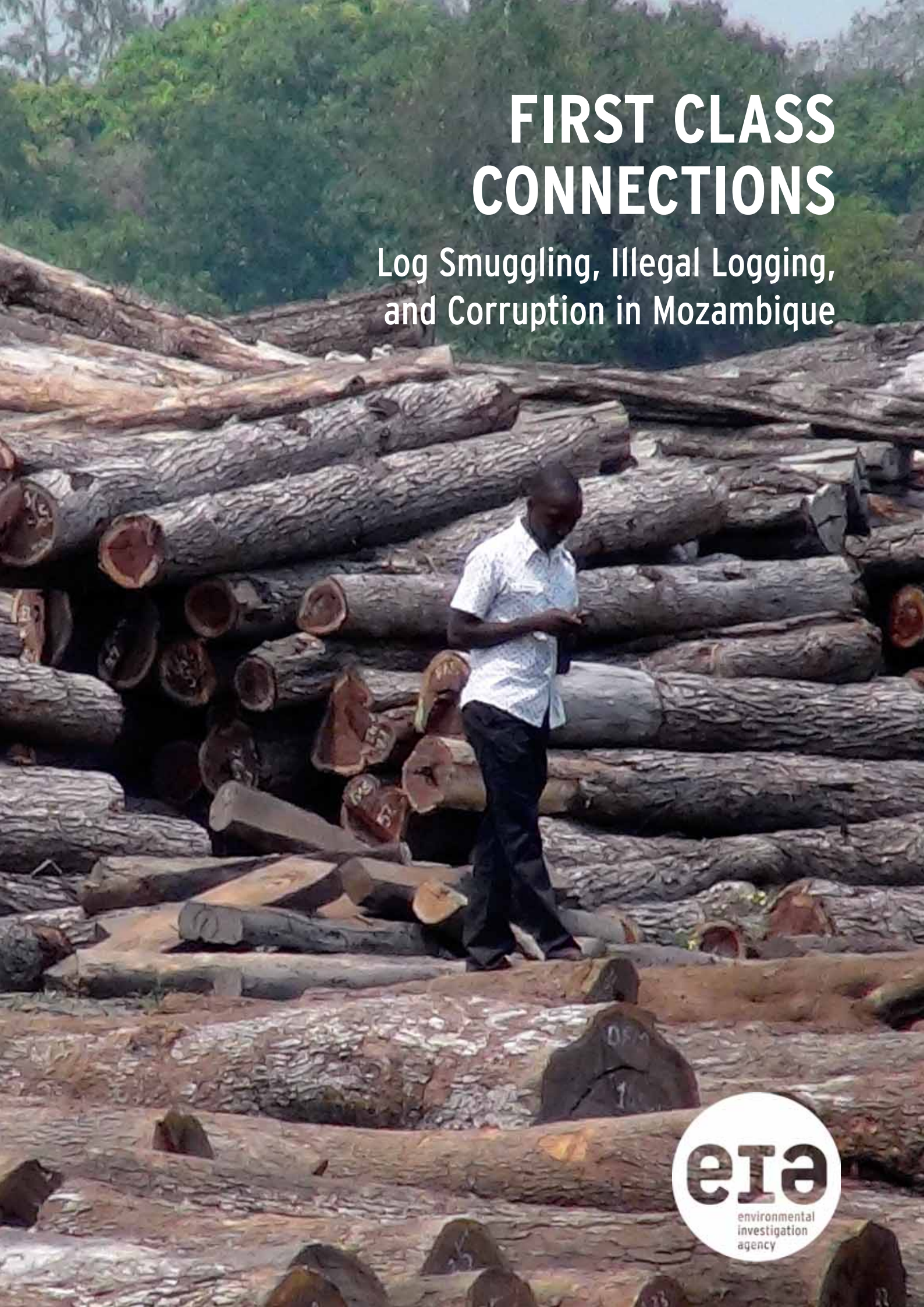


# FIRST CLASS CONNECTIONS

Log Smuggling, Illegal Logging,  
and Corruption in Mozambique



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**FRONT COVER:**  
Logyard in Beira, Mozambique.  
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## EXECUTIVE SUMMARY

Detailing the findings of EIA undercover investigations in Mozambique, and outlining timber trade data discrepancies, this briefing provides compelling evidence of how China's insatiable demand for timber is directly driving increased illegal logging and timber smuggling in Mozambique, and robbing the impoverished country of significant revenues.

Trade data discrepancies indicate that in 2012 Chinese companies imported between 189,615 and 215,654 cubic metres of timber illegally exported from Mozambique - constituting up to 48 per cent of China's imports from the country.

Further, EIA research shows that China's 2012 imports from Mozambique dwarf not only licensed exports, but also exceed the licensed harvest by 154,030 cubic metres- generating an alarming 48 per cent illegal logging rate in the country.

Such crimes are costing Mozambique tens of millions of dollars a year in lost tax revenues

- funds desperately needed in what is the world's fourth least developed nation.

