



AN UPDATE ON THE IMPACT OF INTERNATIONAL SANCTIONS ON MYANMAR'S FOREST SECTOR: FOUR YEARS SINCE THE COUP

By **Forest Trends**

ABSTRACT

This briefing updates our report *Timber, Sanctions, and Conflict: Myanmar's Forest Sector Since the Coup* (Forest Trends 2025a), which examined the impact of sanctions imposed on Myanmar's military leadership and associated businesses, including the state-owned enterprises (SOEs) that control the natural resources sector. These SOEs remain a critical source of hard currency for the junta and a central pillar of financial support for the regime.

1. **Following the previous Forest Trends (2025a) report, our new analysis shows that imports of Myanmar's forest products¹ have increased by more than US\$185 million (M)² since late-2024. The total official trade reported to UN Comtrade since the February 2021 coup stands now at over US\$1.45 billion** (Figure 1). These figures reflect only trade reported by importing country authorities³ and do not capture illicit or unreported flows, including smuggling and transfer-[mis]pricing.
2. While the pre-coup period saw more diversified export markets, China has accounted for 64 percent of all reported imports from Myanmar since the coup (and 75 percent since the late-2024; Figure 1). Nearly three-quarters of this trade was destined for companies registered in Yunnan Province. India ranks second, accounting for 14 percent of imports, followed by Thailand at five percent. All have reported declining imports since 2022.

¹ UN Comtrade data for all products in Harmonized Tariff Schedule Code (HTSC) 44 (wood and wood products, including charcoal); about 95 percent of the reported trade, however, is just for sawnwood, veneer, and plywood. As China has not reported to UN Comtrade for 2025, we use Chinese Customs data for January–October 2025—the most recent data available.

² All values are quoted in US dollars (\$) unless otherwise noted.

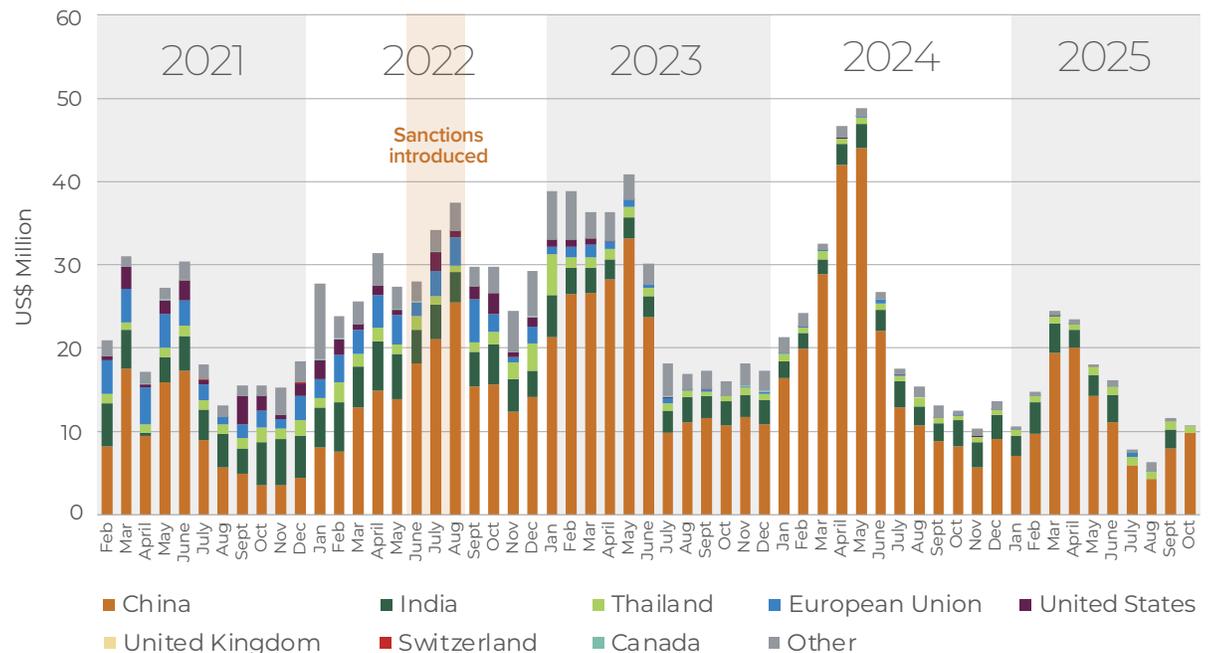
³ Note, however, that the UN Comtrade data appears to be incomplete as, for example, Bangladesh customs report trade in HSTC 44 of at least \$75M from Myanmar during this period, but there is no record of this trade in the UN database.



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3. While, according to UN Comtrade, importing countries reported US\$1.45 billion of imports, Myanmar reported only US\$855 million of exports to these same countries – a difference of about US\$633 million. It is unclear whether the discrepancy – more than one-third of the trade reported by importing countries (Figure 1) – reflects smuggled exports from areas controlled by Ethnic Resistance Organizations (EROs) that are not captured in figures reported by the junta, or some other reason.

FIGURE 1 Monthly Imports of Forest Products from Myanmar (US\$).



Source: UN Comtrade, HTSC 44.

