On February 1, 2021, the Myanmar military (Tatmadaw) led by Commander-in-Chief Sr. Gen. Min Aung Hlaing ousted the democratically-elected National League for Democracy (NLD)-led government in a military coup. The political situation remains fluid and risks jeopardizing the last decade’s efforts at advancing federal democracy and forest sector reform. Forest management in natural Reserved Forests is exclusively conducted by the Forest Department, while the harvesting and extraction of timber is the responsibility of the state-owned enterprise (SOE), the Myanmar Timber Enterprise (MTE). Both of these departments fall under the Ministry of Natural Resources and Environmental Conservation (MONREC). Until 2019, the MTE was permitted to retain 55 percent of profit from timber sales in their own “other account,” estimated at more than $2 billion since 2012. This money is gone, without any public accounting.

In 2019, the government confirmed that the “other account” had been closed and all MTE profits must be transferred to the state treasury. Within the context of the recent military coup, there is an elevated risk of illegal logging and that the revenues from state sanctioned logging could again move ‘off-budget’, and the forestry industry more broadly could be used to finance violations of human rights in Myanmar.

The United States (U.S.), United Kingdom (UK) and European Union (EU) have all imposed sanctions against MTE since the coup. Since MTE regulates all harvesting and sales of Myanmar timber, including exports to international markets, the sanctions suggest that it is now illegal for businesses in the EU, the U.S. and UK to directly import any timber from Myanmar.

**SUMMARY OF LEGALITY RISKS**

- **Risk Score:** 92.0 (Higher Risk)
- **Conflict State:** YES
- **Log Export Ban in Effect:** YES
- **Import Regulation in Effect:** NO

- There are well-publicized legality risks, especially in Myanmar’s high value teak supply chains, including risks that timber sales are funding armed conflict. The situation has deteriorated and remains fluid following a military coup in February 2021.
- Independent NGO reports and enforcement actions against European companies sourcing from Myanmar highlight the risks associated with teak sourced from Myanmar.
- Following a military coup in February 2021, the political situation remains fluid and risks jeopardizing the last decade’s efforts at advancing federal democracy and forest sector reform, which makes the timber legality context unclear.
- While it may be possible to track certain batches of timber back to the area of harvest if all relevant documents are made available, this has been very challenging for industry. The recent military coup, unclear political situation, overall status of forest management, human rights violations, and continued armed conflict suggest that there is a high risk that timber from Myanmar has been illegally harvested.

**TRADE PROFILE**

- **Total Imports (2019):** $379.9 million
- **Total Exports (2019):** $180.7 million. $46.0 million (25.5%) exported to “regulated markets”

- Exports – Top Timber Products Exported to the US by 2019 Value
  - Sawnwood (HS4407)
  - Joinery Products (HS4418)
  - Logs (HS4403)
  - Paper (HS48)
  - Other Articles of Wood (HS4421)
  - Wood Furniture – Other (HS940360)
  - Wood Furniture – Office (HS940330)
  - Wood Furniture – Seating (HS940169)
  - Veneer (HS4408)
  - Frames (HS4414)

Exports of all logs have been banned since April 2014, although plantation log exports are permitted as of May 2019.
Illegal logging and trade affect many timber species, but highly valuable - often rare and endangered - species that are protected under harvest and/or trade regulations are a key target and at an elevated risk for illegality. The following species are either currently, or have recently, been protected in Myanmar.

CITES-Listed Species:

Appendix II:

- **Agarwood** (*Aquilaria malaccensis*)
- **Himalayan Yew** (*Taxus wallichiana*)
- **Serpentine Wood** (*Rauvolfia serpentine*)
- **Tamalan** (*Dalbergia spp.*)

All natural forest species in Myanmar are high-risk. These include:

- **Teak** (*Tectona grandis*)
- **Pyinkado** (*Xylia xylocarpa, synonym Xylia dolabriformis*)
- **Padauk** (*Pterocarpus macrocarpus*)
- **Htauk kyant** (*Terminalia elliptica, synonym Terminalia tomentosa*)

Logging in the Pegu Yoma region is banned, and all species from the region are considered higher-risk.