Expanding on a November 2012 EIA report on China's illegal timber imports, this briefing provides detailed investigative case studies into some of the biggest companies engineering these crimes in Mozambique today, exposing the smuggling techniques and the political patronage and corruption that facilitate it.

Finally, the briefing makes clear recommendations to the Mozambican Government on how to eliminate such illegal logging and trade and protect its forests from illegal timber traders.



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# INTRODUCTION

## TRADE RISES WHILE FORESTS FALL

Having only emerged from a bloody civil war in 1992, increased trade has seen Mozambique's economy boom, achieving an annual average growth of 7.2% over the last decade.<sup>1</sup> But this boom is also driving corruption, failing to address poverty and putting pressure on natural resources. Transparency International ranks Mozambique as the 51st most corrupt country in the world.<sup>2</sup> The country is also ranked as the fourth least developed country in the United Nations 2012 Human Development Index Report,<sup>3</sup> with estimated costs of environmental degradation amounting to nearly \$370 million yearly.<sup>4</sup> Agriculture, forestry, fishing and hunting were the largest contributors to GDP in 2010, amounting to 30.9% of the total, demonstrating the importance of the forest sector in the country's economic growth.<sup>5</sup>

Mozambique's forests extend over 51 per cent of the country's land, with four northern provinces providing the largest share.<sup>6</sup> Total timber production areas cover 26.9 million hectares (ha).<sup>7</sup> Annual rates of deforestation for 2005-2010 were estimated at 211,000 ha.<sup>8</sup>

## SINO-MOZAMBICAN TIMBER TRADE

Sino-Mozambican relations began during Mozambique's independence struggle with Portugal, with China providing training and financial assistance to the

Liberation Front of Mozambique (FRELIMO), which has ruled the country since the end of the civil war in 1992.<sup>9</sup> Building on these close political and military ties, trade between the two countries has grown rapidly over the past decade. By 2008 China was Mozambique's second largest foreign investor,<sup>10</sup> and by 2012 bilateral trade had reached \$1.1 billion.<sup>11</sup>

Timber trade plays a significant role. China needs raw timber to facilitate the continued growth of its wood-processing industries, underpinned by exports and domestic consumption of timber products. With a logging ban covering most of China's production forests since 1998, China's timber deficit is increasingly being met by imports from emerging economies such as Mozambique.

Mozambique's "first class" logs – particularly the species Pau Ferro, Mondzo, Chanate, Jambire and Umbila woods, - are highly sought after in China for processing into reproduction antique furniture and flooring, mostly to supply the burgeoning domestic Chinese market.<sup>12</sup> In 2011 several major Mozambican timber exporting provinces reported that more than 90% of all sawn timber and log exports flowed to China,<sup>13</sup> a trend occurring in previous years.<sup>14</sup>

Consequently, such first class timber species - all of which are banned from export - made up a staggering 95% of total licensed harvests for 2009,<sup>15</sup> highlighting the overpowering influence of Chinese timber firms in both timber production and trade in Mozambique.

### ABOVE:

A lorry carrying logs in Beira.

**"First class timber species made up 95% of total licensed harvests in 2009"**

“ ‘1st class’ species are banned from export in log form, requiring processing before they leave the country”



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## FORESTRY AND TIMBER TRADE LAWS

The most important laws regulating the forestry and timber sectors in Mozambique are the 1999 Forest and Wildlife Law<sup>16</sup> and its 2002 Regulation.<sup>17</sup> The Ministry of Agriculture (MINAG) implements these laws and policies in coordination with the National Directorate of Lands and Forests (DNTF).

The 1999 Forest and Wildlife Law establishes two types of license for legal timber production: forest concessions and simple licences. Concessions are granted to national or non-national operators for areas larger than 20,000 hectares with an approved management plan, while simple licences offer harvesting quotas of 500 cubic metres or less annually over five years and exclusively to national operators.<sup>18</sup>

The abovementioned laws also categorize Mozambique's 118 commercial timber species into 1st, 2nd, 3rd, 4th and "precious" classes, reflecting quality, uses, demand intensity, and establishing relevant taxes. Importantly, the 22 "1st class" species are banned from export in log form, and require processing within Mozambique before they can leave the country.<sup>19</sup>

Despite this partial log export ban, the illegal timber trade with China is seriously undermining Mozambique's forest governance and enforcement efforts, while stimulating corruption.



# DESTRUCTIVE DISCREPANCIES

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Analysis of Sino-Mozambican timber trade data over the past six years shows a clear pattern of illegal logging and timber smuggling.

In 2012 the Mozambican Government registered 260,385 cubic metres of log and sawn timber exports to world markets, including China,<sup>20</sup> while China alone registered 450,000 cubic metres of log and sawn timber imports from Mozambique.<sup>21</sup>

The 189,615 cubic metre discrepancy is made up almost entirely of logs smuggled out of Mozambique by Chinese companies, and is likely to consist largely of the so-called “first class” species of timber – all prohibited from export.

In 2012 China registered 323,000 cubic metres of Mozambican log imports, while Mozambique’s total registered global log exports over the period amounted to merely 41,543 cubic metres.

