroyed. My heart was very sad when I saw what was happening in this area. All the trees had been cut down. It is not good. It is terrible.”*¹⁰¹ Chinese botanist upon visiting Kachin State, adjacent to Baoshan, 2004

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

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

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

After the ceasefire, the KIO’s main source of income shifted from jade to logging, and to a lesser extent gold mining and border trade. It

also has a number of small businesses initiatives under the Buga (‘native land’ in Jingpaw Kachin) Company; including an official profit-sharing joint venture with the SPDC for logging teak.

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

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

10.1 A brief history of conflict in Kachin State

*“All these ceasefire organisations are now focussed on money. When the CPB put the focus on money, they were destroyed. So money has destroyed these organisations.”*⁹⁵ Kachin community leader, 2004

The KIO was formed in 1961 in northern Shan State by a number of Kachin students. They took up arms against the central government because of grievances over discrimination by the Burman majority, and because of the economic marginalisation of Kachin State. The decision of the U Nu government to declare Buddhism as the state religion, and the ceding of several Kachin villages to China during a border demarcation agreement, also played an





KIA soldiers; 2005

important role. The rebellion spread quickly and the KIO, together with its armed wing the Kachin Independence Army, assumed control of 15,000 square miles and more than 300,000 people, funded in part through its control of the Hpakant jade mines.¹⁸⁴ In the early 1990s, the KIA had between 6,000 and 7,000 troops, plus militias.¹⁸⁵

The invasion of the CPB from Yunnan Province into northern Shan State led to the CPB's establishment of its North East Command in areas along the Chinese border. The CPB offered the KIO support in arms and ammunition from China if it accepted the CPB's political leadership. The KIO refused, and in 1968 heavy fighting broke out between the KIA and the CPB, which lasted until 1976, when the two organisations signed a ceasefire. In the same year the KIO was a founder member of the National Democratic Front (NDF).

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

Kambaiti and Hpimaw passes. NDA(K) headquarters are at Pangwah on the Chinese border. The major source of income of the NDA(K) consists of logging, gold mining and agriculture. Since the split, relations between the NDA(K) and the KIO have been tense, and in some cases have led to fighting (*see the following*).

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

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

10.2 The nature of the ceasefire deals

At the time of writing, it is thought that 28 armed opposition groups have entered into ceasefire agreements with the SPDC; two based in Kachin State. 'Ceasefire Group' is a catch-all term for those groups that have struck ceasefire deals with the SLORC/SPDC. The deals are seen by many as the first step towards peace: generally, under the terms of these deals ethnic forces have been allowed to keep both their territories and their weapons, but they are required to end recruitment and the procurement of armaments. Some groups, for instance the KIA/O, have a written ceasefire agreement¹⁸⁶ but none of the agreements have been placed in the public domain and their precise content remains a mystery.^w

Contrary to what might be expected, the ceasefire deals in Kachin State have resulted in a more overt military presence. For instance, in 2001 it was reported that a day's drive west and south of Myitkyina many army camps could be seen that were not present before the 1994 KIA/O ceasefire agreement with the SPDC.¹⁸⁷ By 2003, the number of *Tatmadaw* battalions in the townships around Bhamo had trebled from four to twelve;¹⁸⁸ as one Kachin community leader put it: "this sign does not mean peace."⁴⁵

However, the ceasefires have led to an end to open fighting, a significant decrease in the loss of life, forced portering, rape, and torture. Local

^w In the 24 October 2004 SPDC communiqué 'Complete Explanation' it is stated that no formal ceasefire agreements were signed with armed groups that had "returned to the legal fold".

communities have been able to partly re-establish themselves without daily violent interruptions. Kachin State has witnessed a resurgence of civil society groupings and networks since the ceasefires. The emergence of stronger community-based organisations as well as church networks, development NGOs, and youth, women’s and environmental groups represent a more participatory approach to social and political organisation than those of the military and the insurgency. To some observers they constitute “one of the most dynamic aspects in an otherwise bleak political scene”.¹⁸⁹

As part of the ceasefire deals, the SLORC/SPDC promised aid for undeveloped areas and to this end set up the Border Area Development Program in 1989, later upgraded to a government ministry, with an emphasis on building basic infrastructure. Sixty-five percent of the SLORC/SPDC’s ‘Border Area Development’ budget is for roads and bridges, with little directed towards health and education.¹⁹⁰ Roads, deemed by many to be a key development indicator are being built by the SPDC, the armed opposition and the Chinese, connecting the centre to the border areas. This means that the SLORC/SPDC has potentially more control over the remote regions. It is also no coincidence that many of the roads result in better access to areas rich in natural resources. As these frontier areas are rapidly opened up, Kachin State is becoming increasingly vulnerable to predatory Chinese logging companies that have no interest in development.

Some ceasefire leaders felt it important to launch high-profile development projects, not only because they were much needed, but also as way of demonstrating progress after the ceasefires. Since 1997 for instance, the KIO has been involved in two hydroelectric power schemes, the Mali Creek

hydropower scheme and the Dabak River dam (see ‘Box 10: Power stations in exchange for logging rights’, page 59).

Money has been made available by the central authorities in Rangoon to fund development but it has been far from adequate. In many cases, therefore, the ceasefire groups have been forced to barter natural resources for development: in Kachin State logs have been exchanged for new roads. In many instances the road building has been supported by local communities but there has been little or no consultation as to how they should be paid for.

The SLORC/SPDC has also encouraged the ceasefire groups to engage in business. For instance in early 2005 it was reported that the bulk of tax levied at three border crossings with China is allocated to ceasefire groups. According to the report, 75% of the border tax collected by the Nakatha Unit^x at Kambaiti Pass is for the NDA(K). The same applies to the KIO at Laiza and the Kokang based at Chin Shwehaw.¹⁹¹

Whether the SPDC’s support for increased involvement by the ceasefire groups’ leaders in business and development projects is entirely altruistic is not clear. Such initiatives can and have benefited the local people, but they have also consumed much time and energy and have exposed the leaders to criticism when projects have fallen short of expectations. Indeed, the SPDC has been accused of undermining some legal KIO business ventures and development initiatives. This has been achieved, for example, by blocking the transportation of necessary equipment from Rangoon, and by refusing to allow cross-border trade agreements between the KIO and local authorities in Yunnan Province. The SPDC has also thwarted attempts to boost tourism in Kachin State by restricting visitor access to KIO-controlled areas.²⁶⁹



Above left: “Peace Slogan: 1. Building of a peaceful and developed nation: Our Cause. 2. National Reconciliation: Our Cause. 3. Perpetuation of Peace: Our Cause”. Above right: “Our Three Main Causes: 1. Non-Disintegration of the Union: Our Cause! 2. Non-Disintegration of National Solidarity: Our Cause! 3. Non-Disintegration of National Sovereignty: Our Cause!”