### FORESTRY SECTOR

*Forest Area:* 28.54 million ha (14.5% protected)

*Deforestation Rate:* -0.96% annually

*Forest Management (as of 2015):*
- 29.99 million ha publicly-owned (100%)

*Certified Forests:* N/A

*Domestic Production:* [32]
- **Wood Fuel:** 38.29 million m³ (2019)
- **Logs:** 4.36 million m³ (2019)
- **Sawnwood:** 1.83 million m³ (2019)
- **Veneer:** 220 thousand m³ (2019)
- **Plywood:** 116 thousand m³ (2019)
- **Charcoal:** 438 thousand metric tons (2019)
- **Paper:** 1.20 million metric tons (2019)
- **Pulp:** 1000 metric tons (2019)
MYANMAR’S TOP SOURCE MARKETS FOR FOREST PRODUCTS BY IMPORT VALUE (2019)

- MYANMAR’S TOP SOURCE MARKETS FOR TIMBER PRODUCTS BY IMPORT VALUE (2019)
HIGH-RISK EXPORTS: LOG EXPORTS IN YEARS IN WHICH MYANMAR HAD AN ACTIVE LOG EXPORT RESTRICTION (2015-2019)

TRADE DISPARITIES: MYANMAR'S EXPORTS TO CHINA AND CHINESE IMPORTS FROM MYANMAR (2015 – 2019)
TRADE DISPARITIES: MYANMAR’S EXPORTS TO VIETNAM AND VIETNAM IMPORTS FROM MYANMAR (2015 – 2019) \(^{41,42}\)

**Myanmar’s Exports**

- **Other Forest Products**
- **Veneer**
- **Logs**
- **Plywood**
- **Sawnwood**
- **Joinery Products**

**Vietnam Imports**

- **Other Forest Products**
- **Logs**
- **Plywood**
- **Joinery Products**
- **Flooring, Molding & Strips**
- **Sawnwood**

**TRADE DISPARITIES: MYANMAR’S GLOBAL EXPORTS AND GLOBAL IMPORTS FROM MYANMAR (2015 – 2019) \(^{43}\)**

**Myanmar’s Exports**

- **Other Forest Products**
- **Plywood**
- **Veneer**
- **Logs**
- **Sawnwood**
- **Joinery Products**

**Global Imports**

- **Other Forest Products**
- **Flooring, Molding & Strips**
- **Logs**
- **Charcoal**
- **Veneer**
- **Sawnwood**
TIMBER LEGALITY

- There are well-publicized legality risks, especially in Myanmar’s high value teak supply chains, including risks that timber sales are funding armed conflict. The situation has deteriorated and remains fluid following a military coup in February 2021.

Myanmar has the largest area of natural teak forests (almost 50 percent of 29 million ha globally) and is the number one producer of teak logs in the world.\(^4^4\) Its natural forests produce about one-quarter of the globally reported teak log supply, including good-quality teak that sells at comparatively high prices. After India and Indonesia, the country has the third-largest planted teak area in the world (approximately 395,000 ha), which accounts for more than 40 percent of the global teak trade.\(^4^5\)

Forest areas are legally classified as:

1. Reserved Forests (RF),
2. Public Protected Forests (PPF), and

Forest areas not included in any of these legal categories are termed Unclassified Forests (UCF) by the Forest Department. These areas may be subject to re-classification to Forest Reserve or other uses (such as e.g. agriculture), based on decision of the Forest Department or other Departments with responsibility over land management.\(^4^6\)

All land in Myanmar is owned by the State as per the 2008 Constitution and all forest management and timber extraction in areas classified as Reserved Forest fall under the Ministry of Natural Resources and Environmental Conservation (MONREC). Forest management in natural Reserved Forests is exclusively conducted by the Forest Department, while the harvesting and extraction of timber is the responsibility of the MTE. Both of these are departments under MONREC.

There have been many consistent reports of corruption,\(^4^7\) weak forest governance and law enforcement in Myanmar’s forest sector. Illegal harvesting in conflict areas\(^4^8\) (most notably in Kachin state), irregularities associated with forest conversion for all species,\(^4^9\) human rights violations,\(^5^0\) and mixing of timber from unknown sources has been reported.\(^5^1, 5^2, 5^3, 5^4, 5^5, 5^6\)

Reports covering fiscal years 2014-2017 from the Myanmar Extractive Industries Transparency Initiative (MEITI) focused on the forest sector revealed discrepancies between information recorded by state-owned companies and government departments, such as production rates and revenues.\(^5^7, 5^8, 5^9, 6^0\) Until 2019, the MTE was permitted to retain 55 percent of profit from timber sales in their own “other account,” estimated at >$2 billion since 2012.\(^6^1, 6^2\) This money is gone, without any public accounting.\(^6^3, 6^4\) In 2019, the government confirmed that the other account had been closed and all MTE profits must be transferred to the state treasury.\(^6^5\) On February 18, 2021, the Extractive Industries Transparency Initiative Board suspended Myanmar due to political instability.\(^6^6\)