The scale of smuggling is staggering – with the discrepancy alone constituting a huge 42 per cent of China’s total registered 2012 imports from Mozambique, and an even bigger 72 per cent of Mozambique’s total registered timber exports to global markets that year.

While 2012 showed the highest trade data discrepancy to date the pattern of smuggling has been clear for years. Between 2007 and 2012 more than 707,025 cubic metres of China’s registered imports of Mozambican timber were not registered or licensed for export by Mozambique.

The financial loss caused by this illegal trade is substantial. In 2010 Mozambican export figures recorded \$49 million worth

of timber being shipped to China. Chinese import figures show \$134 million of timber entering the country from Mozambique, meaning that \$85 million went missing.<sup>22</sup>

Accounting for the fact that China actually imports about 90 per cent of Mozambique’s timber (rather than its total global exports), it appears that a larger 215,654 cubic metres, or 48 per cent of China’s 2012 imports were not registered or licensed for export by Mozambican authorities.

Applying this 90 per cent to the past six years suggests that a massive 804,622 cubic metres of Mozambican timber – principally logs – were smuggled to China from Mozambique between 2007 and 2012.

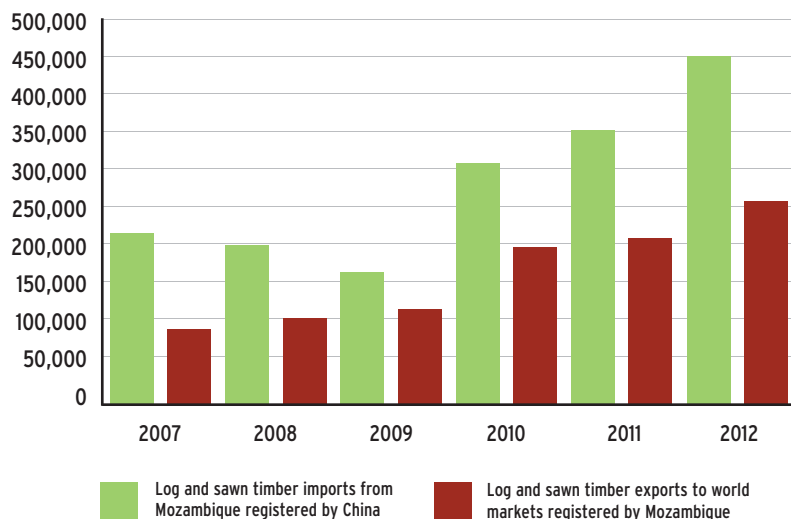
**ABOVE:**

Tropical logs in Beira waiting to be exported.

**FIGURE 1**

Chinese imports and Mozambican exports of logs and sawn timber in cubic meters for 2007-2012<sup>23</sup>

Source: (Information from Annual Reports of the Mozambican Forest and Wildlife Services, and information from the General Administration of Customs of the People’s Republic of China)



“ Chinese timber imports from Mozambique exceeded licensed legal harvests by 154,030 cubic metres in 2012”

## ILLEGAL LOGGING IN MOZAMBIQUE

As Sino-Mozambican timber trade volumes have grown, it has become possible to see how smuggling to supply Chinese demand is directly driving illegal logging in Mozambique.

Mozambique’s 2012 licensed harvesting volume of 321,370 cubic metres was the highest recorded since 2007.<sup>24</sup> Using an 80 per cent conversion rate for China’s sawn timber imports, and accounting for its log imports, a total of 475,400 cubic metres of logs would have been felled to supply China’s registered 2012 Mozambican timber imports.<sup>25</sup> This indicates that Chinese timber imports from Mozambique exceeded licensed legal harvests by 154,030 cubic metres in 2012 – generating a massive 48 per cent illegal logging rate in the country.

Indeed, between 2007 and 2012 China’s registered timber imports from Mozambique exceeded Mozambique’s licensed legal harvest volume every year

except 2009. Over the period, Chinese firms have imported 401,181 cubic metres (RWE) more than was licensed for legal harvest by Mozambique.

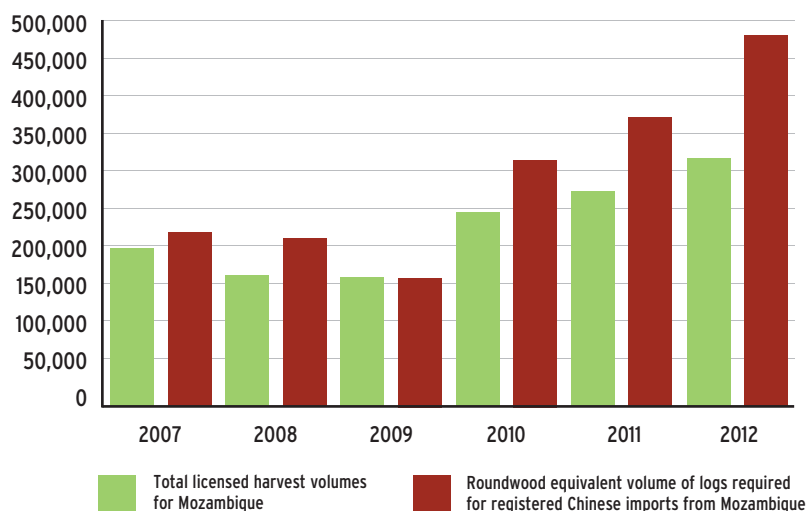
Since 2007, Mozambique’s Annual Allowable Cut (AAC) has been set at 515,672 cubic metres per annum.<sup>26</sup> Licensed harvests must be allocated from the AAC. In 2012, China’s wood imports from Mozambique rose by a staggering 22 per cent, to a level just 40,000 cubic metres less than the annual allowable cut for all of Mozambique. If such growth continues, Chinese imports will exceed Mozambique’s AAC this year.