4. **Since mid-2023, countries and regional blocks that have imposed sanctions on the Myanma Timber Enterprise (MTE)—the monopolistic SOE running Myanmar’s forest sector—have reported minimal direct imports of forest products from Myanmar.** In the past year, the United States (USA), the United Kingdom (UK), the European Union (EU), Switzerland, and Canada together reported less than US\$1.2M in such imports. However, indirect trade via third countries remains a significant loophole. Since the coup, for example, China and India have reported almost US\$19M and US\$45M in exports of sawn teak respectively, suggesting the possibility of re-exports.⁴
5. **Since the coup, the junta has lost effective control over major forested regions,** including Sagaing, parts of Rakhine, Kachin, Shan, and Karenni States, significantly weakening their capacity for regulatory enforcement and border trade oversight. In practice, in areas outside of junta control, governance is exercised by NUG-affiliated administrative bodies, People’s Defence Forces, and EROs. ERO approaches vary widely—ranging from structured taxation, transparency measures, and conservation commitments to less regulated extraction—resulting in a fragmented and uneven forest governance landscape.

⁴ HTSC 44072300.



5. **A successful future democratic Myanmar under a federal system** (see, for example, the multi-party Federal Democracy Charter⁵) **will require that the territories currently controlled by both EROs or the junta have the capacity to manage their own forest resources effectively and transparently.** The international community should therefore support institutional and technical capacity building in these areas now, in preparation for a federal transition.⁶

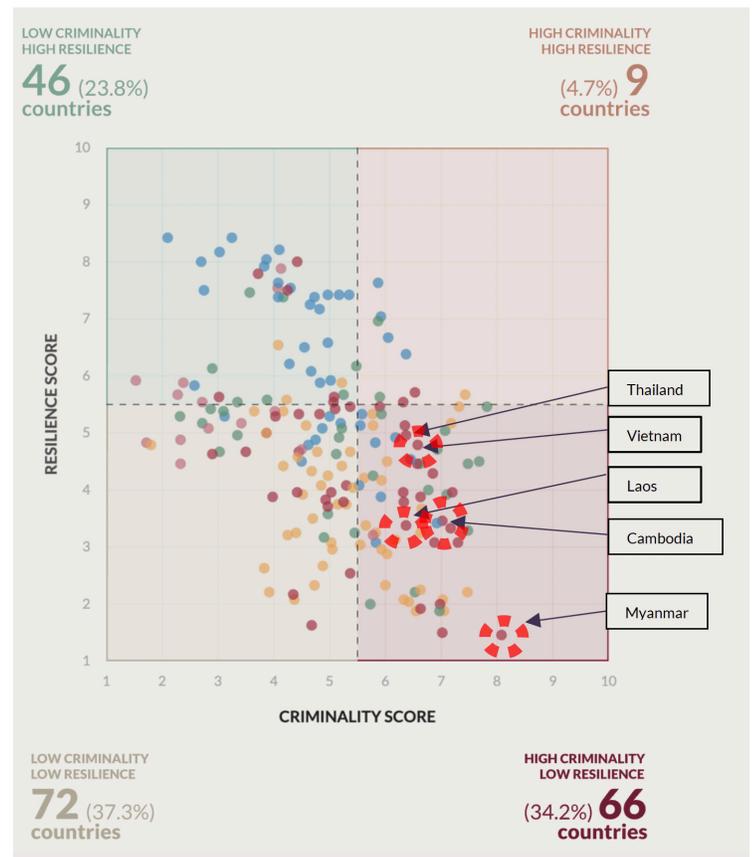
6. At the same time, we continue to advocate **for sustained pressure through robust and effectively enforced sanctions to support a peaceful political transition.** This includes full compliance not only with sanctions on the MTE, but also on other individuals and institutions linked to the junta – especially the Myanmar Foreign Trade Bank (MFTB).⁷

7. **We also continue to urge financial institutions and buyers to apply enhanced due diligence to transactions involving Myanmar timber.** Failure to do so risks financing the purchase of illicit timber linked to the junta (or other conflict actors), including material re-exported through countries without restrictions. These failures may not only expose firms to violations of international sanctions, but also the far more serious crime of complicity in the war crime of pillage.

1. INTRODUCTION

Days before the coup, Forest Trends (2021) published an assessment of Myanmar's forest sector that revealed systemic issues of unsustainable forest management and massive corruption, leading to billions of dollars in losses to the state (see also Forest Trends 2019, 2020). Subsequent updates (Forest Trends 2022, 2023, 2025a,b) confirmed that such illegality continues, which now includes the violation of international sanctions and very likely the commission of the international war crime of pillage of natural resources by the junta and those complicit.

FIGURE 2 Global Organized Crime Index. The red stars highlight countries in the Mekong Region.



Source: GI-TOC 2025.

⁵ <https://myanmar-law-library.org/law-library/laws-and-regulations/constitutions/federal-democracy-charter-2021.html>.

⁶ Around the world, decentralization has worked best where the new authorities *already* have the capacity to manage before the responsibility is entrusted on them (Contreras-Hermosilla et al. 2008).

⁷ Sanctions on the MFTB are especially important in reducing the junta's ability to move US dollars back to Myanmar. ⁷ https://globalinitiative.net/wp-content/uploads/2025/11/Pre-event_briefing_note_1_OC_index_2011.pdf.



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Since the coup, conditions have worsened. Myanmar now ranks among the most corrupt countries in the world. At the extreme end of the Global Organized Crime Index,⁸ “Myanmar stands as the world’s least resilient state [Figure 2]...with conflict, state capture and systemic corruption dismantling any remaining institutional safeguards. The collapse of rule of law structures since the 2021 coup has deepened the intersection between political elites, the military, armed actors and organized crime undermining all indicators from governance to victim protection” (GI-TOC 2025).

