

# Navigating EU Teak Markets



## Trader Records & Indirect Trade Routes in EUTR Enforcement

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# Who is regulated, where to start?

- Discovering where timber is “first placed”, and by who, can be hard. Most countries don’t require EUTR registration.
- Occasional Vs Constant Operators.
- “Operators” can be based in different EU country.
- Searching customs only for imports direct from Myanmar may only identify minimal direct trade from the country of origin:

Imports from Stockpiles in third countries won’t be flagged;

Some companies mill first in Myanmar, and again in a second country, before shipment to the EU.





# Using “Trader” Records to Identify Operators

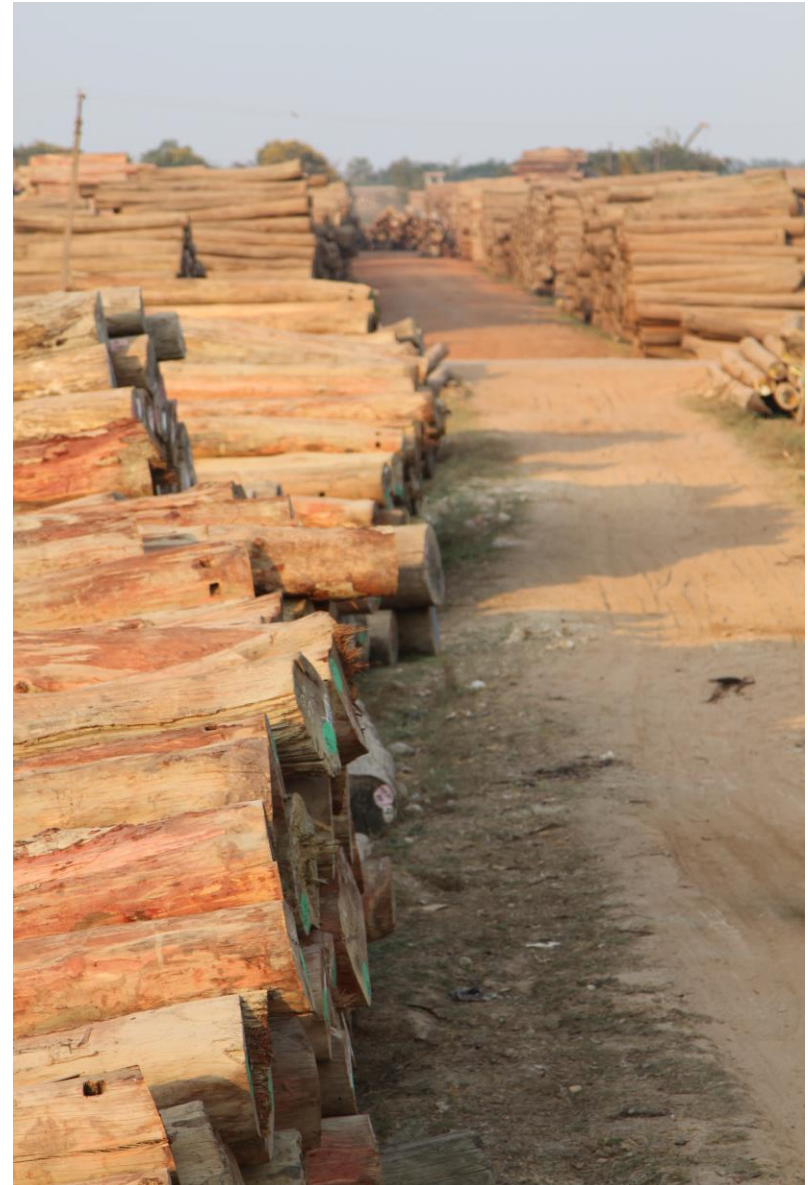
- **REGULATION (EU) No 995/2010, Article 5** obliges traders to retain records of purchases, and make them available to EUTR CAs.
- CAs should seize on this information as a data.
- **Start from the market.** When encountering teak in the market, look at the supply chain upstream to identify the “operator” behind it.
- If a company is a “trader”, request information on their suppliers, and in turn theirs, until you identify a “first placer”.
- This may be an un-identified actor, perhaps not located in your jurisdiction.
- Share details of Operators identified with EUTR CA overseeing the relevant jurisdiction.



# Procurement and Placement Models

- Direct trade of logs from Myanmar to EU (prior to April 2014)
- Direct trade of FEQ or decking blanks from sawmills in Myanmar to EU (Post-April 2014)
- Sawn wood / flitches shipped to mill in third-country, processed and re-exported to EU.
- Logs shipped to third country (prior to log export ban), then shipped as logs to EU, or milled and shipped as sawn wood (FEQ) to EU.
- Pre-fabricated decking imported from US into EU, following: shipment to US from EU, direct from Myanmar, or via third country.

Any combination of the above is possible...





# Wholesale Vs Productions, Vs Projects

**Wholesalers** in Europe tend to hold stocks, which they constantly add to from a mixture of already landed stocks in another EU country, direct from Myanmar, or via a third country.