None of these figures account for exports to other markets, or growing domestic timber consumption in Mozambique, both of which would dramatically increase the overall harvesting and trade figures well beyond legal or sustainable levels.

Clearly, the bulk of Sino-Mozambican timber trade is not just illegal, but is also pushing Mozambique’s forests beyond their maximum sustainable yield.

**FIGURE 2**  
Comparing China’s imports to Mozambique’s licensed harvests in cubic meters for 2007-2012

Source: (Information from Annual Reports of the Mozambican Forest and Wildlife Services, and information from the General Administration of Customs of the People’s Republic of China)



**BELOW:**

First class logs in a Beira logyard.



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**TOP:**  
Log truck stopping by the side of the road in Beira.

**ABOVE:**  
Precious and 1st class logs waiting to be processed, loaded and exported from the Port of Beira.

**LEFT:**  
Fan Shi logyard with loaded containers of roughly sawn timber.

## TAXING ISSUES

EIA has also estimated how much revenue is lost to Mozambique in uncollected taxes due to this illegal trade. Timber VAT Law number 7/2010 requires timber exporters to pay 20 per cent on the f.o.b. price on log exports, and 15 per cent on sawn timber.<sup>27</sup> Assuming a 50 per cent logs and 50 per cent sawn timber scenario of unlicensed exports EIA estimates that around \$22,896,011 in avoided tax may have been lost to State-revenues from total 2012 unlicensed exports to China worth around \$130,834,350.<sup>28</sup>

Furthermore, the 2002 Regulation of Wildlife and Forests<sup>29</sup> requires taxes to be paid on the exploration of the different classes of timber species.<sup>30</sup> Assuming a median estimate between the highest taxes to be paid on precious class species, and the lowest on 4th class species, EIA calculates Mozambique's potential tax revenue loss at \$6,276,339 for 2012 alone.<sup>31</sup>

Combined, a total potential tax revenue loss of \$29,172,350 can be ascribed solely to the export timber trade with China for 2012.

The estimated financing needs for Mozambique's National Forest Program's law enforcement system for the period of 2006 to 2010 was \$1,051,470, while total zoning and detailed inventory costs for the same period were estimated at \$10,716,911.<sup>32</sup> These costs would be covered almost three times had the aforementioned taxes been collected, helping resolve some of the problems of forest regulation and enforcement.

Mozambique's Readiness Preparation Proposal appeals for funds for law enforcement, stating that the country only has 1,069 forest law enforcement officers: one for each 83,000 ha of forest, far lower than the one per 5,000 ha recommended to make forest crime control effective. Concession boundaries are not demarcated properly and do not have the required processing industries, with a lack of forest engineers, poor record keeping and taxing. Mozambique's proposal for \$16,675,000 in REDD+ funding aims to resolve these problems.<sup>33</sup> The entire program and more could have been funded had the Government collected the aforementioned taxes for 2012.

Other less easily estimated tax losses are also doubtless occurring in Mozambique's timber trade. These include: a 32 per cent profit tax on enterprises,<sup>34</sup> an annual concession tax determined by the Ministry of Agriculture, and an annual exploration tax, which provides that 20 per cent of the exploration tax will be provided to local communities, but decreases in value when overcutting above licensed volumes takes place.<sup>35</sup> Structurally this latter tax incentivises community forest stewardship that could work with the private sector and law enforcement in ways that prevent overharvesting. Yet in Mozambique's corrupt timber trade, such preventive incentive schemes have little chance of success.

However it is calculated, multi-million revenue and development losses from illegal timber trade are unacceptable, as is the failure to establish a sustained domestic timber industry capable of providing jobs and incomes.

**"A \$29,172,350 tax revenue loss can be ascribed solely to the export timber trade with China for 2012"**

## CASE STUDIES IN CRIME:



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The following case studies detail the key findings of EIA's September 2012 investigations in Mozambique, focusing on a series of undercover meetings with key timber companies in Mozambique.

### MOFID

"It's only a question of price"

In September 2012, EIA investigators met with Mozambique First International Development (MOFID), a firm constituted in Mozambique in December 2000 with the aim of importing, exporting, cutting and processing legal forest products, as well as other agro-industrial activities. Its partners are listed as the Chinese citizens Liu Chaoying and Yang Yuanwu Jefe.<sup>36</sup>

Mofid has been caught on numerous occasions attempting to export prohibited logs to China.<sup>37</sup> Yet MOFID continues to wilfully break Mozambican laws, apparently protected by high-level political allies.

