BASEL INSTITUTE ON GOVERNANCE

Wildlife crime – a learning resource
Part 3: Forest crime and the illegal timber trade

Green Corruption team | May 2021

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About this learning resource

This publication is the PDF version of a flexible and practical learning resource developed by the Green Corruption programme at the Basel Institute on Governance. It is aimed at:

- Private-sector companies exposed to risks of illegal wildlife trade and related crimes, including financial institutions, transport companies, traders and wholesale retailers
- Policy makers and practitioners in both conservation and anti-corruption fields
- Law enforcement

The aim is to broaden understanding of the threats that wildlife crimes pose to sustainable development and clean business. It provides relevant information, statistics and background knowledge to help enhance policies and processes aimed at curbing wildlife crime and associated risks. The focus is on financial crimes and supply chain vulnerabilities that facilitate the illegal trade in wildlife and thereby increase companies' legal, financial and reputational risks.

This learning resource and many more are available as interactive learning tools on the Basel Institute's LEARN platform: learn.baselgovernance.org.

The Green Corruption programme at the Basel Institute on Governance applies anti-corruption and governance tools to address environmental crime and degradation. For more information, see www.baselgovernance.org/green-corruption.

 It is based on content provided by Patricia Raxter with editing by Monica Guy, infographic creation by Alexander Berman and Shane McLean, and contributions by Manuel Medina, David Ward and Juhani Grossmann. The cover photo is by Rebeca Gonçalves from Pexels.

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Acronyms and abbreviations

CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
EU	European Union
EUTR	EU Timber Regulation
FAO	Food and Agriculture Organization
UNODC	United Nations Office on Drugs and Crime

Acknowledgements and disclaimer

While we have made reasonable efforts to verify the information in this paper, we cannot take responsibility for its accuracy or reliability or for decisions taken by readers as a a result. We would be grateful for any corrections, suggestions and other feedback via our Green Corruption team, Twitter or LinkedIn.

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1 Learning points

- **Timber trafficking** is a major form of wildlife and forest crime, defined by UNODC as "the taking, trading (supplying, selling or trafficking), importing, exporting, processing, possessing, obtaining and consumption of wild fauna and flora, including timber and other forest products, in contravention of national or international law".

- As much as **30 percent** of the global timber harvest is illegal, valued at up to **USD 150 billion** per year.

- In parts of the Amazon, Central Africa and Southeast Asia with large tropical forests, **illegal logging** is estimated to account for **50 to 90 percent of** all forestry activities.

- **Rosewood** is estimated to be the highest value and highest volume of illegally traded wildlife product globally.

- **Impacts** of timber trafficking include deforestation, desertification and other forms of environmental degradation; biodiversity loss; habitat destruction; loss of government revenues; and reduced economic opportunities for local communities. Timber trafficking can fund armed groups.

- **Illegal activity** is present throughout the timber supply chain and includes corruption, tax evasion, non-payment of fees, document fraud and money laundering.

- If processing occurs at the point of origin, it becomes **nearly impossible to determine the legality of timber products**. Illegal products that enter the supply chain at this stage are then transported as part of legal shipments.

- Timber trafficking requires the involvement of corrupt officials and unscrupulous companies to **launder illegally sourced wood** into the international supply chain.

2 Introduction to corruption and timber trafficking

Illegal logging and the trade in illegally sourced timber is a major illicit industry with supply chains stretching across the world. Its prevalence is due to a range of criminal behaviours in violation of local, national and international laws that, for various reasons, go undetected or unpunished.

Corruption is a primary facilitator of the illegal trade in timber. The global cost of corruption in the sector is at least USD 29 billion per year, according to INTERPOL (2016). Bribery, fraud, abuse of office, extortion, cronyism and nepotism are common in the forestry sector and involve government officials, law enforcement officers and logging company officials (INTERPOL, 2019).

