



DATA CORRUPTION

Exposing the true scale of logging in Myanmar

EXECUTIVE SUMMARY

- Research by the Environmental Investigation Agency (EIA) reveals that recently published Government of Myanmar data on log harvests and timber exports during the past 15 years reveals significantly lower than reported global trade in Myanmar logs, suggesting rampant criminality and corruption in the sector.
- Official export volumes from 2000-13 constitute merely 28 per cent of all recorded international trade in Myanmar logs - suggesting 72 per cent of log shipments were illicit.
- Official Government-authorized harvest volumes from 2001-13 comprised only 53 per cent of recorded global imports of Myanmar logs, revealing an export-driven illegal logging rate of 47 per cent across the country.
- Unauthorised and unrecorded timber exports of 16.5 million cubic metres (m³) of logs from 2000-13 were worth US\$5.7 billion.
- EIA's findings demonstrate fundamental governance failures in Myanmar's timber sector. Wide-ranging reform is required to sustain forest resources and enable access to the increasing number of high-value markets sensitive to legality issues, including the EU, US, Australia and others.

ANALYSIS OF MYANMAR GOVERNMENT DATA

On March 10, 2014, official figures from Myanmar's recently renamed Ministry of Environmental Conservation and Forestry (MOECAF), detailing the country's timber harvesting and export volumes since 1995, were published by Myanmar's Eleven Media group.¹

The data included harvest volumes in hoppus tons (HT, a traditional pre-metric unit of volume used in British forestry, equivalent to 1.8m³) from 1995 to 2013, harvest volumes by administrative region from 2011-13, teak prices over the past 10 years, quotas given to the top 10 logging companies for the past three years, and export volumes from 2001-13. EIA has not seen the original data, but believes the report to be credible.

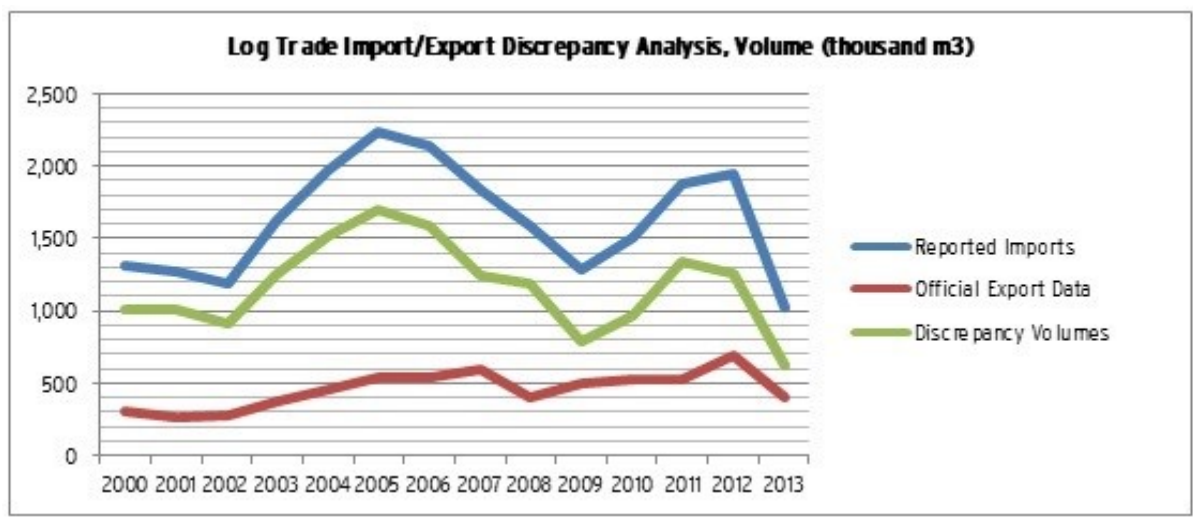
Data of this kind has not been published before; lack of transparency remains a major concern in Myanmar and the country still does not report

trade data to mainstream global bodies such as the United Nations.