Despite this increasing crisis of criminality, the junta, as part of its organizing around national elections planned in December 2025, has ended the nationwide state of emergency, which had been repeatedly extended since the coup. One indication of the premature nature of this action is that the junta has also declared martial law (90-days emergency orders) in 63 conflict-affected townships across 9 regions, citing the need to secure conditions for voting (The Irrawaddy 2025).

Indeed, conflict has severely disrupted lives, livelihoods, and markets across Myanmar. As of 27 October 2025, Myanmar contained an estimated 3.5 million internally displaced persons (IDPs), almost 95 percent displaced since the coup. Since January 2024, the number of IDPs has increased by 50 percent and the number of refugees from Myanmar more than tripled to almost 200,000, due to conflict that has mainly occurred in the border regions (UNHCR 2024). More than a third of the IDPs are in Sagaing Region (UNHCR 2025), which had been the site of the majority of timber production by the MTE prior to the coup (Forest Trends 2025a).

Amidst this conflict, Myanmar’s post-coup forest sector has become a fault line where political instability, illicit logging, and trade intersect with international sanctions.⁹ Forest Trends’ (forthcoming) report on nature crimes establishes that since the military coup, the Myanmar Armed Forces (known as the Sit-tat¹⁰) have increasingly relied on natural resources—including timber—to support military operations as the rest of the economy collapses. (At least \$13.5B in the trade of natural resources has been reported since the coup.) While the international sanctions imposed by the USA, UK, EU, Canada, and Switzerland have reduced, they have not eliminated revenue flows to the junta.

This update builds on earlier analyses in three ways:

1. **Integrating developments from mid-2024**, including trade routes, enforcement actions, and shifts in territorial control.
2. **Expanding analysis of sanctions circumvention**, especially through China.
3. **Offering forward-looking governance recommendations** for donors, financial institutions, importers, civil society, and authorities in areas controlled by EROs.

2. MARKET DYNAMICS AND TRENDS IN TRADE

2.1 Exports

Forest Trends has now documented more than **US\$1.45B** in imports of forest products from Myanmar since the coup, a figure that continues to rise despite sanctions. In comparison, over this same period, UN Comtrade reported only **\$822M in official exports from Myanmar**. Whether this means that more than a third of the trade *reported by other countries* but not by Myanmar (i.e., in Figure 1) was smuggled out of the country and/or if it was from areas controlled by EROs (and therefore not in trade figures reported by the junta) is not clear.

⁸ https://globalinitiative.net/wp-content/uploads/2025/11/Pre-event_briefing_note_1_OC_index_2011.pdf

⁹ Despite this, the UN Security Council has taken no action since its report in November 2024 (UN Informal Expert Group 2024).

¹⁰ The more neutral Sit-tat (meaning “military”) is increasingly becoming the common way to refer to the Myanmar military rather than Tatmadaw, because the latter includes the honorific “Royal,” which connotes “glorious.” For a broader explanation, see: <https://www.irrawaddy.com/opinion/guest-column/please-dont-call-myanmar-military-tatmadaw.html>. Accessed December 16, 2025.



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Official trade values peaked around mid-2024 (Figure 1), falling since. For the last twelve months to October 2025 (the most recent data available), Chinese Customs report less than \$125M in imports of forest products from Myanmar. This pattern was driven by a reduction in trade reported by southwestern China (73 percent of the trade reported by Chinese Customs was through importers located in Yunnan Province and 10 percent in Shandong).

This slowdown is not unexpected. For example, ITTO (2025a) notes that “[e]scalating armed conflict, tightening economic sanctions and surging commodity prices are adding significant pressure to an already unstable business environment...Within this broader climate of uncertainty the timber sector is experiencing a marked slowdown. Export activities have declined sharply and the MTE is struggling to market logs and sawnwood, both teak and other hardwoods, on the international market.” The report also notes that the MTE “has increasingly shifted to domestic sales conducted in [local currency] due to restricted access to foreign currency inflows...At the same time several sawmills have suspended export-oriented production and turned toward local markets. These converging pressures underscore the vulnerability of Myanmar’s timber supply chain at a time when broader political and economic uncertainties are deepening.”

ITTO (2025a) further attributes the slowdown to the impact of the March 2025 earthquake that “left a trail of destruction across Mandalay, Sagaing,¹¹ and Naypyidaw,” saying “[t]he disaster has crippled Myanmar’s economy, devastating Mandalay’s industrial zones and supply chains. Damaged infrastructure, including roads, bridges and a key Sagaing-Mandalay bridge, has restricted access to Mandalay’s river port disrupting agricultural logistics. The earthquake’s fallout is forecast to exacerbate poverty, inflation and result in a decline in exports.”

2.2 China’s Consolidating Dominance

Where the pre-coup period saw more diversified export markets, **China now accounts for about 75 percent of documented trade**, depending on month and product category. **India remains the second-largest importer**, accounting for roughly 15 percent of total trade reported since the coup. Indian demand remains concentrated in teak for furniture and marine applications and other hardwoods for plywood and joinery. The “trade channel with India is almost all by sea while the trade with China is believed mainly [through] informal cross-border trade” (ITTO 2025a).

Like China (Figure 1), India has also reported a dramatic decline in imports (from \$55M in 2022, to \$35M, to \$30M, to \$20M in 2025). Thailand, the third biggest partner according to official data, at five percent, has reported an even more dramatic decline (from \$20M in 2022, to \$15.6M, to \$9M, to only \$1.5M).