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

10.3 Kachin nationalist movement in turmoil



NDA(K) leader Zahkung Ting Ying; October 2004

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

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

The most recent coup attempt took place on 7 January 2004 at Pajau, the old KIA/O headquarters by the Chinese border. The plan was to replace Nban La, Chief of Staff of the KIA, with the KIO intelligence chief, Colonel Lasang Aung Wa. However, the coup failed, resulting in a major split and Lasang Aung Wa fleeing to NDA(K)-held territory at Pangwah, taking about 100 KIA soldiers with him.¹⁹² Brigadier-General Hpauyam Tsam Yan Vice Chairman of the KIO, and others were placed under arrest at Laisin Bum, the KIO headquarters.^{193, 194}

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

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

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

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

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

^y According to one senior Kachin official the KNCA's aim is "to guide the politics of the Kachin people, to organise the KIO, NDA(K) and KDA to become one platform, to become one idea."

his group have since joined the NDA(K). There are parallels here, with the SPDC's backing of divisions within other nationalist movements, such as the Democratic Karen Buddhist Army against the mother party Karen National Union (KNU), and the Mong Tai Army and against the Shan State Army.

This infighting probably has more to do with personal advancement than ideological differences. Despite the rivalry, however, the three Kachin ceasefire

groups have been cooperating in constitutional preparations. The KIO in particular, has been a lead actor at the National Convention throughout 2004 and 2005, and was one of 13 ceasefire groups that put forward ideas for devolved rights and self-government for the ethnic minority states. Nevertheless, while the jockeying for power and position continues, and the armed opposition groups compete for control over forested areas, the prospect of sustainable forest management in Kachin State looks dim.



Reconciliation meeting in Myitkyina; 2004. Among the attendees were KIO chairman Tu Jai (front left), KNCA leader Sumlut Naw (front centre), NDA(K) leader Zakhung Ting Ying (front right), former KIA Chief of Staff Nban La (back second left) and Lasang Awng Wa (back second right).

BOX 9: LOGGING AND THE NEW CONSTITUTION

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

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

The proposals were, however, unacceptable to the SPDC. After several meetings, the final outcome was that forest-related legislation will continue to be the responsibility of national government. In addition, taxes can only be raised at a regional level for the following: timber (except teak and designated

hardwoods), and forest products including firewood, charcoal, rattan, bamboo, birds nest, catch, thanatkha, turpentine, eaglewood, and honey-based products.

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

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

10.4 Logging in Kachin State

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

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

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

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

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

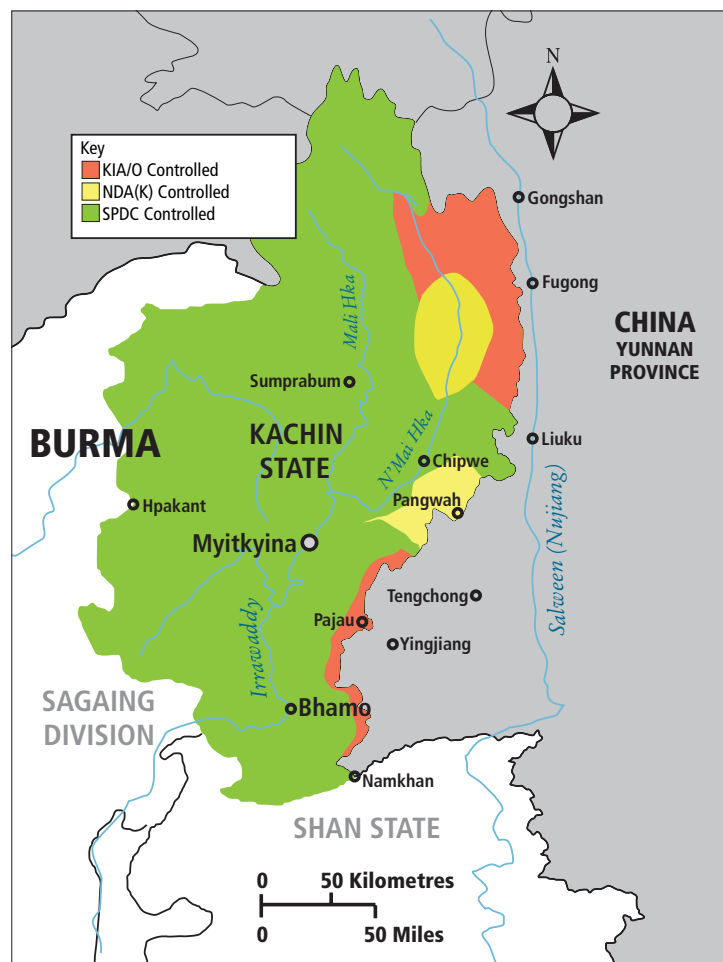
However, in June 2002, the KIO Central Committee issued a statement saying that: *“...all illegal logging must be stopped other than concessions legally approved by the Central Government, (Myanmar) to be used by the KIO for raising funds for various development projects such as road construction and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



Timber trucks queuing up by the NDA(K) checkpoint in Pangwah, Kachin State; 2004

10.4.1 Territorial control and logging within Kachin State

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



Territorial control in Kachin State according to senior KIA/O officials.²⁶⁹

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

Ceasefire groups manning the border gates tax timber passing through to China, but this timber may not necessarily have come from forests under their jurisdiction. KIO sources claim that ceasefire-controlled areas are exhausted and that the majority

of timber that the KIO taxes comes from SPDC areas such as Shwegu, Mohnyin, Bhamo, Momaung, Sinbo and the area between the Kaukwe River and the border.²⁰⁸ Timber traders, working in the ceasefire area controlled by the Paulang State Liberation

Party/Army in northern Shan State, regard the SPDC checkpoint at Muse as too unpredictable and prefer to use the KIO border crossing.²⁰⁸

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

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

Tengchong County government,²⁰⁶ despite the fact these areas were, according to the KIO, assigned to them in their ceasefire agreement with the regime.¹⁹⁵ The expansion has created tension between the KIA/O and the NDA(K), which is possibly what the SPDC intended. One community leader was of the view that, *“The Burmese expect if they [KIA and NDA(K)] fight against each other, they will come as referee man, and they will take over the area like they did in Mongko.”*^{aa, 212}

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

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

^{aa} This relates to fighting amongst the Kokang.