While even the data published in Eleven Media shows unsustainable exploitation of the country's forests in the form of raw logs exports - 6.5 million m³ of timber exports from 11 million m³ of harvest from 2000-13 - EIA's analysis shows the reality to be far worse.

The published official timber export statistics significantly under-report the true volume of wood flowing through Myanmar's ports and across its land borders.

EIA analysis shows that from 2000-14, Myanmar actually exported between 2.2 and 3.5 times the volume of timber exports reported in the Government data, revealing an illegal exports black hole of between eight and 16 million m³ during the period. Such a gap is indicative of widespread criminality and corruption in Myanmar's timber sector.



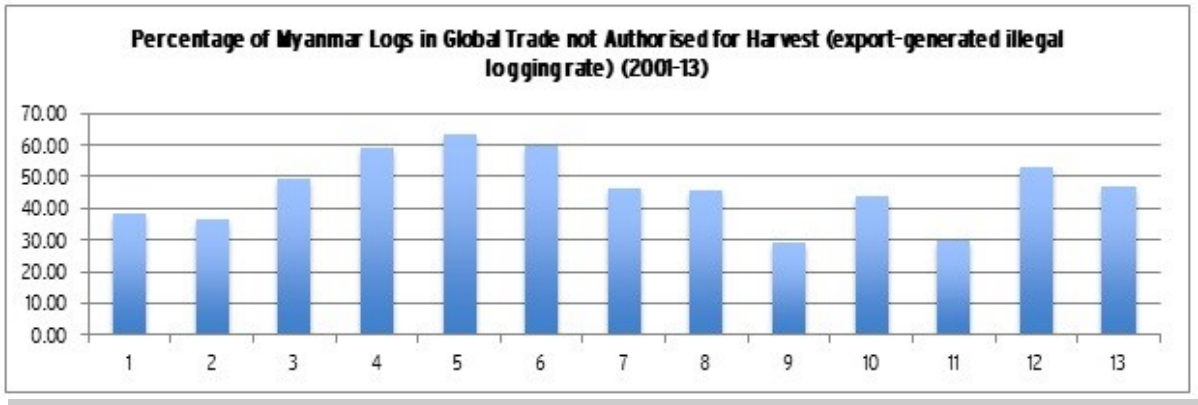
COMPARISON WITH REPORTED IMPORTS OF MYANMAR TIMBER

Analysis of international trade data provided by UNCOMTRADE² and the Global Trade Atlas (GTA)³ reveals huge differences between the volume of timber exports from Myanmar reported in the published Government data and the significantly larger volumes of imports recorded by Myanmar's log trade partners.

From 2000-13, countries worldwide reported a

combined 22.8 million m³ of log imports from Myanmar - a massive 16.4 million m³ more than the 6.4 million m³ Myanmar's official statistics claim were exported; if this much timber was loaded into freight containers laid end to end, it would stretch 2.3 times the length of Myanmar's Irrawaddy River.

Myanmar's official exports during the period comprise merely 28 per cent of globally reported trade in Myanmar logs. A corresponding 72 per cent of global trade in



Myanmar logs was not recorded as being officially authorised in the Government statistics. This is despite the requirement that all log exports from Myanmar must by law be exported by the Myanmar Timber Enterprise (MTE), a Government body.

The published official data indicates that from 2001-13, Myanmar authorised 11.2 million m³ of log harvests (20 million HT), an average 855,000 m³ a year. This is enough to cover officially recorded exports of 6.4 million m³ but, again, falls significantly short of log import volumes reported by Myanmar's global trade partners, which offer a far more reliable indicator than the Myanmar Government's suspect data.

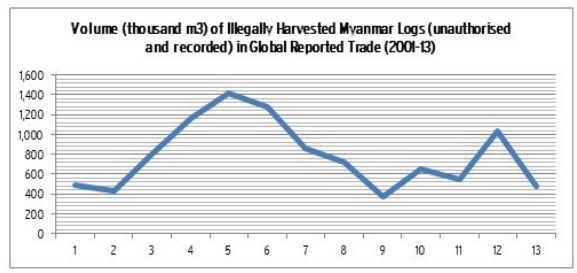
EIA's research shows that since 2001, 10.2 million m³ of Myanmar logs imported into global markets were not authorised for harvest, revealing a 47.7 per cent illegal logging rate in the country over the period - just to supply exports. Any exports of semi-processed or finished products would add to this illegal logging rate and volume, as would any domestic consumption.