No other country reports in UN Comtrade data more than \$50M in imports since the coup. Note, however, as initially reported in Forest Trends (2025a), now at least \$75M in imports to Bangladesh has now been reported through Export Genius.¹² Despite this, no trade was reported in the UN Comtrade data for Bangladesh.

A final caveat: these are all official trade data and they do not include, for example, shipments smuggled out of Myanmar and unreported through official UN channels.¹³ There is substantial anecdotal evidence (on social media, for example) of overland routes that bypass conventional

¹¹ Sagaing Region accounted for two-thirds of official MTE production prior to the coup (Forest Trends 2021).

¹² Export Genius data provided by C4ADS.

¹³ One push to trading outside junta-controlled systems relates to foreign currency controls: “[s]ince October 2024, exporters have been required to convert foreign currency earnings at a fixed rate of MMK 3,600 per (US) dollar, well below market value. This policy has exacerbated financial strain on factories” (ITTO 2025a). Given this, it would not be surprising to see illegal transfer-[mis]pricing (where shipments under-report actual values/volumes in order to evade taxes and currency controls) as well as smuggling.



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port monitoring (all legal exports must go through the Port of Yangon (Forest Trends 2025a)). Such movement enables timber, including teak, sourced from conflict zones to enter cross-border markets with limited scrutiny. Undoubtedly the official statistics reported herein underestimate the actual magnitude of the trade in forest products.

Likewise, these official numbers also underestimate the adverse impacts associated with the sector. These impacts undoubtedly range from environmental destruction and deforestation linked to illegal logging, to human rights violations, and extend to the financing of the conflict and political destabilization itself.

2.3 Sanctioning Jurisdictions: Trade Nearing Zero

In an attempt to address the impacts of the illicit trade and undermine Myanmar's illegitimate regime, many countries have sanctioned individuals in the Sit-tat, as well as institutions linked to the military, such as the MTE that runs the forest sector. Forest Trends (2023, 2025a) reviewed the sanctions regimes in detail.

The sanctioned markets of the USA, the UK, the EU, Switzerland, and Canada accounted for roughly **25 percent of trade in 2022**, falling to **nearly zero by 2024**. This remains the case in 2025.

Since the coup, the EU has reported more than \$72M in imports, the USA \$34M, and Canada just over \$1.1M. Switzerland and the UK have both reported less than \$170,000. And in the last 12 months to December 2025, less than \$1.2M was reported across all sanctioned jurisdictions. Two reports that represent 80 percent of this amount,¹⁴ however, are worthy of investigation:

1. In March 2025, the USA reported imports of 90 m³ (35.7 t) of sawnwood¹⁵ worth \$127,653 (\$1,418/m³); and,
2. In July, 2025, Poland reported 75 m³ (54.3 t) worth \$526,173 (\$7,016/m³) of sawnwood.¹⁶

ClientEarth (2025), following up on its official complaint to the European Commission, has urged Polish authorities to block the illegal imports of such “blood timber.”

Of course, re-exports through other countries like China and India may also be possible. Since the coup, for example, China has reported about \$19M in exports of sawn teak and India reported exports of more than \$45M.¹⁷ While the origin of the teak is unknown, these could be re-exports of teak from Myanmar.

Again, a few reports are worthy of investigation:

1. China Customs reported 106 m³ of exports of teak sawnwood to the USA (reportedly at less than \$1,600/m³)—about half in 2022 and half in 2024; and,
2. China reported 158 m³ to Greece (at more than \$5,550/m³), including six months over the last year with more than \$100,000 in shipments per month.
3. India reported almost \$20M to the EU (2,531 m³) since 2024 and more than \$6M to the USA (1,290 m³).

¹⁴ Export Genius database does not contain corresponding shipments for either the March shipment to the USA nor the July shipment to Poland. (Export Genius data provided by C4ADS.)

¹⁵ HTSC 4407

¹⁶ Only three other reports exceeded \$20,000 in any given month: \$27,484 for unspecified HSTC 44 products to Switzerland in July 2025; \$23,997 for 22m³ (18t) of sawnwood to the USA in November 2024; and, \$20,707 (including \$19,944 for 2m³ (2t) of sawnwood) to Canada in April 2025.

¹⁷ HTSC 440723



The US trade is also noteworthy given the low value reported for these shipment(s). This may be an indication of an error in reporting (the shipment is not teak) or it may be an indication of illicit transfer-[mis]pricing to undervalue a shipment to evade taxes and/or sanctions, etc.^{18, 19}

Regardless, the possibility of re-exports through non-sanctioning countries remains a significant loophole.

3. IMPACT OF SANCTIONS

As discussed in *Forest Trends (2025a)*, the sanctions on MTE and those on the Myanmar Foreign Trade Bank (MFTB), have disrupted access to:

- forest products,
- foreign currency,
- offshore banking accounts (e.g., in Singapore), and,

Domestic private traders have stepped into the vacuum, and albeit diminished, trade to China and India continues. Whether the timber is from junta- or ERO controlled-areas is not clear:

1. In 2019-20, before the junta took power, approximately 35-40 companies purchased around 15,000 tons of logs from the MTE each year. By “2024-25 the annual harvested quantity has fallen to around 5,000-6,000 tons” (ITTTO 2025b). Prior to this, production had been impacted by COVID-19 and then by a moratorium on logging implemented by the junta (*Forest Trends 2023*).
2. Further, Sagaing, especially the forested areas—the historical focus (upwards of two-thirds) of MTE production—is no longer under junta control, and is in fact, the centre of violent conflict (see UN data (UNHCR 2024, 2025)).
3. The other major source of teak in the past is the Bago mountains. However, a logging moratorium has been in effect since 2016.
 - The moratorium is due to expire in 2026 and it is not clear if the junta will renew it.
 - Nonetheless, “armed groups on both sides of the conflict are reportedly involved, either through direct logging, toll gate collection or permitting operations” (*Frontier Myanmar 2025*).
4. Regardless, there have been few seizures and even fewer confiscations (especially compared to historical averages (Figure 3)).