As in animal trafficking, the legal and illegal timber trades are deeply intertwined (UNODC, 2012). Timber trafficking typically involves criminals working in legitimate forestry businesses, corrupt officials and government agencies who work together to launder illicit timber products into legal markets. Criminal groups are attracted to timber trafficking due to the high value of timber and the low risk of penalties.

Illegal logging and timber trafficking often occur in countries with poor governance, weak law enforcement and high levels of corruption (Baker, 2020), as well as in conflict and post-conflict areas, especially where large tropical rainforests remain. The forestry sector is poorly regulated or monitored in much of the world, even where strong policies and laws exist on paper. This enables large-scale illicit trade to occur.

2.1 Scale and demand

Globally, as much as 30 percent of the timber harvest is illegal. According to INTERPOL, the illegal trade in timber is valued at up to USD 152 billion per year. In parts of the Amazon, Central Africa and Southeast Asia with large tropical forests, 50 to 90 percent of logging activity is illegal (see box).

Box 1: Illegal logging in selected countries

Country of origin	Estimated % of illegal logging
Brazil	50%
Cameroon	50-65%
Democratic Republic of the Congo	90%
Ghana	34-70%
Indonesia	60-80%
Laos	35-80%
Malaysia	35%

Table 1: Illegal logging by percentage. Source: Congressional Research Service (2019)

Increasing consumer demand for timber products, particularly rare hardwoods, is driving unsustainable over-exploitation of forests globally (UNODC, 2020). Demand is greatest in Asian countries producing tropical hardwood furniture for consumers in the U.S., Europe and Japan.

Rosewood, a term that covers a range of tropical hardwoods, is estimated to be one of the highest value and highest volume of illegally traded wildlife product globally.

2.2 Impacts of timber trafficking

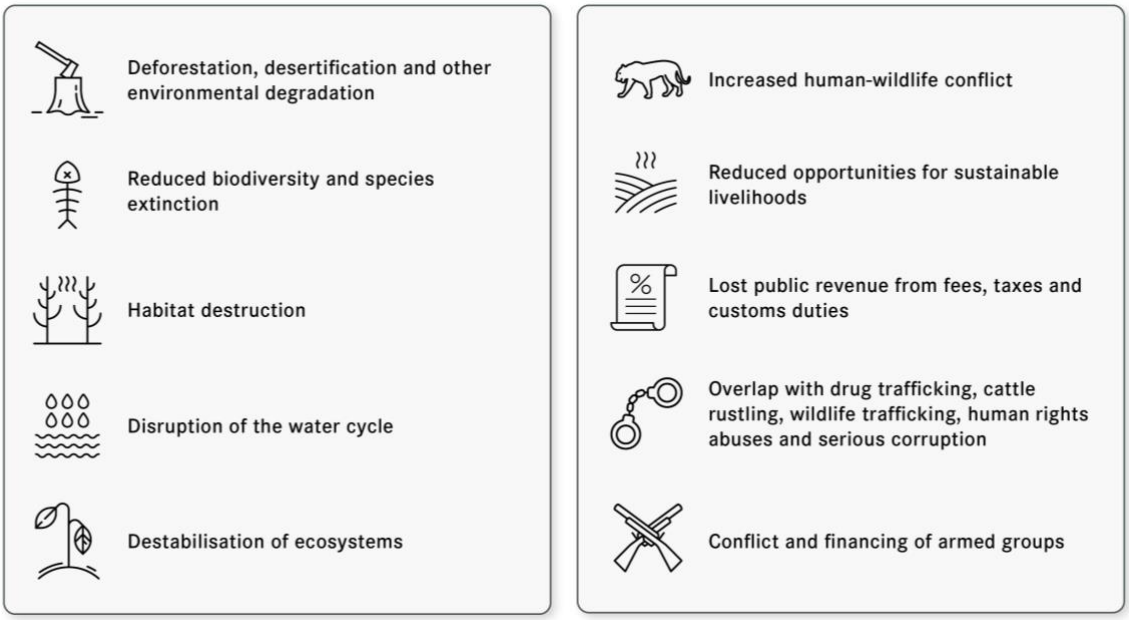

Figure 1: The impacts of illegal timber trade on people, wildlife and the planet. Click on the image or see the Annex for a full-size version.