During the meeting with MOFID's boss, Liu Chaoying, investigators learned that Mofid was one of the first Chinese timber companies to become established in Pemba, that it held rights to around one million hectares of forest concessions in Cabo Delgado and Niassa provinces, and exported over 200 containers of timber per month.

Liu also confirmed that his company is one of the few still able to illegally export large volumes of 1st class species of logs to China. When asked by EIA if he could export a 1st class species called Chanfuta, Liu replied "Sure. Only a matter of price" suggesting a clear breach of Mozambican law.<sup>38</sup>

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

A phone call by EIA to Mofid's Chinese affiliate in November 2012 confirmed that the company was stocking prohibited Mozambican 1st class logs in China.

Liu claimed that his close relationship with the current Minister of Agriculture - Jose Pacheco - had helped in securing forest concessions, boasting that "me and him are like brothers." The pair had purportedly first met when Pacheco was the Governor of Cabo Delgado and Liu was setting up in the province. Liu went on to say that "when he [the Minister] needs money, he has come looking for me".

Indeed, EIA learned that Minister Pacheco had visited Liu three times recently, because of the Frelimo party conference being held in Pemba at the time of EIA's visit. During a tour of their log yard, Liu revealed that the presence of the President of Mozambique in Pemba for the Frelimo Congress had led to a temporary halt of Mofid's illegal log exports. He said: "Once the President leaves, there'll be no problem. Besides my friend [Pacheco] is here, so I don't want to put him in a difficult situation".

This close relationship between a major timber smuggler and the Minister tasked with overseeing the forest sector in Mozambique is of serious concern.



Liu Chaoying,  
boss of Mofid

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## Senlian

“The Minister will sort it out for me”

In Pemba, EIA investigators also met with Mr Xu from Senlian Corporation, a subsidiary of the Chinese state-owned firm Shanghai Senlian Timber Industrial Development Co. Ltd. According to Xu the company has 60,000 hectares of forest concessions in Cabo Delgado and Niassa, and exports around 800 containers of timber to China each year.

Senlian also enjoys influential political patronage. During the meeting at Xu’s home EIA investigators were introduced to Tomas Mandlate, formerly Minister of Agriculture and current Member of Parliament,<sup>39</sup> who was staying at Xu’s house while attending the Frelimo congress. Mandlate explained that his role is to “help the company solve some problems”; while Xu later explained that Mandlate “takes care of the liaison work... such as export quotas, forest concession permits” for which he receives “a wage every month” and a stake in the company.

One such “problem” Senlian faces occurred in April 2012 when 34 of its containers of illegal logs were seized during export, following a tip-off from a rival Chinese company. Senlian incurred hefty fines and financial losses as a result, leading the company to halt log shipments for the rest of the year.

Prior to the seizure the company’s annual turnover in Mozambique was around \$15 million, mainly derived from the export of up to 800 containers of 1st class Wenge, Pau Ferro and Mondzo logs to China every year, all directly contravening Mozambican timber export laws.

Xu, however, said he was working with Mandlate to resume the illegal log shipments: “I was just discussing with the Minister earlier... he will sort it out for me next year”.

When asked how Mandlate would bypass log export controls for the company, Xu said “he was the Minister of Agriculture before... all the Directors in this province are beneath him”, adding, “for this, it definitely involves issuance of quotas... and making contact with people down there, and then it just goes out”. Asked why next year, Xu revealed “because next year, there’s the elections”, clearly implying that the provision of funds for political campaigns would result in high-level clearance for timber smuggling.

Mandlate is also the Chairman of a company that owns a Special Export Terminal in the Port of Nacala; a warehouse with capacity for 8,000 tonnes, offering storage, transport and customs processing services.<sup>40</sup> Mandlate also holds a stake in a company called Holamale, licensed to explore forest products.<sup>41</sup> These businesses and links with Senlian alleged during EIA’s meeting with them present a clear conflict of interest with Mandlate’s current role as a Parliamentarian voted in to represent the public interest, and a previous Minister of Agriculture. Mandlate has denied being involved in the illegal timber trade with Mr Xu.<sup>42</sup>



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### TOP:

Parliamentarian Thomas Mandlate with Mr Xu.

### ABOVE:

Senlian’s log yard.

Fan Shi container being loaded with roughly sawn timber without the supervision of forest officers



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## Fan Shi

Payments to “secretly clear customs”

EIA first encountered Fan Shi Timber in Guangdong, southern China, in April 2012, meeting with Fan Liyu of Huadian Timber in the belief that the company dealt in Burmese wood. EIA learned that the firm was now mainly sourcing timber from Mozambique to supply reproduction furniture manufacturers in China. Fan explained how Fan Shi Timber is a group of family-run businesses owned by three relatives from Fujian; Fan Guoyong, Fan Jinglin, and Fan Jinghui. None of the three companies have forest concessions in Mozambique and claimed to rely on logging quotas for specific species and volumes, negotiated and purchased from the Ministry of Agriculture.