**Production boat builders** may procure decks from prefabricated panel manufacturers, who in turn buy from other EU Operators, import direct, or via third countries.



**Big bespoke projects** may procure teak from suppliers outside the EU just for one boat or one house.

CA's may need to do ongoing checks on all types of teak supplier, as new operators may pop up to service them and shelter them from EUTR...





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# Offshoring Myanmar Teak:

- Logs were milled offshore for years. Traders use tested sawmills, do not want invest in Myanmar, and needed to circumvent sanctions...
- However, huge volumes of teak were offshored by both big and small companies in the months before Myanmar's April 2014 log export ban.
- Key recipients of major stocks included **India, Thailand, Malaysia, Singapore, & China.**
- Customs searches on direct trade with Myanmar wont flag “stockpile sources” & operators.
- Some companies mill first in Myanmar, and again in a second country, before shipment to the EU. These imports will not flag in direct Myanmar-EU customs searches.

2/15/2014

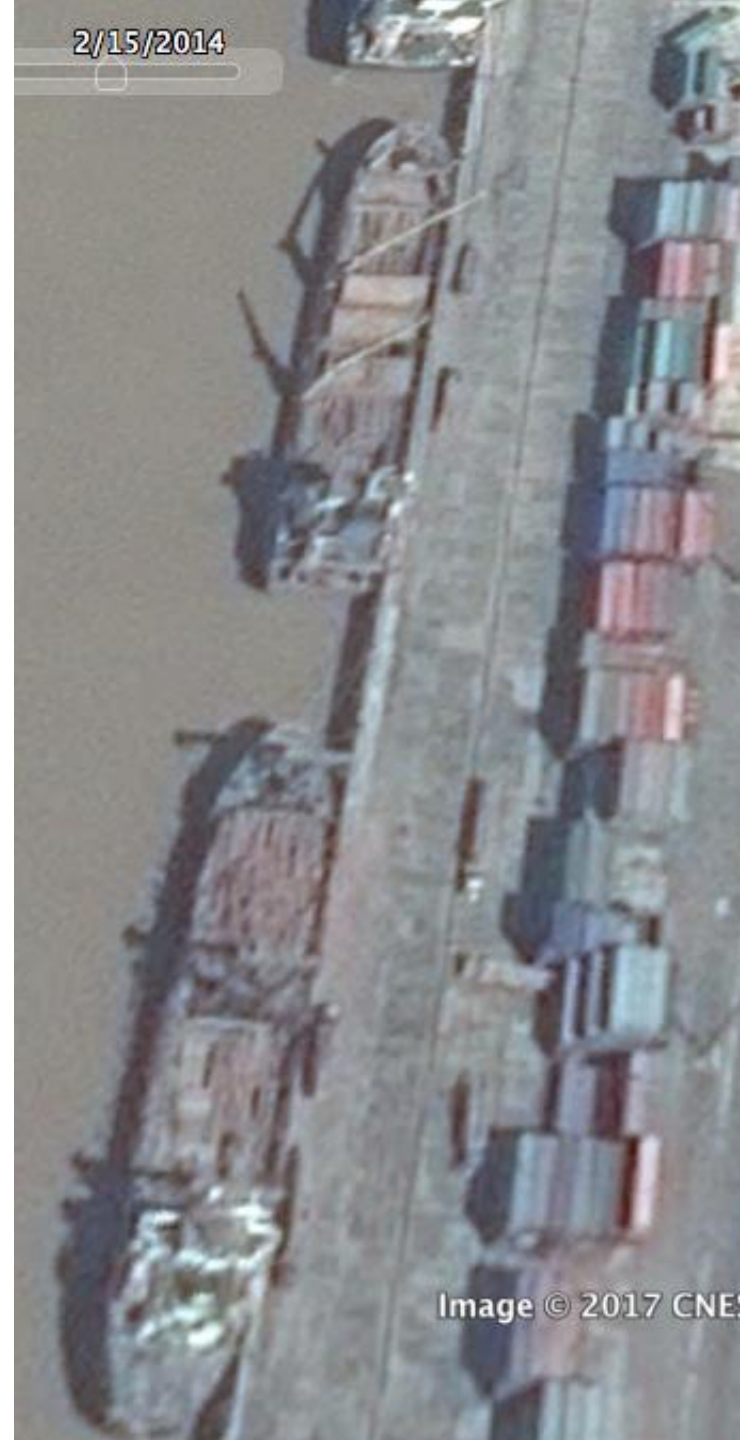


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# Onshore Yangon log yard, November 2013







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# Offshore Yangon log yard, October 2014