Timber trafficking has numerous detrimental effects on sustainable and equitable development, including the following (Dawson, 2020; UNODC, 2012; WWF, n.d.):

- contributes to deforestation, desertification and other forms of environmental degradation;
- reduces biodiversity with the potential for species extinction;
- destroys habitats;
- increases human-wildlife conflict due to the destruction of habitats.
- robs communities of the opportunity to harvest renewable forest resources and achieve sustainable livelihoods;
- deprives governments of billions in fees, taxes and customs revenues;
- often overlaps with other illegal activities involving drug trafficking, cattle rustling, wildlife trafficking, human rights abuses and serious corruption;
- fuels conflicts in areas where armed groups engage in timber trafficking and the taxation of the movement of illegal timber harvests, such as in Myanmar and Senegal;
- destabilises ecosystems by disrupting the water cycle.

Box 2: Red sanders trafficking in India

As much as 200 tonnes of CITES Appendix II protected red sanders (also known as red sandalwood) are seized from India's illegal timber trade each year. Red sanders are trafficked to meet high demand for sandalwood carvings, furniture and musical instruments, as well as medicine and cosmetics in China and the Gulf States.

The trade is immensely lucrative: one tonne of 'A grade' quality red sander logs are estimated to sell wholesale at USD 130,000–200,000, while lower 'B grade' red sanders can fetch USD 35,000-65,000 per tonne. In destination markets, red sanders furniture may be sold for prices ranging from USD 13,000 for small chairs to millions of dollars for ornately carved pieces.

All international trade in red sanders is restricted, and the production and sale of products made from these species introduces significant risk for financial institutions and other private companies. According to media reports, only a tenth of smuggled red sanders are estimated to be seized. Seizures are reportedly often released upon payment of bribes.

The lucrative nature of the trade attracts organised crime groups, corrupt officials and others: politicians, mid-level police, customs officials, and actors in the Tamil film industry have all been arrested for involvement in red sanders smuggling. Corruption typically includes:

- Forestry officials bribed to allow poachers access to protected areas.
- Police at road checkpoints bribed to allow movement of logs.
- Customs and port officials paid to provide falsified documents and intentionally limit physical checks of suspect containers.

In May 2020, authorities in India seized 1.5 tonnes of red sanders alongside USD 1.3 million worth of methamphetamine, opium paste, heroin, MDMA (ecstasy), amphetamine and methaqualone. This illustrates convergence with drug trafficking networks. Red sanders smuggling routes also converge with cigarette smuggling routes to the UAE and wildlife trafficking routes from India to Asia.

Note: The above details are contained in a United for Wildlife Taskforce Alert (AL-00021) circulated to Taskforce members in October 2020, summarising current knowledge and trends on red sandalwood trafficking. Used with permission from the author.

2.3 Weak enforcement of timber regulations

Despite its scale and seriousness, timber trafficking remains a low priority issue for most countries. Not enough appears to have changed since UNODC (2012) noted that:

> *…"underdeveloped legal frameworks, weak law enforcement and poor prosecutorial and judicial practices, as well as a lack of understanding of the different factors that drive wildlife and forest offences, have resulted in valuable wildlife and plant resources becoming threatened by, inter alia, illegal logging, illegal trade in timber products….The gaps in domestic and international control regimes, difficulties in identifying illegal commodities and secondary products, along with intricate trafficking routes, have resulted in the inability to effectively curtail the trade."*[1]

While awareness of the risks of timber trafficking is increasing, political will and capacity to address the problem are lacking. Australia, the EU and the U.S. ban the import of illegally harvested timber and wood products, but the effect of this ban is nullified by the countries that do not ban illegal timber, such as some Asian countries.