10.4.2 The KIO and logging in Kachin State

*“The KIO as an organisation was very poor, no money for them, but individually they are rich.”*²¹² Kachin community leader, 2004

The KIO Department of General Affairs is responsible for the forest in KIO administered areas, including reforestation. The timber business is overseen by the Economic Department, under Minister Hkum Naw, and supervised by former Chief of Staff of the KIA Nban La, and Gau Ri Zau Seng. Most KIO income from logging derives from gate passes and customs duties levied on timber, collected at the numerous checkpoints on major roads into China. Although the KIO has no trained foresters, one at least of their senior staff has participated in a short forestry course. They have also expressed a desire to learn more about sustainable forest management, including the possibility of closer cooperation with the Myanmar Timber Enterprise (MTE), the Forest Department (FD), and with the Chinese. The KIO already cooperates with the Forest Department in the Hukawng Valley.²⁶⁹

The KIO claims that the vast majority of timber cut in Kachin State is cut in SPDC controlled areas with SPDC permission; both official and unofficial (see ‘10.4.5 The SPDC and logging in Kachin State’, page 63-65). Permits that authorise the logging of timber for local use are granted by the SPDC Office for Administration, which until August 2005, was under the control of Northern Regional Commander Maung Maung Swe based in Myitkyina.^{hhh} In turn, these permits are widely abused: more timber is cut than stipulated in the permit and the majority of the timber is illegally exported to China. Local SPDC units facilitate and benefit from the illegal trade, as do the KIO.

The KIO have told Global Witness that they feel powerless to stop most of the logging; that to do so would risk confrontation with the SPDC who sanctioned the logging in the first place. For example, in November 2003 the KIO claimed that they would have stopped 50 log trucks owned by Jadeland in the Bhamo area on the Laiza road because the trucks were heading for the border, but the timber was ‘for local use only’. However, the trucks had an SPDC troop escort and the KIO let the trucks pass to avoid open conflict.²⁶⁹

It is true that taxing the timber trade at the border accounts for a large proportion of KIO income, but this is justified by the KIO as merely taking advantage of a situation that they say they are powerless to stop. The KIO would rather the forests were managed sustainably, and are apparently willing



Local nurses at hospital run by the KIO, Kachin State; 2005

to forgo this income were the Chinese government to close the border to this lucrative trade.²¹⁴

In early 2005, Senior Officials within the KIO informed Global Witness that their current involvement in logging is strictly tied to the financing of a few major development projects: the Mali and Dabak Dams and the Myitkyina-Bhamo road.²⁶⁹ Typically, the KIO Economic Department grants the logging concessions through other departments such as the War Office.²⁰⁸ In the case of the N’Mai Hku project the central KIO office granted a 15-year concession to the Huaxin Company, to log in steep alpine forests involving huge Chinese investment (see ‘10.4.6 The N’Mai Hku (Headwaters) Project’, pages 66-67).

Senior KIO officials argue that the bulk of the money raised from logging goes directly to pay for health and education, not otherwise covered by the SPDC authorities, and on development.²⁶⁹ It is entirely possible that this is the case, but the proportion of the money generated by logging and used in this way is disputed. It is a view held widely in Kachin State that much of the money is misappropriated by corrupt officials, within the KIO, and does not benefit the Kachin people as a whole.

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

^{hhh} Maung Maung Swe was replaced by Major General Ohn Myint of the Coastal Command in a direct swap. Interestingly, one of Major General Ohn Myint’s first actions in his new position was to announce that logging in three specific forest reserves in Kachin State is prohibited.

TABLE 1: PARTIAL KIO TAX SCHEDULE (PER M³), 2003²⁰⁹

Timber Species	Tax: yuan	Dollar (US) equivalent	Border price: yuan (quality/fluctuation)	Dollar (U.S.) equivalent
Hpun Kya (softwood)	30	4	250/350/400	30/42/48
Layang (hardwood)	80	10	800-900	95-107
Teak 8 x 4"	800	95	7500/8500/9000	893/1011/1071
Teak 4 x 1"	660	79	5000/6000/7000	595/714/833
Sabya Don	550	65	4000-4500	476/563
Dawn Htung Zee	400	48	3000-3500	537-417

grant annual concessions, some official and some unofficial, amounting to about 300 in total.²¹⁸ Typically this is lowland evergreen forest where less investment is required. There are also concessions for cutting rattan (cane)^{141, 220} and for the collection of medicinal herbs and forest products.²¹⁹ The cutting of luxury species such as teak and tamalan is usually prohibited.²²⁰ Although local KIO offices may keep an eye on operations this does not equate to proper management.²²¹

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

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

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

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



The Laiza Hotel was opened in Laiza, the headquarters of the KIO, in 2004

BOX 10: POWER STATIONS IN EXCHANGE FOR LOGGING RIGHTS

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

The Jinxin Company, which has bases in both Tengchong and Pian Ma, is the largest logging company operating in Kachin State. It is this company that has been the main contractor for the construction of both dams. Work is being carried out in return for logging rights to timber in the area, worth millions of dollars. The dams are being built with the permission of the SPDC, which also gave permission for the logging in the upper Dabak region to pay for the schemes. Global Witness has been told that the N'Mai Hku Project (see 10.4.6 *The N'Mai Hku (Headwaters) Project*, pages 66-67) is also seen by the KIO as a way to pay for the dams and other development projects.²¹⁵

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

seeking to force them to act illegally in order to discredit the organisation.²⁶⁹

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

Following pressure from the Yunnan provincial government, Jinxin has agreed in principle to complete Dabak. Whether or not Jinxin is asked to finish the Mali dam depends on their performance at Dabak.²⁶⁹ It is feared that more timber will have to be felled in order to pay for further work.^{216, 217}



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



Construction of the Mali Hydro-electric power plant is far from complete; November 2004

10.4.3 The NDA(K) and logging in Kachin State.

*“There is no proper rule of law on the other side of the border. Here everything is regulated but on the other side of the border, they have their own ways of going about it.”*²⁴¹ Chinese businessman, Baoshan Prefecture, Yunnan Province, 2004

Major Taxes/ Charges	Yuan	Dollar (US) equivalent
Hill Purchase (clear-cut)	> 5-10 million	595, 000- 1,190,000
Hill Purchase (selective felling)	2-3 million (+ timber per m ³)	238, 000- 357, 000
Charge per m ³	Depends on the species	
Road usage/ vehicle tax	30% – NDA(K), 70% – construction company	

The most destructive logging in Burma is believed to take place in areas controlled by the NDA(K). As early as 1994 most of the forest in the hills surrounding Pangwah had been cleared;²²⁴ this destruction has now spread to other previously forested areas. For instance, the NDA(K) controls the forest opposite the large Chinese logging town of Pian Ma (see ‘9.1.2 Pian Ma’, page 40). In 2004, some of the most damaging logging was centred around the forests surrounding the Leshin Bridge, one of the NDA(K)’s most important timber trade taxation points, on the road from Pangwah to Pian Ma.¹⁶⁴ More recently, the NDA(K) has been expanding its logging interests aggressively into areas outside its control, leading to conflict with the KIO/A (see ‘10 Kachin State’, pages 50-69).