With monthly exports of around 100 containers for each of the three companies, Fan Shi combines to export between 3,000-4,000 containers to China every year, mostly Mondzo, Chanate and Pau Ferro. According to Fan Liyu bribes are paid as a matter of routine to customs officials in Beira to ease exports and “secretly clear customs”.

In September 2012 in Mozambique, EIA observed huge amounts of logs at Fan Shi’s storage facilities outside Beira. At one of the sites a foreman told EIA investigators that they were no longer exporting round logs as authorities were clamping down on offenders, with stiffer penalties imposed. Instead, EIA observed containers being loaded with oversized lumber that exceeded the permitted thickness. Apart from loading illegal timber, Fan Shi also flouted the rules on this occasion by not having forest officers present when loading the containers, as required by Mozambique’s Export procedures.<sup>43</sup>

## Pingos Marinha

“This is our secret”

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

According to Zheng Xudong, the company regularly exported Wenge and other 1st class logs to China until February 2012, when authorities began to clamp down on illegal shipments.

Nonetheless, the company still circumvents export laws by adding simple relief carvings to the sides of oversized wood blocks and reclassifying them as “finished products”. After explaining this scam Zheng said: “This is our secret. When you’re outside, don’t tell people about it”.

Zheng Fei also owns a company called Casa Bonita Internacional,<sup>44</sup> the license for which was recently cancelled for having exported illegal timber.<sup>45</sup> Despite this, in March 2012 a 20,000 ha concession was issued to Pingos.<sup>46</sup> It seems odd that authorities should grant Zheng a new concession, given that forest laws stipulate that a concession applicant has to be verified as having no prior infractions against their name.<sup>47</sup> It appears that Mozambican licensing authorities quickly forget smugglers’ crimes.



Zheng Xudong

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## Verdura Ida

“you pay extra costs for this”

Verdura has three partners operating out of the ports of Quelimane, Beira and Nacala, exporting approximately 170 containers of mainly Mondzo, Chanate, Pau Ferro logs each month to Guangdong province in China.

EIA met with the Beira partner, Abishek Lal, who told us how Verdura had had 70 containers seized in Nacala in 2011, containing illegal 1st class logs and that since then it had been difficult to export 1st class logs because of a Government crackdown. As a result, Abishek resorted to placing illegal 1st class species of roughly sawn logs at the back of containers, behind legal processed sawn timber at the front, so as to hide the crime. He even showed EIA pictures of how he did this, saying “This is now Jambirre okay, and these are the containers I offer. In every container on the back, I put 25 big pieces, and the rest [at the front] are all standard thicknesses. These [the square logs] will go at almost \$50-60 higher price, than the standard [legal] thickness ones.”

He also claimed to export more than 40 of these containers each month. When EIA asked if the containers were not checked, Abishek replied: “they check – you pay extra cost for this”, clearly demonstrating how timber traders are still evading the required export procedures by paying bribes.

## The Tsou Family Companies

Dodgy Paperwork

Ken and Tina Tsou have a variety of companies registered in their names,<sup>48</sup> some of which have been implicated in alleged criminal timber trading.

One of them, Green Timber, was constituted in January of 2001, with its registered activities ranging from imports and exports, to financial services and selling goods,<sup>49</sup> owning concessions in the provinces of Manica<sup>50</sup> and Nampula and exporting most of its timber to China.<sup>51</sup> Green Timber has been a frequent target of the press for over eight alleged crimes it has committed, including avoidance of checkpoints,<sup>52</sup> using contacts in ports to facilitate the illegal export of logs,<sup>53</sup> illegally cutting in a nature reserve,<sup>54</sup> constructing illegal bridges to facilitate the smuggling of illegal logs,<sup>55</sup> using clandestine log yards,<sup>56</sup> and cutting above permitted volumes.<sup>57</sup> Undercover journalists also exposed their illegal practices.<sup>58</sup>

Documents obtained by EIA<sup>59</sup> demonstrate the methods used by the Tsous to continue to export illegally through a variety of companies.<sup>60</sup> A shipping bill obtained by EIA shows 40 containers of 1st class logs, being shipped in January 2011 from Hong Kong to Shatian in south China, to China Meheco Import & Export Corporation. The Chinese importer is a subsidiary of the state owned holdings company China Meheco Corporation, which is listed on the Shanghai stock exchange.<sup>61</sup> The shipment originated in Mozambique and was illegally exported from the port of Nacala by a company called Oceanique Lda, owned by Tina Tsou.<sup>62</sup>

This case shows how weak law enforcement results in Chinese state run firms securing timber smuggled from Mozambique through fraudulent paperwork and transshipment.



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### TOP:

Abishek Lal from Verdura showing EIA investigators how he illegally exports first class logs.