Given all this, it is increasingly unlikely that the imports reported from Myanmar have come through legitimate, legal supply chains. This further undermines any claims to legality for products sourced from Myanmar.

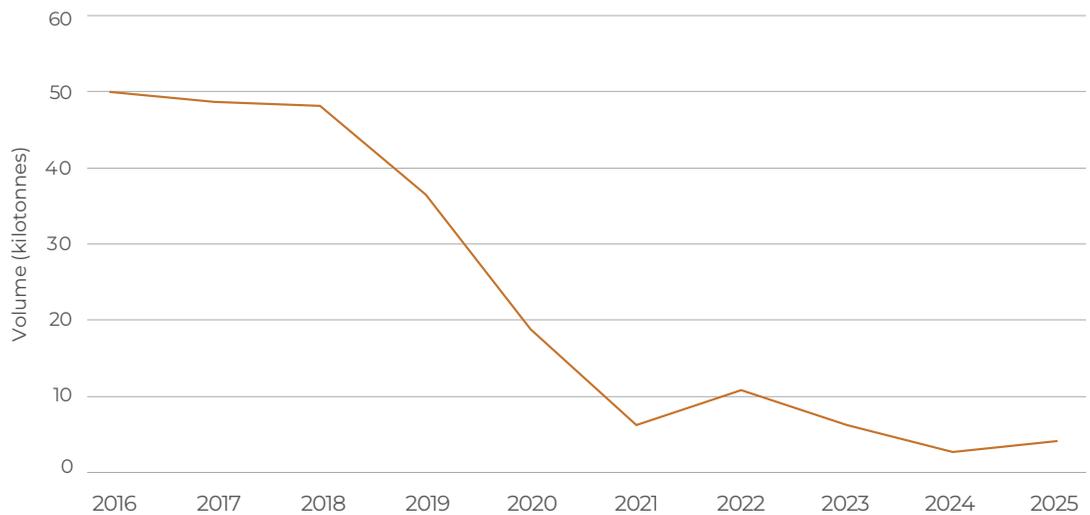
¹⁸ Anecdotally, the yacht market of the Florida panhandle is having a difficult time finding large pieces of teak, apparently as a result of US sanctions. As they did under previous sanctions regimes (i.e., before the previous (NLD) government came to power), builders are turning to painting other species of hardwood to look like teak as a substitute for the real thing.

¹⁹ Note also that the Export Genius database also contains reporting apparently not included in the UN Comtrade database: 32.7 m3 of FSC teak decking from China to an unspecified importer through Port Everglades, FL, on March 24, 2025; 4,240 pieces of teak imported on March 26, 2025 through Baltimore from Thailand to J Gibson McIlvain Company; and 1,125 pieces of teak to Shep Campbell from Singapore. No values are given for any of these shipments. Further another 4 shipments from India and one from the Netherlands report teak in the shipments, but do not report volumes nor values, nor importer names/addresses. This discrepancy is for just one month (March 2025) of US shipment data.



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FIGURE 3 Official Volumes of Timber Seizures in Myanmar (hoppus tonnes).
Volumes are annual, except for 2025, which are to December 16, 2025.



Source: Myanmar Forest Department (under junta control).

4. GOVERNANCE FRAGMENTATION AND TERRITORIAL CONTROL

4.1 Declining Sit-tat Control in Core Forest Regions

As mentioned above, Sagaing Region, particularly its rural/forested areas, is now largely outside junta control. Similar patterns appear in:

- northern Rakhine,
- eastern and northern parts of Kachin (along the border with China)
- eastern and northern Shan State, and,
- eastern parts of Karenni State (Kantarawaddy Times 2025).

The junta's inability to control border trade undermines regulatory enforcement (Figure 4).

4.2 The National Unity Government (NUG)

In the current conflict context, the NUG primarily functions as political coordination and international engagement rather than as an effective territorial regulator. In practice, in areas outside of junta control, day-to-day governance, including of natural resources, is exercised by the NUG-affiliated 3Ps²⁰, local People's Defence Forces (PDFs), and by EROs.

In December 2025, the NUG officially announced the suspension of forest governance

²⁰ 3Ps refer to locally organized People's Administration Teams (PAT), People's Security Teams (PST), and People's Defense Teams (PDT). The 3Ps are NUG-affiliated service delivery and administrative bodies established to provide public functions, such as education, health, local administration, and oversight of resource management, in areas outside junta control. While not formal state institutions, 3Ps play an intermediary role between communities, EROS, and interim governance frameworks.



functions due to security constraints. This underscores that responsible natural resource governance—including the operationalization of principles related to transparency, accountability, and stakeholder participation—currently depends on the institutional capacity and political will of sub-national authorities like the EROs and their interim administrations that have *de facto* control over their territory.