Logging concessions are given to members of the Central Committee who in turn negotiate with logging companies through the NDA(K) Financial Department.²²⁵ Both the NDA(K) and the prospective concessionaire send experts to determine the value of a given concession: companies may purchase a whole mountain. Areas that are to be clear-cut generally cost more than those subject to selective felling but where this is the case the cost of the timber is included in the price. In contrast to the general prevalence of annual concessions in KIO areas, some logging companies working in NDA(K) areas have concessions for up to 15 years.

An agreement with the NDA(K) however, does not guarantee a trouble-free operation for the logging company. For instance in NDA(K) areas concessions often overlap and are subject to cancellation. Logging companies may also have to negotiate with the local strongman, and local

NDA(K) soldiers are known to extort various fees and gifts from logging companies. On 11 May 2003 the NDA(K) Central Council of Peace and National Unity, and the Central Economic Commission, issued an order limiting the collection of taxes to border gates and prohibiting the collection of unofficial taxes. However, extortion by NDA(K) soldiers remains pervasive: *“Now, even a small [lowly] soldier will go on his own initiative and ask the Chinese working in the area for ‘tea money’.”*²²⁶

NDA(K) soldiers have on occasion turned violent. In one recent incident several NDA(K) soldiers who were drunk allegedly killed a Chinese worker by flogging him to death. According to a Chinese timber worker, the NDA(K) had to address this problem with local Chinese officials in Tengchong.²²⁶ Global Witness has received other unconfirmed reports that NDA(K) soldiers were responsible for the deaths of six Chinese loggers in early 2004. They were among a larger group of loggers that had been working in areas nominally controlled by the KIA/O, which were subject to an attempted takeover by the NDA(K). The NDA(K) threatened the loggers, forcing them to return to China across the snow-covered mountains in northern Kachin State, where they died of hypothermia.²²⁷ NDA(K) soldiers have also been employed by logging companies to force competitors out of their concession areas.²²⁸

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.^{229, 230} The NDA(K) claims that this is done to ‘protect’ the forest from shifting cultivation.²³⁰ (For more information on the NDA(K) and logging in Kachin State, see ‘A Conflict of Interests’, pages 100-101.)



Document issued by NDA(K) authorities to Chinese log truck drivers. It stipulates that NDA(K) soldiers are not allowed to tax the truck drivers except at official taxation checkpoints; 2004

10.4.4 *The expansion of KIO and NDA(K) logging interests*

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

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

10.4.4.1 **The Southern Triangle**

*“The area is controlled by the KIO. It is a very new logging area and the KIO issued an announcement that people are not allowed in the area”.*²³¹ Pan Kachin Development Society, 2003

According to one KIO officer interviewed in 2003, the KIO regard the Triangle region, which lies between the N'Mai Hka and Mali Hka rivers, *“as a huge untapped resource bed”* that *“will provide the capital for development”*. The Southern Triangle contains millions of cubic metres of valuable tree species. Road building started here in 2003. Recent agreements between the KIO, the NDA(K) and the SPDC, leading to the construction of additional roads and bridges, mean that this area has become a major source of timber in Kachin State. It is expected that 200,000 tons of timber will be extracted each year.²⁰⁸

In 2004, at least 100,000 m³ of timber was exported from the triangle area according to

TABLE 3: FEES COLLECTED PER M³ OF TIMBER FROM THE SOUTHERN TRIANGLE AREA, 2004²⁰⁸

Taxes/Charges	Fee: yuan	Dollar (US) equivalent
Ton of timber (sale value)	1,600	190
Labour	150	18
Transport to the bridge at MagramyangVillage	100-200	12-24
Transport from the bridge to Guyong	380	45
Bridge use	50	6
KIO customs	560	67
NDAK customs	100	12
SPDC checkpoint	15,000 (kyats)	17

a Jadeland Company worker. Of this, a minimum 45,000 m³ were extracted by the Jadeland Company, and 55,000 m³ by the Jinxin Company. Much of this timber was transported to the border ports of Danzha/Guyong and Gudong on the China-Burma border.²³²

The KIO controls most of this region, but all the logs exported from the Triangle pass through NDA(K) areas where they are taxed. The SPDC also taxes the logs passing through this area and has a checkpoint near the Jubilee Bridge at Magramyang Village, the 52-mile point on the Myitkyina to Chipwe road. The Jinxin logging company paid 12 million yuan (US\$1,430,000) to build this bridge but will be reimbursed by the KIO in logs.²⁰⁸ Jinxin has also been contracted to upgrade the road in an eight-year deal agreed with



Logs ready to be loaded onto trucks in the Triangle area, Kachin State



The new Chipwe Bridge which opened in March 2004

the SPDC Northern Commander.²⁰⁸ An estimated 30 saw mills operate inside the Triangle around the Jubilee area.

The other main bridge across the N'Mai Hka, the Chipwe Bridge, crosses the river in the Laukhaung area 120 miles from Myitkyina. The bridge, which was built by the Chinese Wun Chun Company at the behest of the NDA(K), opened in March 2004. Wun Chung Company is owned by Mr Layeng Wun, a Kachin-speaking Chinese from Yingjiang, who has also been involved in the jade business with Mr Ara La. Between 50-100 log trucks passed over the bridge each day during the 2004-05 logging season (September-April). The KIA/O has constructed 40 miles of road leading west into the Triangle area from the Chipwe Bridge, towards the town of N'Gum La, where the KIA's First Brigade is stationed.²³³

Planning is also underway for Burma's largest hydropower dam in the Myitsone area, several kilometres south of the confluence between the N'Mai Hka and the Mali Hka rivers. The Myitsone area is considered to be the Kachin heartland. This 3,100-megawatt dam²³⁴ will apparently flood 5,000 houses in 30 villages making 8,000 people homeless. In addition 18,000 arable acres and forest will be lost.²³⁵ It is not yet clear how, if at all, the project is linked to logging.

