

MYANMAR'S TIMBER TRADE SINCE THE COUP: THE IMPACT OF SANCTIONS

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Two years since the coup d'état against the newly re-elected Union Government of Myanmar (UGoM), and despite a logging ban imposed by the junta and sanctions imposed by the EU, UK, US, Switzerland, and Canada,¹ exports of forest products continue — topping more than half a billion US dollars since February 1, 2021. Sanctioned jurisdictions have reportedly imported about 17% (US\$91 million) of the trade (Figure 1), while half continues to go to China and a further fifth reportedly to India, neither of which have sanctions.

Importers in the EU, UK, US, Switzerland, and Canada risk not only violating sanctions, including on the military conglomerates that run the ports in Yangon, but also laws that prohibit the trade in illegally obtained timber, such as the EU Timber Regulation, UK Timber Regulation, and the US Lacey Act. Certainly, the data from Myanmar indicate vast amounts of unreported trade, suggesting smuggling, tax evasion, and other illegalities (Table 1). Additionally, the Financial Action Task Force listed Myanmar as a high-risk jurisdiction (along with Iran and North Korea) requiring enhanced due diligence due to its significant deficiencies in countering money laundering and terrorist financing.² Finally, traders worldwide are at risk of violating the war crime of *pillage* — in this case, the trade of illegal timber during an armed conflict.

Despite the on-going trade in forest products, sanctions are not without impact. So far, timber prices in Myanmar have reportedly increased by 30% because the international sanctions are only on the Myanmar Timber Enterprise (MTE), the state-owned enterprise that runs the sector, and not on private traders. Banks in Singapore also reportedly closed the accounts of timber traders and are denying the MTE the ability to use international cash transfers. While the volume of US imports of Myanmar teak, for example, remains steady, and trade reportedly now totals more than US\$31.8 million since the coup, the number of US traders has effectively dropped to only two: East Teak Fine Hardwoods and J. Gibson Mcllvain Co. Inc., who are responsible for more than 85% of US imports.



¹ Many of Myanmar's SOEs in the natural resource sector have been directly sanctioned, such as the MTE and the Myanmar Oil and Gas Enterprise (MOGE), one of the primary revenue sources for the junta.

<https://www.forest-trends.org/publications/myanmars-timber-trade-one-year-since-the-coup/>

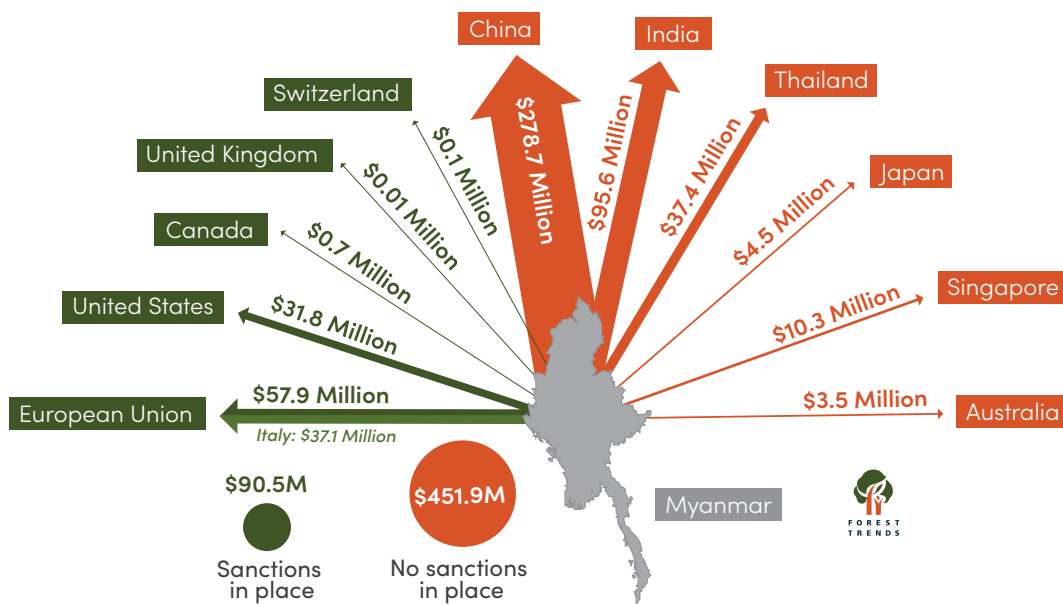
² <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Call-for-action-october-2022.html>

The future of the forestry sector in Myanmar is uncertain. Since the coup, very little data and information has been made public about the forest sector. Prior to the coup, the government was introducing new reforms in the forest sector.³ It is not clear how many of these reforms the junta has reversed. The junta's logging ban is set to expire on March 31, 2023, but the junta controls little of the forested area in Myanmar.⁴ Sagaing Region, for example, where two-thirds of the MTE's production occurred before the coup, has the fiercest fighting and is now under martial law. The junta reports very few confiscations of illegal timber — almost none from Sagaing — and stockpiles of timber from before the coup were likely small.⁵

Forest Trends' forthcoming report analyzes what data is available from Myanmar with what is available from other international sources and makes recommendations. The most efficacious is that the US should sanction the Myanmar Foreign Trade Bank used by the MTE, which would limit the junta's ability to obtain the hard currency it needs to continue its operations, including its military force.



Figure 1 | Imports of Myanmar forest products since the February 2021 coup, as reported by major destination markets



Source: UN Comtrade, except for General Administration of Customs, P.R. China and Thai Customs. [Depending on country, the most recent data is between July and January 2023.]

³ <https://www.forest-trends.org/publications/illegal-logging-and-associated-trade-in-myanmar/>

⁴ <https://specialadvisorycouncil.org/wp-content/uploads/2022/09/SAC-M-Briefing-Paper-Effective-Control-in-Myanmar-ENGLISH-1.pdf>

⁵ ITTO reported that the "MTE may have [a stockpile of] around 20,000 tons of logs harvested before the sanctions were imposed but this has not been confirmed."



Table 1 | Discrepancies between Myanmar export data and trading partners' import data for trade in timber products, February 2021–July 2022 (US\$ millions). Only importers that reported more than \$500,000 in trade are listed.

	Myanmar	Importer
China	29.5	144.8
Italy	7.1	28.3
United States	3.4	23.4
India	13.7	15.2
Thailand	3.3	8.7
Poland	None reported	7.5
Turkey	None reported	7.1
Singapore	4.3	5.9
Greece	None reported	3.8
Australia	0.6	2.9
Germany	None reported	2.2
Vietnam	None reported	2.0
Japan	0.5	1.9
Spain	0.2	1.7
Sweden	None reported	1.1
Malaysia	1.2	0.9
Canada	None reported	0.6
New Zealand	None reported	0.6
Slovenia	None reported	0.6
United Arab Emirates	5.5	None reported
Other	0.9	2.9
Grand Total	70.2	262.1

Source: CSO-MMSIS, General Administration of Customs, P.R. China; Thai Customs; Panjiva for Vietnam; UN Comtrade

Forest Trends works to conserve forests and other ecosystems through the creation and wide adoption of a broad range of environmental finance, markets, and other payment and incentive mechanisms. This brief was released by Forest Trends' Forest Policy, Trade, and Finance program, which seeks to create markets for legal forest products while supporting parallel transformations away from timber and other commodities sourced illegally and unsustainably from forest areas.

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