### ABOVE:

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

## LIGHT TOUCH LAW ENFORCEMENT

The Mozambican Government has commendably attempted to respond to the illegal timber trade, and since 2007 embarked on a series of seizures of illegal timber, primarily from Chinese traders. Significant seizures have included:

**January 2007:** Following a tip-off, authorities in the port of Pemba, Cabo Delgado, seized 47 containers with over 1,000 logs banned from export. The logs were owned by the Chinese company Mofid;<sup>63</sup>

**January 2009:** Four companies were fined for attempted smuggling of 958 cubic metres of logs to China through Pemba port. The companies – Mofid, Pacifico, Kingsway and Tienhe – are all Chinese-owned;<sup>64</sup>

**December 2011:** Authorities in Pemba port detained the vessel Kota Mawar after discovering 161 containers of illegal logs owned by five Chinese firms – Mofid, Tienhe, Pacifico, Senlian and Alphaben;<sup>65</sup>

**July 2011:** 501 containers of illegal timber were seized at the port of Nacala, Nampula province, en route to China. Chinese-owned firms involved in the smuggling attempt include Casa Bonita, Zhen Long, Chanate, Senyu, Tong Fa and Yihou;<sup>66</sup>

**January 2012:** Mozambican customs seized 30 containers of logs in the yard of a Chinese company called Heng Yi that was attempting to export illegally to China through the port of Maputo.<sup>67</sup>

Yet despite being caught breaking the law, after paying the appropriate fines some of the companies implicated in these frauds were allowed to buy their logs back and ship them to China.<sup>68</sup>

Apart from these seizures, the Government has also creditably increased the fines payable for breaking the rules, passing into law by Decree 76/2011, as well as approving the Regulation of the Value Added Tax (V.A.T.) on forest products in 2011, which was designed to discourage the export of logs.<sup>69</sup>

However, as EIA's research and investigations show, while laudable work is being done by progressive elements of Mozambique's Government to crack down, their work is

undermined by unscrupulous and corrupt officials who facilitate Chinese traders in continued illegal operations.

EIA estimates that the six largest timber traders undercover investigators met with in Mozambique account for an annual export of 228,000 cubic metres.<sup>70</sup> These firms alone exceeded Mozambique's total licensed exports for 2011 by 16,805 cubic metres.<sup>71</sup>

The boasts of such traders about their ability to operate illegally through bribery and fraud flies in the face of existing Government efforts to get tough on illegal exports. Even recent moves to increase fines for flouting the law are relatively meaningless to the traders.<sup>72</sup> With the toughest fine being merely US\$33,783, clearly the financial deterrent is not sufficient to stop the major traders from exporting illegally.<sup>73</sup>

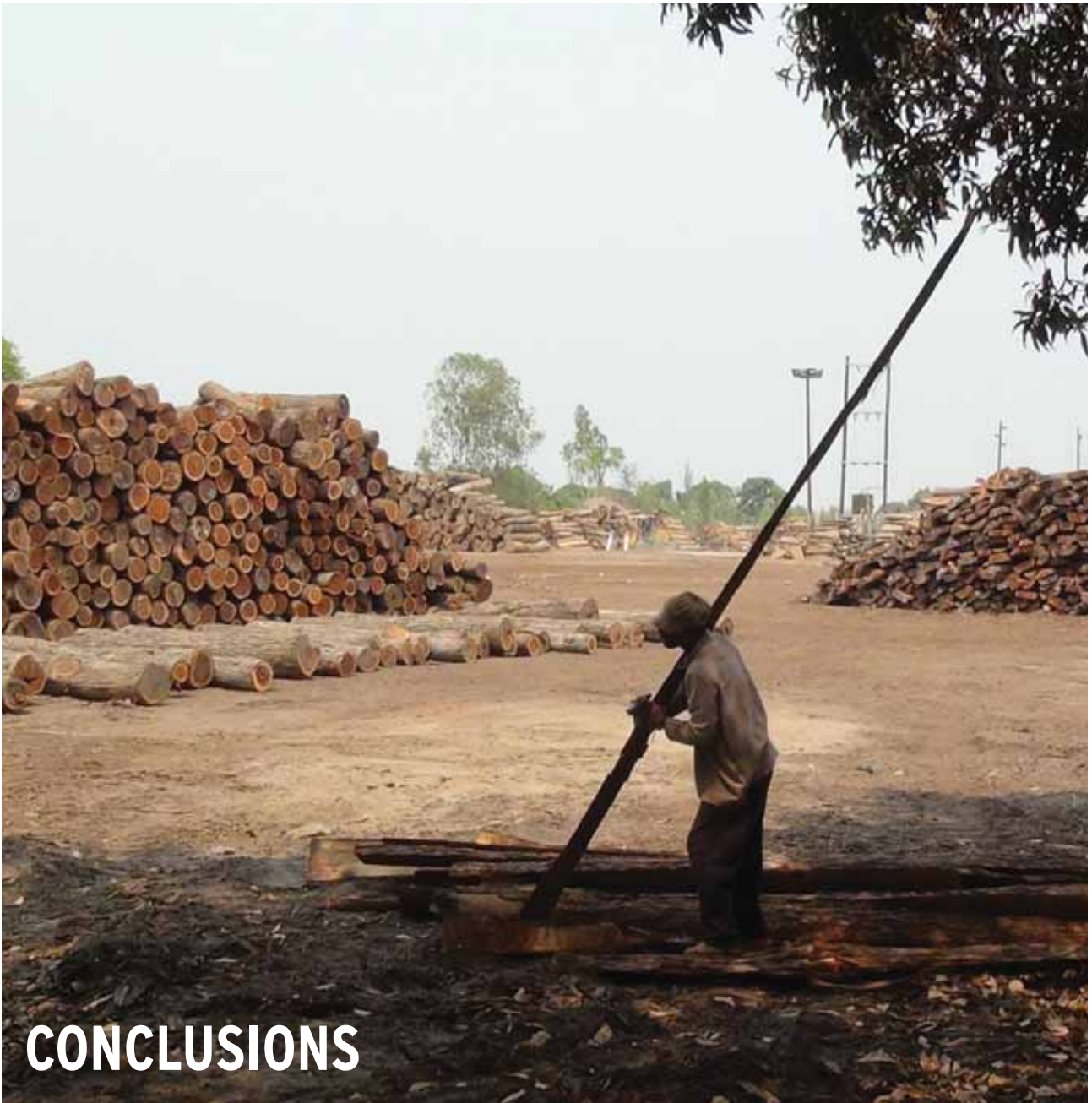
Further, this illegal trade is pushing harvesting beyond sustainable limits, and into more remote areas. Several traders EIA met in Mozambique voiced concerns that key commercial species would likely be exhausted in the next five to 10 years, and that logging operations were increasingly targeting the remote provinces of Niassa and Tete as supplies dwindle in provinces like Zambezia.