1/12/2014

13th Ward

Image

10/5/2014

13th Ward

Image

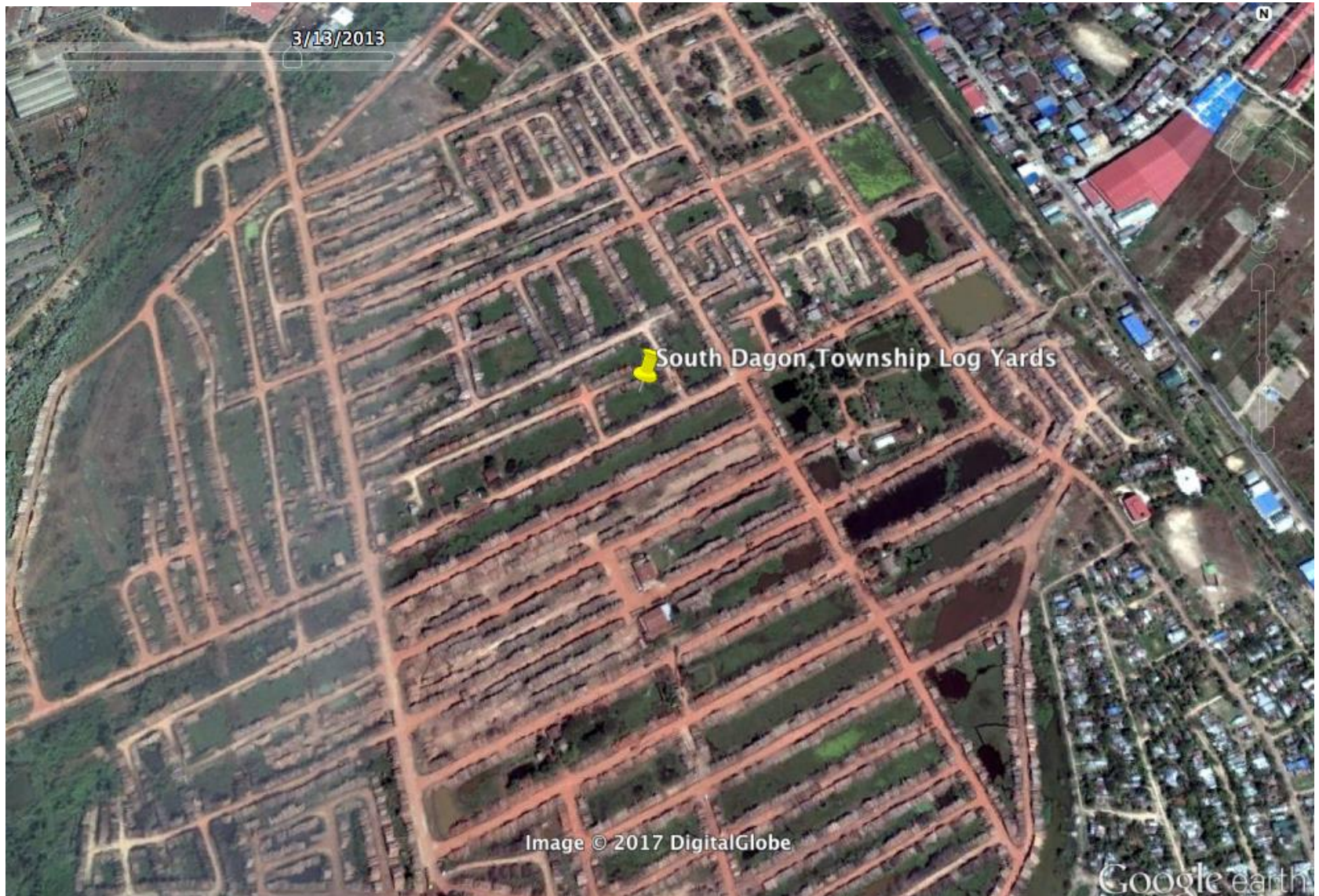




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# Dagon Log Yard, Yangon

## March 2013







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# Dagon Log Yard, Yangon

## October 2014







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# Nongdao, Yunnan, China

## November 2009







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# Nongdao, Yunnan, China

## January 2013





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# Nongdao, Yunnan, China

## November 2014





# Offshoring: Timberlux

Gary Koh, representative of Timberlux / Wood & Wood, Singapore, March 2013.

GK: *"Because if you look at the log yards that we have, what we have done is that we have accumulated so much teak logs it will last us a good 20 years for the amount of demand there is now."*

EIA: *"So you have twenty years of supply already outside of Burma?"*

GK: *"yes. Yup, that's right. Actually its very safe, and everybody is doing that..."*

Timberlux has an Italian branch, and is a major source of teak for the EU market.





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# Timberlux Sdn Bhd., Simpang Renggam, Malaysia December 2010



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# Timberlux Sdn Bhd., Simpang Renggam, Malaysia

October 2014



- Operators placing from offshored stockpiles won't be flagged in direct trade customs searches.
- CA's should request trading records from identified Traders, including boat yards (production & Bespoke).
- Such trader 'bottlenecks' can identify multiple Operators and networks of suppliers.
- Collaboration with EU colleagues will be essential to "turn off" a supply "operated" from another EU jurisdiction.
- Third countries with major teak stockpiles include: Malaysia, Singapore, Thailand, India, and China.

# Conclusions







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Gracias, y buena suerte...



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