Scrutiny of Myanmar’s harvest planning at national level and the allocation of Annual Allowable Cut (AAC) indicates significant overharvesting in the past.\(^6^7\) Under the previous administration, the AAC was allocated, but systematically exceeded. Myanmar does not possess a recent national forest inventory, and the AAC seems to be allocated using old data or data from relatively small samples.\(^6^8\)

The Myanmar government’s own data shows that in the past, logging quotas set in the annual allowable cut have been exceeded systematically. This has led to the European Commission noting that the Myanmar “State itself is at risk of being in contravention of the law.”\(^6^9\)

On February 1, 2021, the Myanmar military (Tatmadaw) led by Commander-in-Chief Sr. Gen. Min Aung Hlaing ousted the democratically-elected NLD-led government in a military coup. The political situation remains fluid and risks jeopardizing the last decade’s efforts at advancing federal democracy and forest sector reform. Within the context of the recent military coup, there is an elevated risk of illegal logging and that the revenues of logging and the forestry industry more broadly could be used to finance human rights violations in Myanmar.

The U.S., UK, and EU have all imposed sanctions against MTE since the coup, designed to restrict the ability for the military to profit from timber and other natural resources, key sources of revenue for the regime. Since MTE regulates all harvesting and sales of Myanmar timber, including exports to international markets, the sanctions suggest that it is now illegal for businesses in the EU, the U.S. and UK to directly import any timber from Myanmar.\(^9\)
Independent NGO reports and enforcement actions against European companies sourcing from Myanmar highlight the risks associated with teak sourced from Myanmar.

It is illegal to export timber from Myanmar overland and timber can only be legally exported from the port of Yangon. This means that any timber exported from outside Yangon port is illegal.70 The majority of this illegal cross border trade is with China, which also banned all cross-border timber trade with Myanmar in 2015.71 There are also reports of illegal cross-border trade with India and Thailand.72, 73, 74

Such illicit cross-border smuggling has been an increased concern since a log export ban was put in place in April 2014, although this has since been amended to allow the export of plantation logs.75

There have been reports of illegal direct trade of timber (especially teak) between the northern parts of Myanmar and China for decades.76, 77, 78

Overland illegal trade persists in part because of ethnic-based armed conflict located in ethnic states (Rakhine, Chin, Kachin, Shan, Karen, Karen, Mon) and regions (Tanintharyi, Bago).79 Timber has long been a source of revenue for ethnic armed organizations (EAOs), paramilitary militias and the Tatmadaw in ethnic states, as well as for the central and sub-national Myanmar government that in part supports their military presence in ethnic conflict areas.80

Trade data in the MEITI report (i.e. what Myanmar declares as exports to China) represents only a fraction of what China declares as imports from Myanmar.81 Even if the timber harvested and traded illegally with China does not enter into the authorized trade route via the port of Yangon, this timber may well end up in wood products being traded worldwide with fraudulent information about origin.

In addition, the Myanmar government had also been harvesting timber in areas controlled by ethnic-based armed groups under what was called “modified procedures.” This system allowed MTE to harvest timber, using contractors, in areas where they could not access themselves.82 This practice had reportedly ended, but there continue to be reports of significant timber extraction deals between the Myanmar government and Myanmar companies and paramilitary organizations in ethnic conflict areas, outside the formal forest management system even in 2019. A report by the Environmental Investigation Agency (EIA) refers to a timber deal in Kayah State involving a total of 500,000 tons of teak.83 It is unclear how this timber is considered under the law.

The 2018 Forest Stewardship Council (FSC) National Risk Assessment for Myanmar84 identified a wide range of key risks including: illegal assignment of harvest permits, illegal conversion of forest areas to agriculture, avoidance of paying royalties, harvesting fees and taxes, violation of forest management laws, regulations and rules, conflicts over land resources and involving indigenous peoples, and the falsification of documents which are all paper-based.85

Following a military coup in February 2021, the political situation remains fluid and risks jeopardizing the last decade’s efforts at advancing federal democracy and forest sector reform, which makes the timber legality context unclear.

Verifying the legality of timber from Myanmar has been historically challenging for various reasons. The legal framework for forest management has not been clearly developed and it has not been possible for independent auditors to travel and visit forest management entities to conduct independent evaluations.86 In addition, timber has traditionally been sold in Yangon at auctions as “Lots” allocated by quality, under which process the information on origin of harvest has been lost or made impractical. This has allowed timber harvested in ethnic conflict areas and timber logged as a result of natural forest conversion to also be auctioned.87, 88

Mixing of potentially illegal timber remains a concern as the government auctioned its stockpiles of teak harvested before 2017.89 It has been estimated that MTE had stockpiles of up to 100,000 HT, while the private and state-owned timber processing enterprises may have stockpiled more than twice that.90 This stockpiled material harvested prior to 2017 continues to be processed for export.