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

Several accounts suggest a concerted effort by the NDA(K) to oust the KIO from the area between the Chinese border and the N'Mai Hka River, the southern part of the N'Mai Hku area, in order to take control of its logging and other business interests. In March 2004 the NDA(K) and the KIO were involved in skirmishes in which two NDA(K) soldiers were killed.²²⁸ According to one source "the KIA have accused the NDA(K) of using the heavy weapons, machine guns and howitzers." Apparently the crisis was sparked by the KIO's failure to build a road for the benefit of the local community; instead they allegedly built a logging road.²³⁶

In the last two years a militia comprising several hundred individuals has emerged, nominally under NDA(K) control but partly organised and financed by, amongst others, La Wa Zawng Hkawng, a former major shareholder and director of the KIO-owned Buga Company¹⁶², but now a colonel in the NDA(K).^{237, 238, 239} He is also known to have had an interest in gold mines in the N'Mai Hku area²⁴⁰ as well as good relations with the SPDC – his wife attended the National Convention convened near Rangoon.^{bb}

^{bb} In January 1993, the SLORC introduced a hand picked National Convention claiming that it was a more suitable forum at which to draft a new constitution. The NLD withdrew from the Convention in 1995 citing restrictions on freedom of expression. The SPDC reconvened the national convention in mid 2004 to draft a new constitution. The NLD did not attend. The vast majority of the people who attended were hand picked by the SPDC.

10.4.5 The SPDC and logging in Kachin State

*“High-level SPDC know very well about the logging deals because they are receiving kickbacks at every port. They have local agents everywhere at every level so local commanders cannot hide the facts from them. MIS agents report directly to Rangoon.”*²⁴¹ Timber trade worker, Baoshan Prefecture, Yunnan Province, 2004

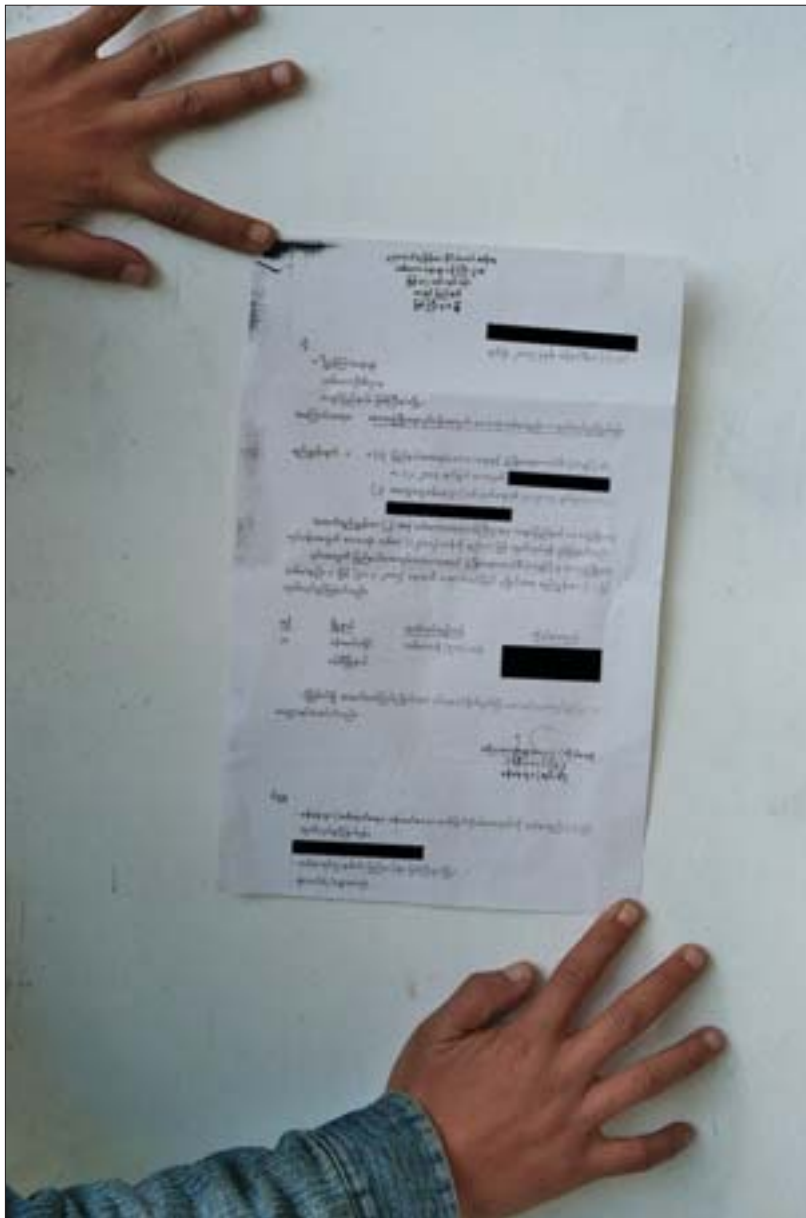
In late 2004 the SPDC adopted new procedures for granting logging concessions in Kachin State. In the past arrangements had been relatively informal, but Method 1 sets out everything on paper. Senior figures within the KIO believe that this is another attempt by the SPDC to discredit the organisation, by pushing them into an illegal trade. The paperwork

issued by the Forestry Department in Myitkyina clearly establishes the extent of what the SPDC considers legal, for instance that the timber is for local use only. Were the KIO to let this timber cross the border into China they could be accused of facilitating and benefiting from an illegal trade – as evidenced by the documentation – which they freely admit to. But the KIO argues that to do otherwise would risk confrontation with SPDC troops, who are protecting the timber traders and benefiting from the illegal cross-border trade, something that they are anxious to avoid.²⁶⁹

Method 1 Permits specify how the timber can be used, for ‘local use’ or ‘for construction’, volumes that can be logged, timelines and the logging site (district or township). Teak trees cannot be removed and timber export is prohibited. The permit has to be shown to the office of the Northern Regional Commander, the Forest Department at township and district level, the police, and local *Tatmadaw* units.²⁶⁹

The loggers pay 20,000 kyat (US\$22) per ton, to the SPDC Administration Office in Myitkyina, 20,000 kyat (US\$22) to a ‘fund’ and 100,000 kyat (US\$111) for transportation. These charges do not allow for much of a profit margin, but the system is subverted to increase profitability. Teak is logged, volumes under-declared, permits reused and many of the construction sites are conveniently close to the border, with the result that most of the timber ends up in China. The authorities are fully aware that the system is widely abused, but turn a blind eye and take their cut.²⁶⁹

Timber from forests controlled by the SPDC is trucked through ceasefire areas en route to China.^{206, 242, 243} The SPDC taxes the timber trade at checkpoints on major roads that they control. This includes roads that pass through areas that are otherwise controlled by the ceasefire groups. Some are just military gates or checkpoints, others are known as ‘gathering points’ where SPDC authorities, such as the Forest Department, the *Tatmadaw*, customs, immigration, police and NATALA^{cc} carry out inspections and collect taxes.^{141, 221}



Method 1 Permit; 2005

^{cc} The border force of the Ministry of Border Areas: this force reports directly to a committee chaired by the Prime Minister.