4.3 Ethnic Resistance Organizations (EROs)

An example of such an ERO administration, the **Karenni Interim Executive Council (IEC²¹)** and their Natural Resource Governance Practices:

- **Adopted and published a tax policy**,²² enhancing clarity and predictability in revenue collection.
- **Publicly disclosed revenue generation information**, contributing to transparency and accountability in line with good governance principles.²³
- **Established quarterly coordination meetings on mining governance**, bringing together relevant departments and local stakeholders to oversee extraction activities and address issues.
- Announced that they will **suspend logging activities in 2026** as a precautionary conservation measure.
- **Prioritized community land protection and forest conservation**, grounded in customary tenure recognition and civilian protection considerations.²⁴

EROs vary widely in their governance approaches. Some maintain structured forest management and timber-tax systems (e.g., Kachin Independence Organization), while others appear to allow otherwise illicit harvest and trade. The result is a **patchwork of governance systems** with different legality standards, enforcement capacities, and environmental safeguards.

5. LEGAL AND COMPLIANCE RISKS FOR IMPORTERS

5.1 Timber Legality Legislation

In addition to sanctions violations, given the questionable provenance of forest products from Myanmar, importers face potential violations of:

- European Union's Timber Regulation (and the EU Deforestation Regulation),
- The United Kingdom's Timber Regulation,
- USA's Lacey Act,
- Canada's Wild Animal and Plant Protection & Regulation of International and Interprovincial Trade Act, and
- The Swiss Federal Act on the Implementation of International Sanctions (the Embargo Act).

Because virtually no timber can be reliably verified as legal under Myanmar's current conditions, **risk levels for enforcement action are extremely high.**

²¹ <https://ieckarenni.org>

²² https://img1.wsimg.com/blobby/go/8742d3c7-cb19-4fb8-a9d7-dc21d623d9b5/131225_Tax_%20Policy_Burmese.pdf?fbclid=IwY2xjawOtCQpleHR_uA2FlbQlxMABicmlkETFMc3pEMU9EalNOdjJsM3Fnc3J0YwZhcHBfaWQQMjlyMDM5MTc4ODlwMDg5MgABHmOuDni3-6pRd4kAIViM_jw0kj7kxgw40TyikOcxg6COno7mFjyBeNkHpTg_aem_n1doL6aZ8mjjW8ZGUA9qgw

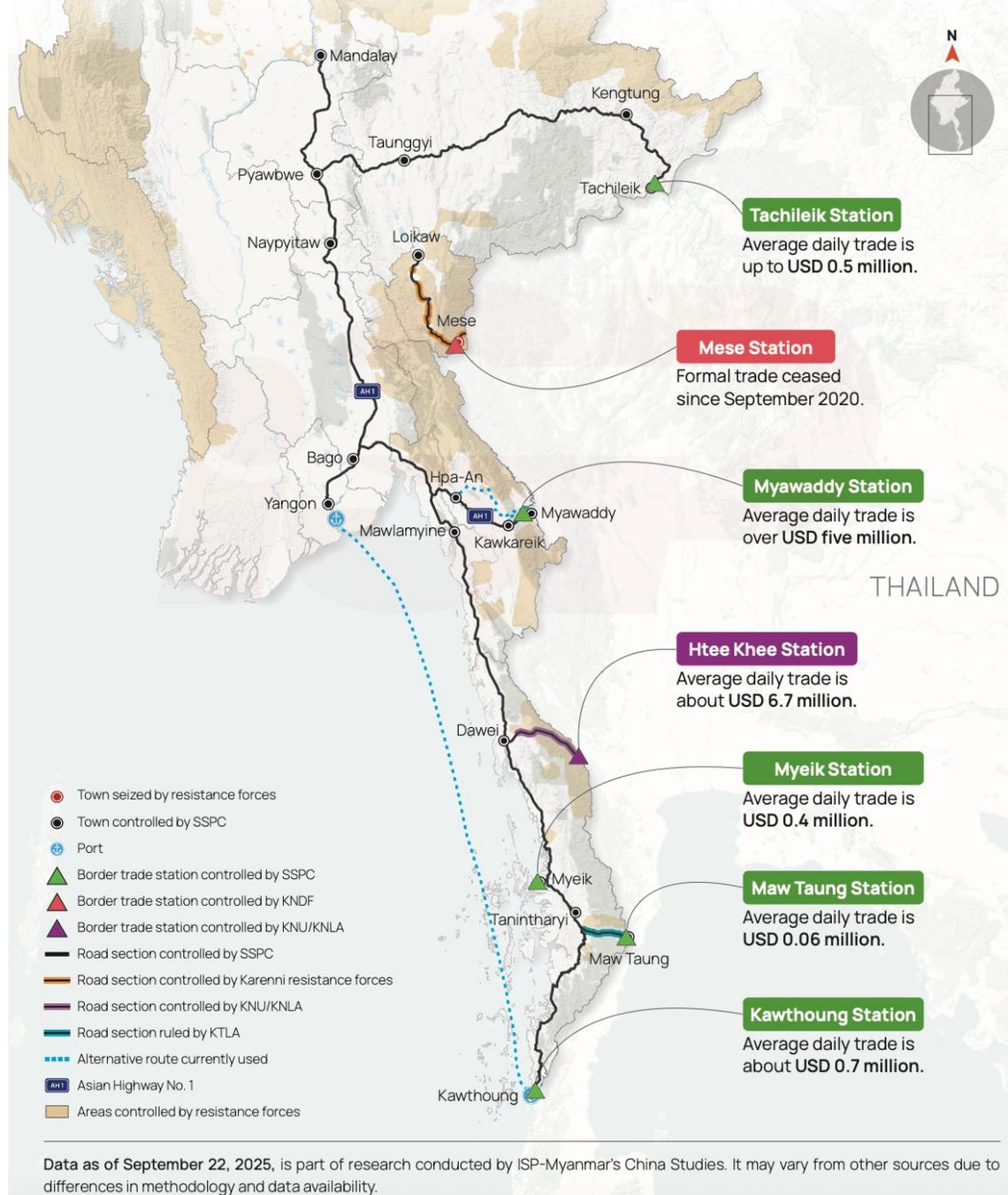
²³ <https://english.dvb.no/karenni-provisional-government-expands-its-administration/>