2.4 Timber certification schemes

One method for private firms to ensure the legality of timber supply chains are certification programmes. These place the onus on the industry to sustainable manage concessions and voluntarily submit to inspections along the supply chain to ensure only legal, sustainably harvested wood enters the global supply chain.

According to the Food and Agriculture Organization (FAO), there are more than 50 certification schemes globally, responsible for overseeing compliance with timber trade regulations in areas with weak forestry controls. Well-known schemes include the Forest Stewardship Council, the Sustainable Forestry Initiative and the Programme for the Endorsement of Forest Certification. Many schemes work with local communities, governments and companies through a multi-stakeholder / Collective Action approach to secure the supply chain.

[1] Wildlife and forest crime analytic tool kit, UNODC https://www.unodc.org/documents/Wildlife/Toolkit_e.pdf

While the schemes represent an important tool in forest management and are considered generally effective, they remain vulnerable to weaknesses. These include the susceptibility of officials to bribes and payoffs to permit illegal logging, complicity in the clearcutting of rainforests, intimidation of local communities, and threats and violence against forest activists, forestry officers and park rangers.

Even well-known manufacturers may be caught up in timber trafficking through failures in the certification process, including bribery and corruption risks. Examples include an investigation by the NGO Earthsight into IKEA furniture, with some commentators questioning whether forest certification actually works (Dasgupta, 2017). Even well-known and established manufacturers of musical instruments and other wood products may have unknowingly used illegally sourced timber in their products, due to the complexity of supply chains and lack of real traceability.

3 Legal and illegal timber supply chains

A range of illegal activities are associated with timber trafficking at all points along the supply chain, including (UNODC, 2012):

- Corruption
- Tax evasion
- Non-payment of fees
- Document fraud
- Money laundering

The following infographic gives a simplified overview of illegal activities in the timber trafficking supply chain and how easy it is for illegal timber to be mingled with legally felled timber and exported to international markets.

See the text below for more detail on the individual elements. A larger version of the infographic is included in the Annex.