According to unpublished research from 2003, a ‘gathering point’ and Forestry Department gate at Manwin tax log trucks from cutting sites in the Southern Triangle area. The combined checkpoints receive at least 5.5 million kyat (US\$6,100) per month in both official and unofficial fees. Each month officials from Manwin go to Waingmaw, near Myitkyina, to pass a proportion of the taxes that they have collected to their bosses.¹⁴¹ A worker at the Manwin Forestry Department gate explained; “*You have to give many great presents to the authorities concerned in order that you can be here for a long time. If your present is just a small amount, you’ll be sent to the combined gate*^{dd}... *Once a month I have to go down to Waingmaw to meet smiling faces.*”²³¹

According to community leaders in the Sinlum area, Chinese timber traders bribe *Tatmadaw* commanders based at Bhamo with cars, motorcycles and watches.²⁴⁴ They also receive bribes indirectly from checkpoints at Hkawan Bang and Sinlum (which is manned by personnel from Battalion 437).²⁴⁴ Bribes also had to be paid to the MI office at Bhamo on a monthly basis.²⁴⁴ SPDC units, especially the *Tatmadaw*, are rotated regularly and if the commander changes, any deals must be renegotiated.²⁴⁴ There are also roaming *Tatmadaw* patrols. The SPDC is unable to tax all the cross-border logging because it lacks a presence in some logging areas, and many border crossing points.

The SPDC authorities derive both official and unofficial revenue from the timber trade in a variety of different ways. Logging companies and the KIO pay the authorities, particularly the *Tatmadaw*, to avoid interference in logging operations or to turn a

TABLE 4: CHECKPOINT FEES^{ee} COLLECTED PER TRUCKLOAD OF TIMBER^{ff} FROM THE SOUTHERN TRIANGLE AREA TO THE KAMBAITI PASS (HOUQIAO), 2003-2004^{208, 231}

Location	Recipient	Kyats	Dollar (US) equivalent
Manwin	Combined SPDC	40,000	44
Manwin	Forest Department	30,000	33
Sailaw	<i>Tatmadaw</i>	15,000	17
Ura Yang	NDAK	5,000	6
Thayar Kone	NDAK	15,000	17
Kambaiti	NDA(K)	100,000	111
Kambaiti	<i>Tatmadaw</i>	100,000	111
TOTAL		305,000	339



Checkpoint controlled by the SPDC on the Bala Min Htin Bridge over the Irrawaddy River in Myitkyina, Kachin State; 2004



^{dd} At the combined gate there is less money to be made.

^{ee} It was not clear if these were official or unofficial fees or both.

^{ff} Not teak or tamalan.

blind eye to ‘illegal’ logging once it has been discovered. As one Kachin logging boss explained: “We only give bribes to the army columns we meet in the forest. The columns patrol the forest according to the orders of the [General],⁸⁸ and we have to bribe the columns. The money a column gets from us will eventually be handed in to the [General], so effectively we bribe the [General] indirectly through his columns.”²³¹

Those that pay protection money are usually informed in advance of plans to visit the area.¹⁴¹ Villagers logging without permits are also targeted by *Tatmadaw* units operating without Forest Department oversight.

Ceasefire groups have also entered profit-sharing agreements with the *Tatmadaw* and *Tatmadaw* units have been known to grant logging concessions. The Chinese boss of the logging concession at the Dabak Hydroelectric Power Project in the Jahta area uses a Kachin go-between to pass on payments to the SPDC Northern Commander.²⁰⁸

The relationship between the *Tatmadaw* and the loggers has been known to turn violent. For example on 10 November 2003, Burmese soldiers arrested six Chinese workers and impounded four log trucks. One of the workers was tied to a tree and beaten. The workers were later released, following the payment of a ransom by their Chinese bosses.²⁴⁵ The confiscation and sale of trucks and cargo is a more common occurrence than kidnapping. Some of the fees are official; these include transportation fees and export taxes.



Maung Maung Swe, (former) SPDC Northern Regional Commander

The central Burmese authorities are aware of much of the logging that takes place on the China-Burma border. For instance, the NATALA operating checkpoints at Loiye, Muse, Nalon and Maunghwe reported directly to Khin Nyunt, bypassing the Northern Commander.²⁰⁸ Occasionally logging activities are suppressed, but this probably has more to do with suppressing evidence of illegal logging and extracting money from the loggers rather than any real attempt to halt the logging. Villagers said that, “In 2001 and 2002, the SPDC Secretary 1 and the Kachin leaders came to visit here [Pangwah], so there were many logging trucks that could not pass through.”^{hh, 244} Similarly the authorities have ordered an embargo on log traffic to coincide with visits by diplomatic staff.²⁴⁶ Tourists have been told by Burmese officials not to photograph logging activities.²³⁹



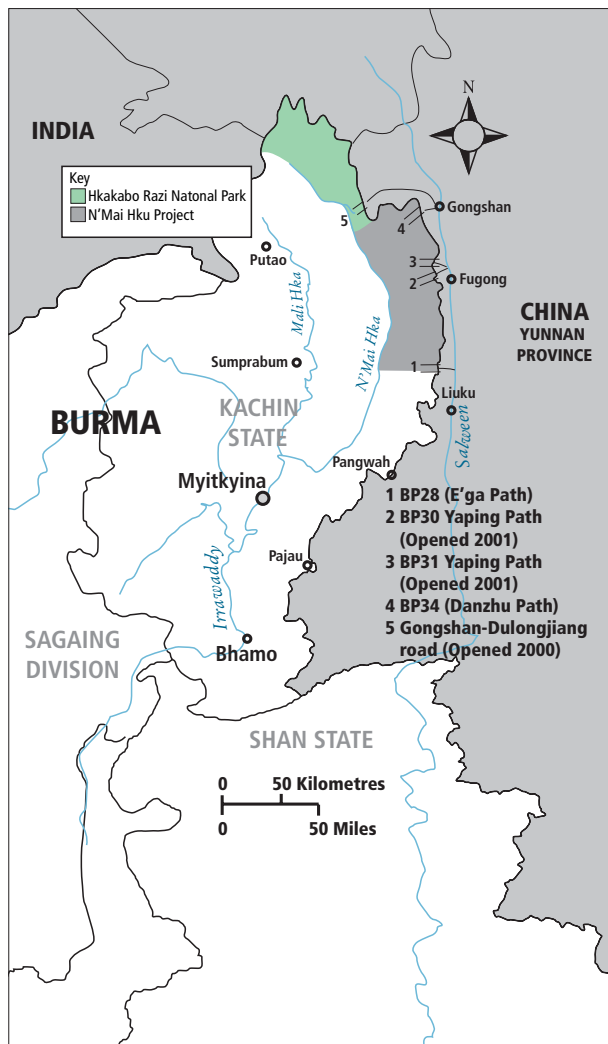
Teak and tamalan logs at the railway station in Myitkina. These logs are from SPDC-controlled Mohnyin forest near Hopin, Kachin State, and transported to Myitkina for export to China; August 2004

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

^{hh} Log trucks were prevented from travelling on the roads.