²⁴ IEC led community-based forest and land conference to gather community opinion.



FIGURE 4 Ethnic Resistance Organization and Junta Control of Major Border Trade Stations with Thailand, as of September 2025.

Of Myanmar's seven official border trade stations with Thailand, Mese and Htee Khee stations now fall under the control of the Karenni Nationalities Defense Force (KNDF) and the Karen National Union/Karen National Liberation Army (KNU/KNLA). The trade routes linking Loikaw to Mese and Dawei to Htee Khee are similarly controlled by resistance forces, tightening their grip on cross-border commerce.





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5.2 The Risk of Pillage

Illicit timber sourced from (and contributing to) conflict zones may also constitute **pillage**, a prosecutable, international war crime.

As mentioned in previous briefings (e.g., *Forest Trends 2025a*) and as underscored by the United Nations recommendation to investigate of “instances of the war crime of pillaging in Myanmar” (UNHRC 2022), companies knowingly sourcing such timber—even indirectly through traders in China or India—may face future accountability for their complicity in war crimes.

5.3 Role of Financial Institutions

Along with North Korea and Iran, Myanmar remains a ‘high-risk jurisdiction subject to a call for action’ (i.e. the FATF Blacklist). Thus, to avoid complicity in the crimes noted above, financial institutions must comply with FATF’s (2025) call on “all jurisdictions to apply enhanced due diligence” and “apply countermeasures to protect the international financial system from the money laundering, terrorist financing, and proliferation financing” risks emanating from Myanmar.

6. EMERGING GOVERNANCE OPPORTUNITIES

Despite severe challenges, 2026 offers a number of opportunities:

6.1 Strengthening Parallel Institutions

Two months after the coup, the Committee Representing the Pyidaungsu Hluttaw (CRPH), which was comprised of 80 percent of the Members of Parliament prior to the coup, drafted the *Federal Democracy Charter* (FDC)²⁵ with the assistance of members of the civil disobedience movement (CDM) and about 20 EROs, mostly in Kachin, Kayin, Chin, and Shan States.

Section 20 of the FDC acknowledges that the “original owner of all of land and natural resources within a State is the people who live in the State. The State shall have the right to independently manage the exploration, extraction, selling, trading, preservation, and protection etc. of the natural resources within the State.”

Section 21 notes in “the Federal Union, the State shall have the full rights to the revenue stream coming from the natural resources... In extraction and production of natural resources, the consent of the local communities shall be obtained, and it shall have direct benefits to the development of that area. Separate taxes shall be collected, and a funds program shall be developed and enacted to remedy the negative impacts affecting the communities and the natural environment and the damages to the ecosystem due to the extraction of natural resources.”

In many of the areas (including some States of Myanmar), EROs currently have de facto control and, thus, have the right under the FDC to manage their own natural resources. To that end, external support could help them manage responsibly, by helping, for example, the:

- Establishment of independent forest monitoring,
- Strengthening community forestry, and,
- Developing transparent revenue management systems.

In addition to building the capacity to manage now, this technical assistance will benefit the permanent management of natural resources under a future federal system.

²⁵ <https://myanmar-law-library.org/law-library/laws-and-regulations/constitutions/federal-democracy-charter-2021.html>.



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About 80 percent of the world's forests are in countries that have similar federal systems where individual provinces have the authority to manage their own natural resources. In a study that compared the major forest countries (i.e., Australia, Brazil, Canada, India, Malaysia, Nigeria, Russia, Switzerland and the USA) with countries that have undertaken major decentralization programs (i.e., Bolivia, Indonesia, and Nepal), Contreras- Hermosilla et al. (2008) found that the quality of forest governance was not dependent on the type of decentralization. Instead, in all cases, good governance depended on "how well government officers and agencies operated within their institutional structures and rules." Gregersen et al. (2004) found that "in all cases, what now appear as effective and efficient decentralized systems took many years to achieve." Unfortunately, "shifts in responsibilities [often] precede abilities to carry them out and precede shifts in resources or the authority for sub-national levels of government to generate adequate resources locally" (Contreras-Hermosilla et al. 2008). A lack of technical and managerial capacity at the local level has proven to be a major bottleneck in the decentralization process. Thus, building that capacity prior to the delegation of authority is necessary for a successful transition. To that end, as recommended above, the international community should assist EROs to build that capacity now, even before the formal recognition of a new Constitutional order in Myanmar.