More robust enforcement options exist, but are rarely exercised. Article 44 of the 1999 Forest and Wildlife Law, for example, sets penalties that may also be applied to law breakers, including: the cancellation of licenses; the partial or total suspension of activities associated with the crimes; and a prohibition on any new licenses for a period of one year".<sup>74</sup>

None of the companies EIA met with have had these last sanctions applied to them, and many continue to act with impunity despite their involvement in the illegal timber trade. Current law enforcement efforts, while commendable, are not exploiting all of the tools available to deter criminals.

Port of Beira: a hub for timber shipments to China.





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## CONCLUSIONS

Mozambique is a signatory to the Yaounde Ministerial Declaration on African Forest Law Enforcement and Governance, committing itself to 42 indicative actions against illegal logging and associated trade, corruption, and to promote improved forest governance.<sup>75</sup> Given the problems outlined in this briefing, it is clear these commitments have not been met.

The discrepancy in official export/import data in volumes of timber traded between Mozambique to China demonstrates the scale of illegal exports and how they drive illegal logging in the country.

The tax revenue lost to this trade harms Mozambique's capacity to fund improved forest management and law enforcement, as well as community poverty alleviation schemes.

Government efforts to control the illegal timber trade, by increasing the number of seizures, legislating for greater fines and by increasing the VAT tax on the export of logs, have been undermined by the persistence of the illegal operators protected by political patronage.

These problems should by now have raised concerns from the relevant Mozambican authorities and their Chinese counterparts, leading to an investigation regarding any illegalities involved.

The fact that these problems continue to blight the proper management of the forest sector is a travesty for Mozambique's forests and for those poor communities who rely on them for their survival.

**ABOVE:**  
Logyard in Beira containing precious and first class species of timber.

## RECOMMENDATIONS

### The Mozambican Government should:

- Extend the log export ban to cover all species as soon as possible;
- Initiate a cooperative investigation between Chinese and Mozambican authorities into the illegalities involved in the timber trade between the two countries;
- Institute a wide-ranging investigation into corruption in the forest sector, including into the involvement of forest officers, police officers and customs officials, and to include the roles and relationships of current Agriculture Minister Jose Pacheco and parliamentarian Thomas Mandlate;
- Investigate the illegal export of unprocessed 1st class timber by the companies MOFID, Senlian, Pingos Marinha, Fan Shi, and Verdura;

- Strengthen penalties for breaches of forest and timber trade laws and regulations, so as to further discourage forest and timber trade crime;
- Increase forest law enforcement and the proper application of forest and export regulations.

### The Chinese Government should:

- Prohibit the import of illegal timber into China;
- Liaise with Mozambique on its timber export laws, and reciprocate them on imports into China;
- Ensure State-owned companies (including Senlian and Meheco) are not exporting illegal timber from Mozambique, or importing it into China from Mozambique.



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ENVIRONMENTAL INVESTIGATION AGENCY (EIA)

62/63 Upper Street  
London N1 0NY, UK

Tel: +44 (0) 20 7354 7960

Fax: +44 (0) 20 7354 7961

email: [ukinfo@eia-international.org](mailto:ukinfo@eia-international.org)

[www.eia-international.org](http://www.eia-international.org)

EIA - WASHINGTON, DC

PO Box 53343  
Washington, DC 20009 USA

Tel: +1 202 483-6621

Fax: +1 202 986-8626

email: [info@eia-global.org](mailto:info@eia-global.org)

[www.eia-global.org](http://www.eia-global.org)