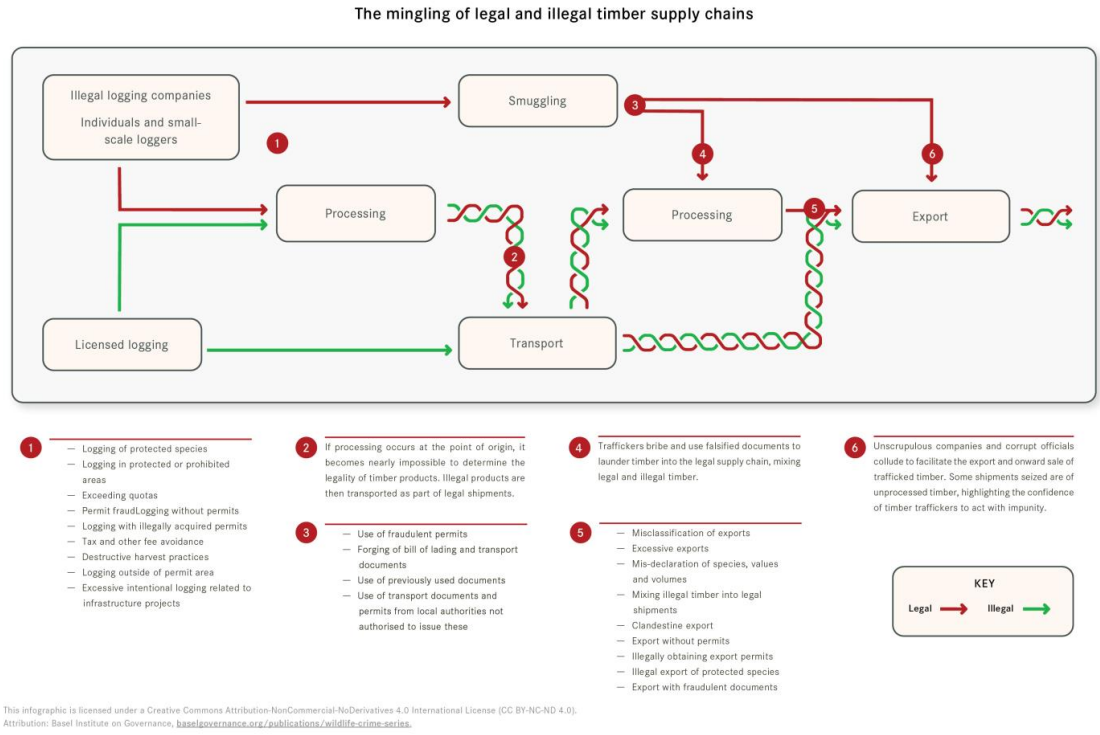

Figure 2: The mingling of legal and illegal supply chains for the timber trade. It is difficult to guarantee that timber products have been legally sourced. Click on the image or see the Annex for a full-size version.

3.1 Source

Illegal activities at the source include:

- logging of protected species;
- logging in protected or prohibited areas;
- exceeding quotas;
- permit fraud;
- logging without permits;
- logging with illegally acquired permits;
- tax and other fee avoidance;
- destructive harvest practices;
- more extensive logging than needed for infrastructure projects such as roads;
- obtaining logging permits and concessions with documents available on the black market, such as forestry management plans, yield estimations, etc.

When processing occurs at the point of origin it makes tracing the origins of the wood difficult, increasing the risk of mixing legal and illegal timber.

Timber trafficking networks are often highly segmented, with individuals working at one level unlikely to have a detailed understanding of other parts of the network. In some instances, agents operating from urban areas recruit poachers to illegally fell trees, arranging for transport, food and accommodation.

Most timber trafficking appears to be done to order, with illegal cutters earning a set fee per kilogram or tonne of wood cut. In developing countries like Myanmar, illegal logging is so rampant it can be considered a cottage industry, with illegal tree felling occurring opportunistically over widespread areas.

Where large timber companies are present, illegal activity takes place in the shadow of the legal enterprise. Companies regularly:

- log outside of protected areas;
- exceed quotas;
- take protected trees;
- purchase timber from local poachers;
- engage in a range of document fraud to facilitate the export of legal and illegal wood within the same shipment.

3.2 Laundering wood into legal supply chains

Laundering illegally logged wood into the legal international trading system is a process that exploits systemic weaknesses at the state level. Indeed, corrupt forestry practices are often embedded in political institutions, such as is alleged to be the case in Indonesia (Schütte, 2020). Such states sometimes engage the support of parastatal organisations and affiliates to launder trees.

The process earns politically exposed persons and other high-level officials millions of dollars, lines the pockets of lower-level corrupt officials, and supports large and small criminal enterprises throughout the supply chain.

Box 3: Politically exposed persons and state-owned enterprises at the point of origin

In the Gambia, which earns about 10 percent of its GDP through timber trafficking, former Gambian President Yahya Jammeh is accused of having trafficked rosewood through a company he co-founded, Westwood Gambia Limited.

Westwood was granted exclusive timber export rights that allowed it to collect fees from timber traffickers to facilitate illegal exports. According to an Environmental Investigation Agency report (2020a), corruption within the Ministry of Environment, Climate Change and Natural Resources and the Department of Parks and Wildlife Management (the CITES Management Authority) ensured traffickers working through the company received the documents and permits required for export.

This allowed Westwood and timber traffickers working through them to sell at least USD 163 million worth of rosewood to China from 2014 to 2017.

Despite efforts at reform, NGOs claim that the model has continued unimpeded under the name of a new company. From 2017–2020, the Gambia exported nearly 330 tons of rosewood to China illegally logged in Senegal's Casamance region, despite multiple national and regional export bans.

3.3 Transit

During the transit phase, illegality includes (UNODC, 2012):

- misclassification of exports;
- excessive exports;
- mis-declaration of species, values and volumes;
- mixing illegal timber into legal shipments;
- clandestine export;
- export without permits;
- illegally obtaining export permits;
- illegal export of protected species;
- export with fraudulent documents;
- transport, processing and sales of goods made from trafficked timber.