5.2. Interim Governance Developments

The international community could, for example, support capacity building in:

- **The Karenni IEC**, a bottom-up revolutionary government formed in 2023 with strong involvement from community organizations, local defense forces, and IDP committees. The IEC has a cabinet-like body coordinating security, civil administration, health, education, humanitarian affairs, and justice, along with natural resource management. Decision making is highly coordinated between political, civil, and military actors. The IEC operates collaboratively with the Karenni State Consultative Council (KSCC), Karenni State Interim Parliament (KSIP), and Karenni Supreme Court (KSC).
- **The Karen National Union (KNU)**, which aims to complete a Federal Transition Constitution before the December elections (Mizzima 2025a).
- The Sagaing Federal Unit Parliament, which approved an Interim Constitution and formed a **Sagaing Federal Unit Interim Government** for inclusive governance in liberated areas (Mizzima 2025b).

9. POLICY RECOMMENDATIONS

9.1 For Importer Countries

- Undertake enhanced due diligence to prevent import of illicit forest products from Myanmar (e.g., require verified chain-of-custody documentation for any transactions involving potential Myanmar origin)
- Comply with international sanctions regimes
 - This means that the MTE may not benefit in/directly, which makes any trade a violation of sanctions as the MTE has the exclusive right to trade logs harvested from native forests in Myanmar
- Implement FATF regulations
- Enhance information sharing among customs agencies
- Investigate (and prosecute) pillage of natural resources from Myanmar
 - This creates economic and legal incentives to comply with the rule of law and to avoid complicity in supporting the junta (and its role in the conflict)



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9.2 For Sanctioning Jurisdictions

- Strengthen enforcement, including engaging Chinese, Indian, and Thai authorities to prevent re-exports of forest products originally from Myanmar

9.3 For the United Nations

- In addressing conflict, incorporate the role of natural resources
 - The vast majority of peace agreements do not address natural resources, even though those resources (oil, gas, timber, diamonds, etc.) are recognized as a major factor in armed conflicts (Blundell and Harwell 2016). The failure to reform management of these resources post-conflict could help explain why half of all peace agreements collapse within five years.
- Build case(s) against bad corporate actors for pillage and pursue accountability through international criminal court(s)
- Support Joint Cross-Border Monitoring Mechanisms

9.4 For Myanmar's ERO Authorities

- Partner with civil society to rebuild community forestry governance systems
- Implement a transparent, community-led forest management system that permits only limited local use and prevents all commercial-scale logging until good governance is in place
- Begin codifying transparent forest management principles for post-conflict reconstruction

These efforts will help build capacity for future federalism.

10. CONCLUSION

Myanmar's forest sector sits at the nexus of armed conflict, sanctions, and global trade. While sanctions have significantly reduced official revenue to the junta, they have not stopped extraction, smuggling, nor environmental degradation. The forest sector is now deeply fragmented, with overlapping—and sometimes contradictory—systems of control.

Yet this fragmentation also creates opportunities: the emergence of new governance actors, reinvigorated community efforts, and stronger international scrutiny could shape a more sustainable and equitable forest future. Effective engagement requires coordinated sanctions, support for alternative governance mechanisms, and vigilant monitoring to prevent illicit trade.

The next phase of Myanmar's forest governance will depend heavily on the durability of resistance administrations, the commitment of the international community to accountability and environmental protection, and the evolving geopolitical interests of China, India, and Myanmar's other neighbors.

We give the UN (2025) the last word: "Despite targeted international sanctions, the military retains control over state-owned enterprises, the central bank, and major revenue streams in the extractive sector. The junta has used forced currency conversions, import controls and repression of informal money transfers to preserve its financial grip.

As Myanmar's conflict deepens, the UN urges the global community not to look away. Without coordinated humanitarian aid and a path toward accountability, the country risks further descent into entrenched violence, economic ruin and State collapse."



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ACRONYMS

B	billion
C4ADS	Center for Advanced Defense Studies
CDM	Civil Disobedience Movement
CRPH	Committee Representing the Pyidaungsu Hluttaw
EROs	Ethnic Resistance Organizations
EU	European Union
EUTR	European Union Timber Regulation
FATF	Financial Action Task Force
FDC	Federal Democracy Charter
GI-TOC	Global Initiative Against Transnational Organized Crime
HTSC	Harmonized Tariff Schedule Code
IDPs	Internally Displaced Persons
IEC	Interim Executive Council (Karenni)
ISP	Institute for Strategy and Policy (contextual source)
ITTO	International Tropical Timber Organization
KSCC	Karenni State Consultative Council
KNU	Karen National Union
M	Million
MFTB	Myanmar Foreign Trade Bank
MTE	Myanma Timber Enterprise
NGO	Non-governmental Organization
NUG	National Unity Government
PDFs	People's Defence Forces
SOEs	State-owned Enterprises
SPCC	State Peace and Conflict Commission
Sit-tat	Myanmar Armed Forces
UK	United Kingdom
UN	United Nations
UN Comtrade	United Nations Comtrade Database
UNHCR	United Nations High Commissioner for Refugees
UNHRC	United Nations Human Rights Council
USA	United States of America
3Ps	locally organized People's Administration Teams (PAT), People's Security Teams (PST), and People's Defense Teams (PDT)



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ABOUT FOREST TRENDS

Forest Trends Association is a 501(c)(3) organization founded in 1999. 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. Forest Trends does so by 1) providing transparent information on ecosystem values, finance, and markets through knowledge acquisition, analysis, and dissemination; 2) convening diverse coalitions, partners, and communities of practice to promote environmental values and advance development of new markets and payment mechanisms; and 3) demonstrating successful tools, standards, and models of innovative finance for conservation.



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