10.4.6 The N'Mai Hku (Headwaters) Project

*"They never build roads towards the village but towards logs."*²⁴⁷ Villager in N'Mai Hku Project area, 2004



N'Mai Hku is situated in a region recognised as one of the 'hottest' of biodiversity hotspots worldwide;²⁴⁸ a region of outstanding natural and geological beauty. It is no surprise therefore that a large proportion of the Chinese side of the Gaoligongshan Mountains is protected by two national nature reserves: the Nujiang Reserve and the Gaoligongshan Reserve. On the western slopes of the mountains in Burma, however, there is a combined logging and mining operation, the N'Mai Hku Project. There are 16 large villages and 49 smaller settlements within the N'Mai Hku project area.²⁴⁹

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

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

The Huaxin Company has a contract to extract all resources from the N'Mai Hku area for 15 years. Huaxin Group Co. Ltd, based in Kunming, is an alliance of six companies from Kunming, Beijing, Shanghai, two from Guangdong and the Ministry of Railways.²⁰⁶ According to Huaxin, the cooperation of the Nujiang authorities is crucial to the success of



Trucks in Gongshan, Nujiang Prefecture, Yunnan Province, China, loaded with timber from the N'Mai Hku area, Kachin State; 2004

the Project, as the county is a major partner through its control of land along the border.²⁰⁶

According to the KIO, permission to log is not required of the SPDC because of “*the remoteness of the region*”. There are about 10 companies currently operating at N’Mai Hku,²⁶⁹ including the Heng Huat Company.²⁵¹ The KIO claims not to have invited these companies but they appear happy to tax the cross-border timber trade. Whilst the agreements are said to stipulate selective felling of a limited number of species, there is no reason to believe that this will be followed.²⁵¹ The logging itself is largely unregulated and there is real concern that the companies will replicate the clear-cutting they have carried out in areas further south.

A network of roads has been built into the project area from the Chinese side. This includes the E’ga Path, the Yaping Border Trade Path, The Danzhu Border Trade Path, and Gongshan-Dulongjiang Road. In contrast there appeared to be no serviceable roads linking the project logging areas to the road network in Kachin State in 2001.²³⁰

The disputes within the KIA/O and between the KIA/O and the NDA(K), involving Lasang Aung Wa (see ‘10.3 Kachin nationalist movement in turmoil’, pages 53-54), over the control of territory and politics, is partly related to the business interests in the N’Mai Hku area. Here the NDA(K) has sought to expand its control south of Gongshan by border post 35. This has led to strengthened security on the Chinese side of the border, where the local Chinese authorities are concerned about weapons smuggling. It has also resulted in restrictions being imposed on the distribution of border passes to KIA/O and NDA(K) officers wishing to travel to, or via, Nujiang and Baoshan prefectures in China.¹⁶⁴

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

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

According to the report, the initial objectives of the KIO were good and

some villagers appreciated the schools and improvements in basic infrastructure. However, overall project implementation was weak. Principal among the grievances expressed by the villagers was the KIO’s failure to deliver promised development, in particular a road, or as one person interviewed by the Commission put it “*the money that the KIA makes from logs and spends on development projects is unbalanced. The road should be built as a priority otherwise it won’t be built when logs finish.*” The KIO has however built plenty of logging roads, and this has not gone unnoticed by villagers in the area, “*Development has been promised for seven years. However, we have not had public transportation and no planning has been made. They constructed a logging road on the mountain where no people live.*” Finally, the report highlights local concern about the logging and the lack of benefit derived from it, as stated in one interview: “*Our valuable trees have disappeared because of Chinese without benefiting the people. When we asked, they said that the issue was not our concern.*”

The report also outlines claims that the NDA(K) has used local disappointment with the KIO, relating to project shortcomings, to extend their influence and territorial control in the area, causing further division between the groups. The Joint Commission urged the NDA(K) to resolve these disputes by negotiation rather than force and stressed that the KIA/O and NDA(K) should work together. The commission concluded that despite the detrimental impact of the project to date, it should continue with increased community involvement. By July 2005 it appeared that the KIA/O and NDA(K) had reached an agreement and had demarcated land in the area for logging.²⁵² (For more information on the N’Mai Hku Project, see ‘A Conflict of Interests’, pages 104-108.)



Timber storage site, northern Burma

10.4.7 Kachin-run logging companies operating in Kachin State



There are currently three major Kachin-owned companies involved in the timber business in Kachin State: Buga, Jadeland, and Wun Rawt. All three have close ties to one or other of the armed Kachin opposition groups and/or the SPDC Northern Command.

The Buga Company, founded after the KIA/O ceasefire in 1994, also has mining interests. Its major shareholder and director was La Wa Zaung Hkawng, an influential and rich Kachin businessman from Myitkyina, known also to have good connections with the SPDC.²⁵³ In 2002, Buga faced serious problems due to heavy financial losses and management disputes. Controversy erupted between La Wa Zaung Hkawng and the company's other director, from the KIO, over profit-sharing arrangements and accusations that La Wa Zaung Hkawng had pocketed company revenue. He, in turn, accused the KIO of being incapable of running a profit-making venture. As a result, La Wa Zaung Hkawng has left the company and

reportedly joined the NDA(K). The KIO is attempting to sort out Buga and its finances, which is reportedly now bankrupt. However, the handover of the company from prominent KIO leader, and current managing director, Dr La Ja, to KIA major, Hpung Gan Sau Hkun Nawng, has stalled due to the financial disarray.²⁵⁴

The Wun Rawt ('uplift all' in Jingpaw Kachin) Development Company was established in 2002-03 by members of the KIA, in part as a response to the losses incurred by Buga. According to several sources, Wun Rawt is trying to stop corruption in the KIO and "*they will control all the business and development committees*"; it is growing increasingly powerful.²⁵⁵ In contrast to other companies, Wun Rawt declared that it will only allocate concessions for development purposes. It has also accused Sut Masa (literally Business Regulation), the KIO taxation committee, which collects taxes from logging and mining, of under-recording timber volumes passing through customs gates under its control. Some Kachin people doubt the altruistic motives of Wun Rawt suggesting instead that the potential for personal enrichment and political advancement are just as, if not more, important. Wun Rawt's position on Buga and Sut Masa could lead to increased friction between the KIO and the KIA: "*the KIO has power – the KIA has guns*" as one source put it.