Once cut, upstream logistics agents arrange for the movement of wood from stockpiles typically hidden near the poaching source to warehouses closer to port facilities, bribing officials as needed.

Downstream agents, often operating through legitimate trading companies, facilitate movement through ports. They do this by, for example:

- paying container stuffers to obfuscate contraband within sealed and pre-checked containers;
- hiring drivers to move containers to port;
- helping arrange and/or falsify necessary paperwork and licences for export.

Box 4: Overland smuggling for "legal" export

Traffickers often prefer to export and import protected wood species through zones with weak or no protections. When species protections are uneven across neighbouring jurisdictions, the risk of illegal activity within the supply chain increases.

For example, traffickers are known to move large amounts of illegally logged teak from Myanmar to China via overland routes. According to Myanmar law, all timber exports must transit through the port in Yangon. All overland trade is prohibited. However, large seizures in the hundreds of tonnes across the border in China indicate the presence of sophisticated cross-border trafficking networks and corrupt officials.

Similarly, despite Senegal prohibiting the felling or export of rosewood, most of the Gambia's rosewood exports are made up of trees illegally cut in Senegal's Casamance region. Rosewood is consolidated along the border with Senegal, then rough-hewn into squared-off logs, loaded onto trucks and transported to Banjul for onward export to Asia.

3.4 Destination

At import, illegal activities include:

- illegal import of protected species;
- import ban violations;
- undeclared imports;
- false, fraudulent, or incomplete documentation;
- false declarations;
- obfuscating the origin of the wood by labelling it with an imprecise geographical region such as "harvested in Europe/Asia"
- creating fraudulent timber certifications visually designed to look similar to legitimate ones;

- labelling products with inaccurate and misleading phrases such as “ethically harvested” or “made from sustainable wood”;
- importing timber to third countries and then re-exporting to destinations to profit from free trade agreements or less stringent regulations;
- imports exceed set limits.

Many of these activities are described in more detail in UNODC (2012).

Unscrupulous companies and corrupt officials regularly engage to facilitate the import and onward sale of trafficked timber.

Companies go to great lengths to circumvent local, national, and international regulations to launder wood into legal supply chains by taking advantage of a lack of enforcement and loopholes in legislation.

Box 5: Transit countries to avoid the EU Timber Regulation

To avoid the EU Timber Regulation (EUTR), which requires importing companies to conduct due diligence to ensure legality in the supply chain, European companies may import illegally harvested timber from Myanmar through companies in low enforcement zones in Croatia, Italy and Greece.

Because only the importing company needs to demonstrate due diligence, once timber is successfully imported, companies can purchase it with no further requirement to illustrate due diligence. Unscrupulous companies search for countries with weaker enforcement of EUTR standards in order to game the system and avoid serious scrutiny of timber efforts.

According to an investigation by the Environmental Investigation Agency (2020b) from 2017–2019 approximately 144 tons of Myanmar teak was illegally imported into the EU in 10 separate shipments valued at over USD 1 million. Once illegally imported, the timber was sold to companies operating in Western Europe, some of which have been involved in past violations of the EUTR.

4 Quick quiz

This quiz is designed to test your knowledge of financial crime in the timber trade after reading this publication. To check your answers and find other quizzes and interactive resources, visit learn.baselgovenance.org.

4.1 What activities affecting wild flora are covered by the UNODC definition of forest and wildlife crime?

- ☐ Taking
- ☐ Possessing
- ☐ Trading
- ☐ Obtaining
- ☐ Importing
- ☐ Consuming
- ☐ Exporting
- ☐ Processing
- ☐ All of the above

4.2 What percentage of the global timber harvest is estimated to be illegal?

- ☐ Around 15%
- ☐ Around 30%
- ☐ Around 40%
- ☐ More than 50%

4.3 In the Amazon, Central Africa and Southeast Asia, illegal logging is estimated to account for what percentage of all forestry activities?