European enforcement officials implementing the EU Timber Regulation (EUTR) came to a common position across the EU regarding imports from Myanmar in June 2018. The EUTR/Forest Law Enforcement and Trade (FLEGT) Expert Group concluded that the lack of sufficient information on harvest volumes authorized for cutting, the lack of sufficient information to show clear attribution of origin within the country (so as to exclude conflict timber), and the high risk of mixing (legally and
illegally harvested logs in the saw mills often owned by MTE), combined with the high corruption index, make it impossible for any verification service to mitigate risk to a negligible level.91 This position essentially means that all timber from Myanmar is considered to have a risk that cannot be considered “negligible” under the EU Timber Regulation because companies cannot effectively carry out a risk assessment or mitigate the risks of buying illegal timber until changes are made to improve traceability of the supply chain back to stump. This position has been upheld ever since.

The Ministry of Natural Resources and Environmental Conservation acknowledged the concerns of importing countries and committed to make changes to their system to enable chain of custody traceability.92 These efforts included:

• Reduction of harvesting to volumes below the formally approved AAC
• Introduction of a harvest ban in 2017 and maintaining the log export ban implemented since 201493 (see below on exemption for plantation logs);
• Engagement in a FLEGT process including development of the “CoC Dossier”;
• Establishment of a voluntary legality certification system called Myanmar Timber Legality Assurance System (MTLAS);
• Revision of timber log marking system for increased simplicity and testing Georeferencing of trees and logs;
• Increased openness to external auditors for independent verification;
• Discontinuation of the use of modified procedures in ethnic states (with an apparent exemption for the recent timber deal under other circumstances as mentioned above);
• Discontinuation of the use of direct sales contracts;
• Discontinuation of the use of sub-contractors in harvesting;
• Revision of the Forest Law, the Forest Rules, the Community Forestry Instructions and other revisions of applicable legal frameworks relevant to the timber sector.

The Myanmar “CoC Dossier”94 published in 2018 contained an overview of the timber harvesting process and provided examples and explanations of the different documents used in the timber supply chain, from harvest permit to export. The CoC dossier has been seen as an important asset to evaluate the documented supply chain and verify if all legally required documents are available. In 2020, MONREC released statements to suggest that fewer documents were required to verify timber legality than set out in the CoC dossier.95

The Myanmar Timber Legality Assurance system (MTLAS) has been developed by the Myanmar Forest Certification Committee (MFCC) – a state sanctioned and semi-independent body overseeing standard development and certification actions of MTLAS.96 The MTLAS legality verification has been under development, with pilot testing of timber legality verification conducted. Both the CoC Dossier and the MTLAS certification system are yet to be verified in terms of meeting international standards/best practices for legality.

The MFCC has also been working with the Programme for the Endorsement of Forest Certification (PEFC) in a process to develop the MTLAS and the national forest certification standard into a PEFC recognized national certification scheme.97 PEFC recommended MFCC for PEFC membership in 2019 – a step in the process towards full membership of PEFC.98 In light of the recent coup, PEFC have stated that they are extremely concerned and seeking assurances from the MFCC, and the one PEFC chain of custody certified company in the country, that the rights of workers and trade unions are not being infringed. PEFC are also seeking assurances that the revenues of the certified forestry industry are not being used to finance human rights violations in Myanmar.99

FSC has no current plans to certify any forest areas in Myanmar but has developed a national risk assessment.100

There are currently no PEFC or FSC forest-level certificates active in Myanmar.

The “Green Folder” produced by the Myanmar Forest Products Merchants’ Federation (MFPMF) is a folder with export related documents and permits covering saw mills to export. This collection of documents has been used to demonstrate that teak sourced from Myanmar is legal and complies with all relevant laws. However, it was ruled to be insufficient to prove a negligible risk of illegality by the Swedish courts in November 2016.101, 102
Timber Legality (continued)

The Swedish courts ruled that the documents do not provide sufficient information on the origin of logs, logging companies involved and compliance with Myanmar’s forest legislation – all of which are considered necessary to determine whether a product is legal under the EU Timber Regulation.

- While it may be possible to track certain batches of timber back to the area of harvest if all relevant documents are made available, this has been very challenging for industry. The recent military coup, unclear political situation, overall status of forest management, human rights violations and continued armed conflict suggest that there is a high risk that timber from Myanmar has been illegally harvested.

As outlined above, Myanmar had taken steps to increase transparency in timber supply chains, and had simplified timber tracking and log marking procedures, to enable better identification of log origins.