Myanmar's Government has claimed that most illegal logging and timber smuggling occurs in areas controlled by ethnic groups, particularly in Kachin state bordering China's Yunnan province, a major recipient of illegal timber.⁴ This line of argument assumes that excluding these sources from supply chains reduces risks of illegality to negligible levels, because all other trade is regulated by the MTE.

Yet, even excluding the huge land border log trade with China⁵ - constituting 70-80 per cent

of overall China/Myanmar timber trade - the published official data still massively under-reports log export trade.

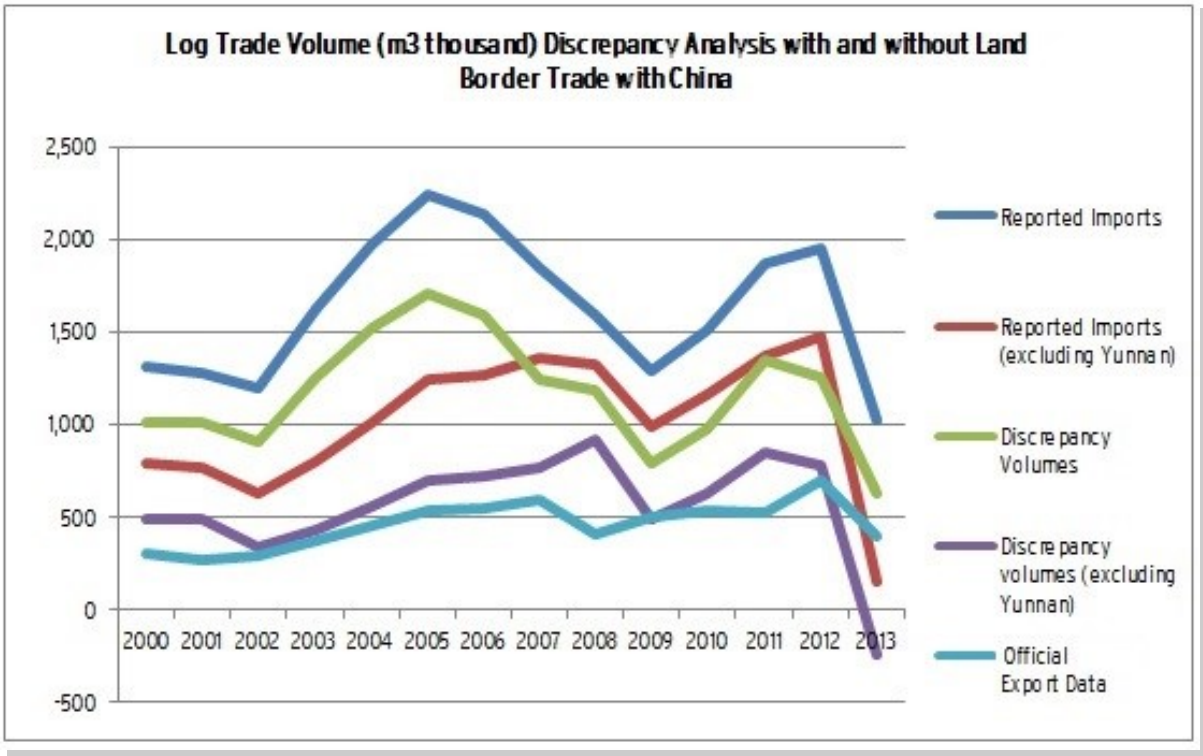
Even without China's imports by land from Myanmar, official exports over the past 14 years constituted merely 38 per cent of reported global imports of logs from Myanmar. A total of 62 per cent of actual log exports - nearly eight



million m³ - were not authorised by the MTE.