- ☐ Less than 30%
- ☐ 30-50%
- ☐ 50–90%
- ☐ Over 90%

4.4 Which type of wood is the most illegally trafficked wildlife product globally in terms of value and volume?

- ☐ Sandalwood
- ☐ Rosewood
- ☐ Balsawood

4.5 Which of the following are impacts of illegal timber trade? Which are drivers of demand for unsustainable quantities of timber?

artworks/wood carvings | deforestation | desertification | furniture production | environmental degradation | musical instrument production | biodiversity loss | habitat destruction | loss of government revenues | reduced economic opportunities for local communities | funding of armed groups

Drive demand	Negative impacts

4.6 Which of the following are major timber certification schemes?

- ☐ Forest Stewardship Council
- ☐ Sustainable Forests Council
- ☐ Forestry Chain-of-Custody Initiative
- ☐ Sustainable Forestry Initiative
- ☐ Programme for International Timber Certification
- ☐ Programme for the Endorsement of Forest Certification

4.7 Which of the following are major forms of financial crime in the timber trafficking supply chain?

- ☐ Corruption
- ☐ Tax evasion
- ☐ Sedition
- ☐ Non-payment of fees
- ☐ Document fraud
- ☐ Insider trading
- ☐ Confidence tricks
- ☐ Identify theft
- ☐ Money laundering
- ☐ Embezzlement

4.8 What are some illegal activities in the logging phase of the timber supply chain? Match the two parts of the sentences:

Part 1	Part 2
a. Logging of…	1. … illegally acquired permits
b. Logging in…	2. … fraud
c. Exceeding…	3. … harvest practices
d. Permit…	4. … protected species
e. Logging without….	5. … permits
f. Logging with…	6. … protected or prohibited areas
g. Tax and other fee…	7. … quotas
h. Destructive…	8. … than needed for infrastructure projects

i. More extensive logging…	9. … avoidance

4.9 Which of the following illegal activities may take place during the "transit" phase of the timber supply chain? Which may take place at the destination market?

undeclared imports | misclassification of exports | imports exceed set limits | mis-declaration of species, values and volumes | mixing illegal timber into legal shipments | clandestine export | export without permits | export with fraudulent documents | illegal import of protected species | import ban violations | false, fraudulent, or incomplete documentation | excessive exports | illegally obtaining export permits | illegal export of protected species

Transit phase	Destination market

5 Bibliography and further learning resources

5.1 Further learning and courses

More from in the *Wildlife Crime – Understanding risks, avenues for action* series:

- Part 1: Illegal wildlife trade and financial crime
- Part 2: Illegality in the exotic pet trade
- Part 4: Marine species trafficking