However, it must be underlined that mixing has been a risk, particularly as the government sold stockpiles of teak harvested in previous years, and there has been a history of timber extraction from ethnic states outside the formally approved system used by the Forestry Department and MTE through separate timber deals with State governments. Myanmar’s government lifted the log export ban on plantation logs in 2019, \(^{103, 104}\) but there is currently no system (even though one was reportedly in development) to discern between plantation logs and natural forest logs. This could provide a potential loophole, or at least, is a potential risk that natural forest logs are exported as “plantation” logs.

Even though efforts were being made to improve transparency, the recent coup and historical timber legality context means that timber from Myanmar should be regarded as high risk. While it may be possible to track certain batches of timber back to the area of harvest if all relevant documents are made available, this has been challenging. The recent military coup, unclear political situation, overall status of forest management, human rights violations and continued armed conflict suggest that there is a high risk that timber from Myanmar has been illegally harvested. There is now an elevated risk that the revenues of logging and the forestry industry more broadly could be used to finance human rights violations in Myanmar.

### REPORTS & ADDITIONAL RESOURCES

A list of relevant reports and additional online tools to complement this country report are also available at the IDAT Risk website: https://www.forest-trends.org/fptf-idat-home/

**Key Reading:**


Risk scores reflect Preferred by Nature’s Timber Risk Assessment which measures the risk of illegality occurring in 21 areas of law relevant to timber legality, as well as Forest Trends’ national governance scores which provides an average relative governance and corruption risk score for 211 countries globally. Preferred by Nature’s scores have been flipped to ensure compatibility with Forest Trends’ national governance scores, where higher scores are associated with greater governance and corruption challenges. An average of both the Preferred by Nature and Forest Trends scores has been calculated for 66 countries where both are available as of 2021. For all other countries, the risk score reflects Forest Trends’ national governance scores. Countries scoring less than 25 are considered “Lower-Risk,” countries scoring between 25 and 50 are “Medium-Risk” and countries scoring above 50 are “Higher-Risk.” It is important to note that it is possible to source illegal wood from a well-governed, “Lower-Risk” state and it is also possible to source legal wood from a “Higher-Risk” country. As such, the risk scores can only give an indication of the likely level of illegal logging in a country and ultimately speaks to the risk that corruption and poor governance undermines rule of law in the forest sector.

The term “forest products” is used to refer to timber products (including furniture) plus pulp and paper. It covers products classified in the Combined Nomenclature under Chapters 44, 47, 48 and furniture products under Chapter 94. While the term “forest products” is often used more broadly to cover non-timber and non-wood products such as mushrooms, botanicals, and wildlife, “forest products” is used to refer to timber products plus pulp and paper in this dashboard.

Except where otherwise specified, all trade statistics and chart data is sourced from UN Comtrade, compiled and analyzed by Forest Trends.

Regulated markets reflect countries and jurisdictions that have developed operational measures to restrict the import of illegal timber. As of 2021, this includes the U.S., Member States of the European Union (as well as the United Kingdom, Iceland, Liechtenstein, Norway, and Switzerland), Australia, Canada, Colombia, Indonesia, Japan, Malaysia, South Korea and Vietnam. Some measures are more comprehensive in scope, implementation, and enforcement than others.

All references to “EU + EFTA” signify the 27 Member States of the European Union (as of 2021), as well as the United Kingdom, Iceland, Liechtenstein, Norway and Switzerland.

It is not clear if this is metric tons or refers to the term Hoppus Tons, which is a measure used in Myanmar, which corresponds to 1.8 cubic meters of timber.

The U.S. announced sanctions against MTE on April 21, 2021 stating that “unless authorized by a general or specific license issued by OFAC, or otherwise exempt, all transactions by U.S. persons or within (or transiting) the United States that involve any property or interests in property of designated or otherwise blocked persons are prohibited. The prohibitions include the making of any contribution or provision of funds, goods, or services by, to, or for the benefit of any blocked person or the receipt of any contribution or provision of funds, goods, or services from any such person. For further information see https://home.treasury.gov/news/press-releases/jy0138

On 21 June 2021, the UK and EU both announced further sanctions targeting individuals and entities linked to Myanmar’s military regime which included MTE.

For more information on the UK sanctions see https://www.gov.uk/government/news/foreign-secretary-announces-further-sanctions-on-companies-linked-to-myanmars-military-regime


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The Dashboards have been compiled from publicly available information sources to support risk assessments on the legality of timber products entering international supply chains. The Dashboards are for educational and informational purposes only. The Dashboards have been drafted with input from the Environmental Investigation Agency (EIA) and are subject to external peer review. The Dashboards will be updated periodically based on newly available information.

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