From 2001-12, official harvests exceeded reported global imports, excluding Yunnan, in only three individual years, while overall trade exceeded officially registered harvests by 2.6 million m³ - 20 per cent of trade volumes. This suggests that 20 per cent of all Myanmar's actual log exports, even when excluding all Yunnan trade, were supplied by unauthorised or illegal logging.

The Government data reveals that even when excluding all land border trade to China, Myanmar's actual log exports generated a 20 per cent illegal logging rate and a 62 per cent timber smuggling rate. This reveals chronic levels of unlicensed logging and timber smuggling throughout Myanmar - a problem which is by no means confined to ethnic areas, as the Government claims.



COSTING THE GAP

The published data also includes annual prices of teak throughout the period, broken down by annual export tonnages for teak and “other hardwoods”, allowing calculation of official teak export values. No data on the value of overall exports is available.

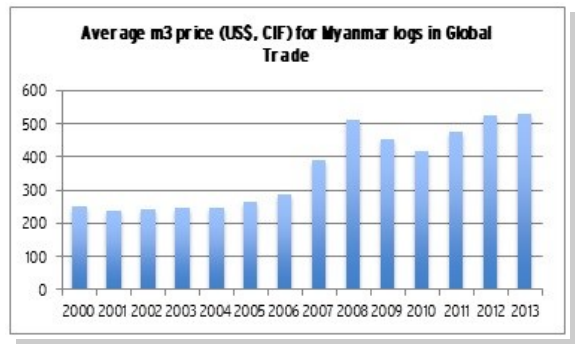
Applying average log prices derived from the reported imports of Myanmar’s trade partners to the discrepancies between reported exports and imports provides the opportunity to estimate the value of unauthorised exports and harvesting.

While the UNCOMTRADE and GTA data is reported in ‘CIF’ (cost, insurance, freight), preventing any findings representing actual exporter revenues for MTE, it gives an idea of the value of trade in unauthorised and illegal Myanmar timber for foreign importers.

Applying average CIF prices to the export volumes in the Government data suggests that Myanmar’s officially authorised log exports during the period may have cost foreign importers a combined US\$2.3 billion (an average of US\$165 million a year).

Applying these prices to the trade discrepancies

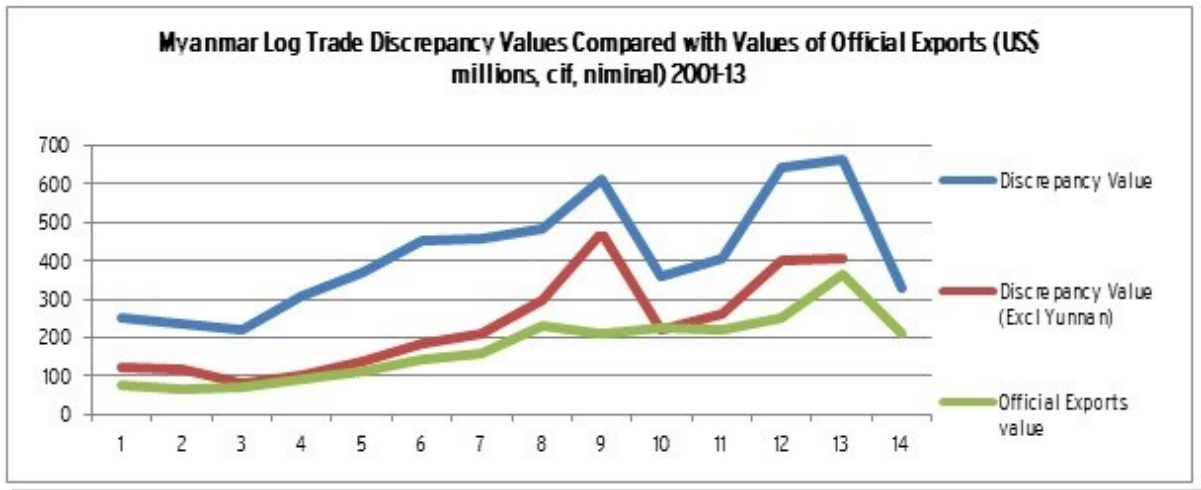
between Government data and reported imports highlights extremely significant inconsistencies. EIA findings show a total of US\$5.7 billion of unauthorised log exports from 2000-13 (an



average of US\$413 million a year) when including land border trade into Yunnan.