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

In 2004, the KIA and Wun Rawt opened the Laiza Bank, apparently to facilitate trade with China. Wun Rawt's closest business associates included Layeng Wun of the Wun Chung Company (which

constructed the Chipwe Bridge across the N'Mai Hka River), Lau Ying, Aw Tawng Mai and Lau Lu, Nban La's adopted son.

The third company, Jadeland, which is owned by the wealthy jade dealer and former major KIO patron Yup Zau Hkawng, is the most prominent of the Kachin-owned companies involved in natural resource extraction in Kachin State. Jadeland is predominantly involved in logging, taxation of

timber and road building. Its logging operation has expanded dramatically in the Southern Triangle region (see '10.4.4.1 The Southern Triangle', pages 61-62) since 2002-03 and its base camp is situated in the centre of the Triangle, at Hpawlamhpya. Jadeland taxes timber transported via the Jubilee Bridge, which spans the N'Mai Hka River, at 380 yuan (US\$45) per m³. The company's operations also extend to the southern part of the N'Mai Hku area,

between border posts 27 and 28, where it has carried out extensive surveying for valuable timber. Jadeland has been contracted by the KIO to construct the Myitkyina-Sumprabum-Putao road and the Myitkyina-Waingmaw-Bhamo road, which the KIO paid for by granting logging concessions.²⁵⁶

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



The office of Jadeland in Myitkyina during the July 2004 floods



Log trucks at KIA camp, Kachin State

11 WA STATE

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

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

The UWSA/P was founded in 1989 by ethnic minority units that broke away from the CPB. The party, which has some senior ethnic Chinese officers and advisers, signed a ceasefire agreement with the SLORC in the same year. Its main aims are: first, for Wa State to be regarded as a state in its own right, under the control of central government rather than through the Shan State administration, and second, autonomy.²⁶⁰

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

Logging increased dramatically following the ceasefire and is mostly carried out by Chinese companies controlled by the UWSA/P, from its headquarters in Pangsang, and exported across the land border to China. A representative, from the Ministry of Forestry in Rangoon, told Global Witness that the only legitimate border checkpoint, for timber exports on the China-Burma border, is Muse.⁹⁹ Therefore it would appear that all timber exports from Wa State, and other parts of Shan State, are illegal.

The degree of control that the UWSA/P exercises over the loggers may be limited. As one UWSP source complained, *“when they [the Chinese] get the concession from the Wa Central Committee for 100 cubic metres, they will cut 1,000, so ten times more, it a big problem.”*²⁵⁸ The UWSA’s Security Brigade and district and township liaison offices also make deals with the Chinese.²⁶² Some of the logging has been agreed by the Forestry Department in Rangoon, but there is little if any long-term strategic planning or

consultation between the logging companies and local communities. The companies, with their mainly Chinese workforce, usually work unsupervised.²⁶²

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

The main land route for timber transported to China from the Wa areas used to be the Muse-Ruili border crossing.²⁰⁶ However, this crossing point has been under SPDC-control for many years and interviews with logging companies at Ruili suggest that the main crossing is now from Pangsang to Meng’a, from where timber is transported to Mengliang, Simao and Kunming.²⁶¹

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

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

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

Central Dragon, Asia World and the UWSA/P-controlled Hongpang, to meet with him.²⁶³ These companies had, according to a press report, won a three-year contract to export teak logged in the Mongton/Monghsat/Mongpiang area, opposite Chiang Mai in Thailand, to Yunnan Province via the Mekong.²⁶³

The same article reports that Chinese loggers operating in the same area have been transporting logs, by truck, to Pangsang via Nawngkheo, Mongngon, Mongkhark and Mongnoong. After letters of protests were sent to the local authorities, 120 Chinese loggers were arrested in late May and sent to Kengtung. But, “...a representative from Pangsang was already there to pick them up... So they got away without being punished.”²⁶³

In 2004, the SPDC withdrew special privileges, concessions and business activities²⁵⁸ and blocked the importation of rice to Wa State from other parts of Burma.²⁶⁴ It is not known what prompted this action, but the uneasy relationship between the UWSA/P and the SPDC has been put under additional strain following the ouster of General Khin Nyunt in October 2004 (see ‘Box 3: Chinese foreign policy and conflict in Burma’, page 15).^{265, 266} This, and the shortage of timber has made the future of logging in Wa State uncertain.

In the past, the UWSA has been accused of smuggling opium and heroin into Thailand. It is also seen as Burma’s major producer of Amphetamine Type Stimulants (ATS), which are consumed in epidemic proportions across the border in

Thailand.⁶⁵ Senior UWSP members have admitted receiving tax from both opium (7% according to some reports)⁶⁵ and ATS in the past, but claim refineries and laboratories are now routinely destroyed as soon as they are discovered.

The forests covering the hills in northern Shan State have been almost completely destroyed by logging. These hills have been the prime poppy-growing areas. UWSP-stated policy is for the Wa region to be an opium free zone by 26 June 2005.²⁵⁸ In 2004, the area under poppy cultivation did fall by 18% in Wa State according to the United Nations Office of Drugs and Crime.⁶⁵ However, given that opium production provides more than two-thirds of annual income for many households, many fear a humanitarian crisis when the ban is fully implemented. In 2003, a similar ban in Kokang Special Region 1 resulted in almost a third of the total population abandoning their homes in search of employment elsewhere, the closure of health clinics and a huge drop in school attendance figures.⁶⁵

In January 2005, Wei Hsueh-kang and seven other UWSA leaders were named in an indictment in the federal court in Brooklyn, New York. According to the US Drug Enforcement Agency, Wei had smuggled more than a ton of heroin with a street value of US\$1 billion into the US since 1985. A spokesman from the UWSA denied their involvement, but the news has already led to the UNODC and all but one international NGO working in UWSA-controlled areas withdrawing their international staff on a temporary basis.^{267, 268}



UWSA officials inspect logs before crossing the border into China, Pangsang, capital of UWSA-controlled area; 2004



12 CONCLUSION

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

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

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

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

The risks to China's standing in the international community are significant but are not the only ones. There is also a real possibility that the destructive logging in Kachin State will increase instability on the border as the armed ethnic opposition groups compete for control of what is left of the forest. Indeed, once the forests are gone not only will this

have a detrimental impact on sustainable development in Kachin State, but thousands of Chinese jobs in the timber industry could be lost.

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

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

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

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

ⁱⁱ This should include but not be limited to: the State Peace and Development Council (SPDC), the National League for Democracy (NLD), other political parties, and the armed ethnic opposition.