5.2 Bibliography

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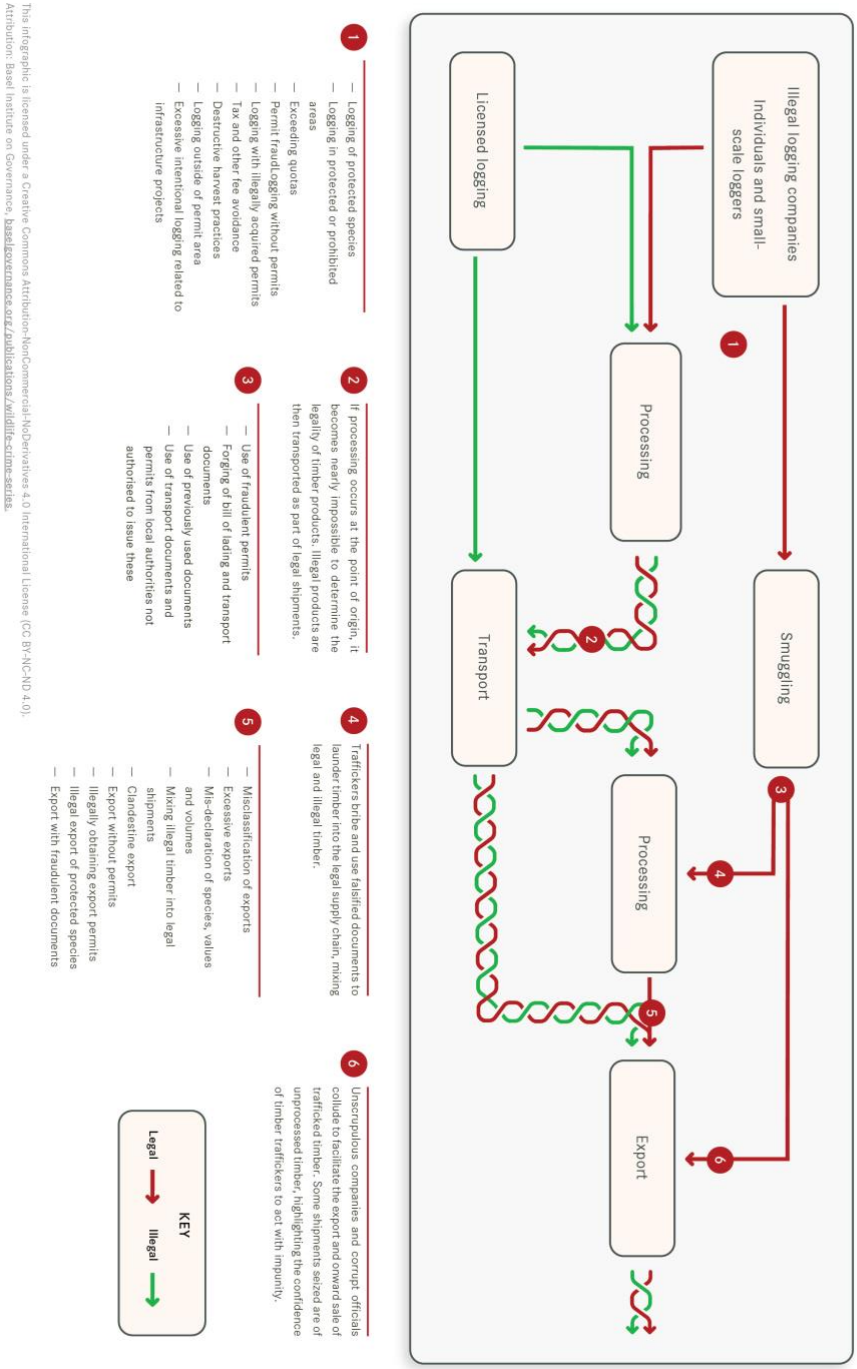
6 Annex: Infographics



1 — Logging of protected species
— Logging in protected or prohibited areas
— Exceeding quotas
— Permit fraudLogging without permits
— Logging with illegally acquired permits
— Tax and other fee avoidance
— Destructive harvest practices
— Logging outside of permit area
— Excessive intentional logging related to infrastructure projects

2 If processing occurs at the point of origin, it becomes nearly impossible to determine the legality of timber products. Illegal products are then transported as part of legal shipments.

3 — Use of fraudulent permits
— Forging of bill of lading and transport documents
— Use of previously used documents
— Use of transport documents and permits from local authorities not authorised to issue these

4 Traffickers bribe and use falsified documents to launder timber into the legal supply chain, mixing legal and illegal timber.

5 — Misclassification of exports
— Excessive exports
— Mis-declaration of species, values and volumes
— Mixing illegal timber into legal shipments
— Clandestine export
— Export without permits
— Illegally obtaining export permits
— Illegal export of protected species
— Export with fraudulent documents

6 Unscrupulous companies and corrupt officials collude to facilitate the export and onward sale of trafficked timber. Some shipments seized are of unprocessed timber, highlighting the confidence of timber traffickers to act with impunity.

Impacts of the illegal timber trade on sustainable development