To put these figures in context, US\$5.7 billion equates to four times the combined 2013-14 education and health budgets for the entire country.

When excluding the Yunnan trade, which the Government deems illegal, unauthorised exports during the period amounted to US\$2.8 billion - still half a billion dollars more than the value of authorised exports.



UNDERSTANDING THE GAPS

The discrepancies with international trade data raise important questions as to which entities are responsible for all the unauthorised logging and exporting in areas and trade routes variously controlled by the Government and ethnic groups.

While clearly much of the discrepancy between official export volumes and recorded international imports is down to unauthorised land-border trade with China, excluding this aspect of the trade still points to significant unauthorised logging and exports from Government-controlled areas, all conducted within the monopolistic MTE logging and exports authorisations system.

Similarly, the Government data gives no clue as to what might have happened to the missing billions of dollars worth of log exports evidenced

in credible trade data sources such as UNCOMTRADE, but not in the Myanmar Government's official data, nor who might have benefitted from them. The clear concern is that, regardless of wider political reforms, opaque and unaccountable forest resource allocations mean Myanmar still continues to hemorrhage valuable natural resources for the benefit of a small elite.

The imposition of a log export ban in Myanmar from April 1, 2014 indicates the Government is now attempting to stop the flow of logs from the country. This is a long overdue acknowledgment that Myanmar's forests have been systematically looted during the past 15 years.

EIA's findings show that the log export ban alone is not enough. Reform of the timber sector is urgently needed to counter the pervasive corruption and secrecy which continue to threaten Myanmar's dwindling forests.





RECOMMENDATIONS

The Government of Myanmar should:

- publish the legal base and terms of the forthcoming log export ban;
- enforce the log export ban in Government-controlled areas;
- formally request all trade partners to reciprocate the log export ban with reciprocal legal measures - particularly China and India, Malaysia, Thailand and Vietnam;
- significantly increase transparency in the management of forest resources through the regular publication of accurate information;
- ensure annual allowable cuts are legally binding and enforced;
- engage in an effective and credible multi-stakeholder process to develop participatory reforms that help sustain forest and timber resources as an economic asset of the people;
- stop favouring established cronies in forest resource allocation;
- ensure civil society involvement in the planned restructuring of the Forestry Ministry;
- investigate and prosecute companies or Government officials involved in illegal logging and timber smuggling.

Governments of India and China should:

- ensure importers are not importing logs from Myanmar after April 1, 2014;
- prohibit imports of illegal timber.

European Union Timber Regulation Competent Authorities should:

- ensure EU timber importers can demonstrate that timber they import from Myanmar is legal;
- ensure importers of Myanmar timber can identify and demonstrate the concession of harvest in Myanmar;
- prosecute companies which infringe basic EUTR requirements.

The European Commission should:

- assist Myanmar to reform its forestry and timber sectors through Voluntary Partnership Agreement (VPA) negotiations which ensure civil society participation and influence.

ENVIRONMENTAL INVESTIGATION AGENCY (EIA)

62/63 Upper Street
London N1 0NY, UK
Tel: +44 (0) 20 7354 7960
email: ukinfo@eia-international.org
www.eia-international.org

EIA US

email: info@eia-global.org
www.eia-global.org



March 2014

REFERENCES

1. Weekly Eleven News, no 22, volume 9, March 10, 2014
2. <http://comtrade.un.org/>
3. <http://www.gtis.com/gta/>
4. Myanmar protested to China over illegal timber, minerals exports: Minister, Mizima, February 27, 2014
5. Screening out China's land border timber trade with Myanmar was achieved by subtracting the volume of all imports into China from Myanmar recorded on Global Trade Atlas as being imported by means of road transport.