

Helping Liberia Escape Conflict Timber

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Helping Liberia Escape Conflict Timber: The Role of the International Community – China & Europe

In 2003, the United Nations Security Council imposed sanctions¹ on the international trade of round logs and timber products originating in Liberia in an effort to eliminate “conflict timber²” – timber whose revenues have been used to fund the civil war which was raging in Liberia. At the time, China was Liberia’s largest market -- three times that of the next largest trade partner. This trade came abruptly to a halt in 2003 when the UN sanctions were put in place and most remaining companies left the country.

In June 2006, UN Security Council’s Sanction Committee on Liberia will again debate whether the sanctions should be lifted, as well as the constructive role the international community can play in helping Liberia overcome its troubled recent history. International efforts could include a wide range of development assistance approaches, but also firm commitments from governments and all consumers to purchase only wood products that are legally verified under Liberia’s soon-to-be implemented wood tracking program. Europe and China, historically important to Liberia’s forest products trade, have the opportunity to provide leadership through trade and procurement programs to complement the domestic reforms that Liberia now struggles to implement.

Background: Starting in the early 1990s, Liberia entered a brutal downward spiral of civil war that spread into a wider regional conflict involving Sierra Leone, Guinea and the Ivory Coast. Throughout this conflict and as the country’s economy collapsed, the control of Liberia’s natural resources became a critical source of revenue for corrupt and warring factions, particularly during the administration of former President Charles Taylor⁴ (1997-2003). Timber concessions were allocated in exchange for arms (or funds to purchase arms). By 2002, timber extraction generated more than US \$80 million a year and should have generated US \$19 million in taxes, but the government could only account for less than 15% of these revenues³. By 2003, after years of using concessionaires as a source of patronage, over 2.5 times the amount of forested hectares available had been handed out in overlapping concessions⁵.

The political instability, reputational risk, and lack of security discouraged legitimate and responsible investors. Of the companies remaining and willing to work with then-President Taylor, many employed private security forces (mostly militias associated with the Taylor administration) to protect their logging interests and gain access to new forests through the intimidation of local peoples – including the notorious massacre of civilians in Youghbor in May 2003. The Indonesian Oriental Timber Company (OTC) and its main operative in Liberia at the time, the Dutchman Guus Kouwenhoven (now on trial in The Hague for crimes against humanity) were major players. Through the OTC and an alleged private militia of over 2,500 men and boys, Kouwenhoven helped to deliver arms and logistical support for the war in return for a steady supply of illegal timber and blood diamonds⁶. The sale of this “conflict timber” on the international markets could thus be directly attributed to thousands of deaths, many more homeless, human rights abuses including the horrific maiming of non-combatants, and significant environmental damage.

Figure 1: Top 6 Trade Partners with Liberia (2003)

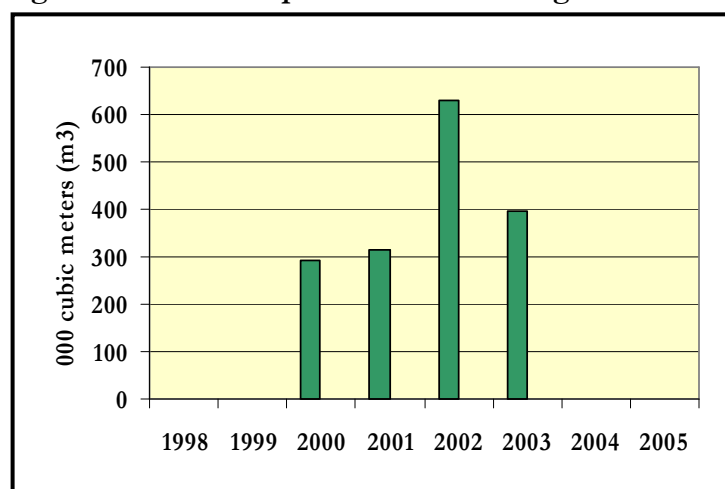
Importer	Volume (m3) declared by	
	Liberia	Importer
China	451,877	313,413
France	98,694	124,628
Italy	48,822	50,190
Turkey	37,614	-
Greece	23,892	-
Germany	21,008	19,100

Source: ITTO, Liberian Forest Development Authority, and Chinese customs statistics

Notes: 99.5 % of wood products exported from Liberia to China were logs. Turkey and Greece did not report.

By 2003, the forestry sector had collapsed as the remaining companies fled in the face of advancing rebel armies. In July 2003, the UN Security Council imposed sanctions on the import by member states of round logs and timber products originating in Liberia in an effort to eliminate this “conflict timber.” At this time, approximately 1 million cubic meters (m3) of this wood was entering the international market – most of it headed for Europe and China (Figure 1). While China did not have a long trade relationship with Liberia, its timber imports were more than three times those of the Liberia’s next biggest trade partner during a critical period of the civil war. Official import statistics indicate zero imports of Liberian logs until 2000 when Liberia quickly jumped to the position of 8th largest supplier to China (6th largest in 2002). The OTC was evidently the major, if not the only, supplier of Liberian logs to China during this time. The Sino-Liberian log trade, however, came to an abrupt halt in the second half of 2003 when the sanctions were put in place (Figure 2).

Figure 2: China’s Imports of Liberian Logs



Source: China customs statistics, 2005

Note: UN sanctions went into affect in July 2003. If trade had continued through-out the year, imports would likely have surpassed 2002 levels.

The UN Sanctions were critical to cutting off financing to the warring factions, eliminating the human rights abuses, and providing the political space to begin a period of reform and reconstruction. The civil war has now ended and the UN has mounted one of its largest peacekeeping operations ever. Most log-

ging companies have respected the sanctions, and large-scale industrial logging has not resumed. The sanctions, however, came at a price for Liberian citizens. An estimated 8,000 seasonal jobs have been lost⁷, and logging roads that provided access to local peoples have been left to deteriorate, as have the few clinics and schools run by timber companies. However, data from the Liberia Forestry Reassessment indicate that communities in logging concessions were, on average, no better served than other communities -- bringing into question how much local people actually benefited from the logging concessionaires.

In June 2006, the Sanctions Committee on Liberia of the UN Security Council will again debate whether the sanctions should be lifted, and what constructive role the international community can play in helping Liberia to overcome this past. Few dispute the remarkable progress that Liberia has made with donor assistance, particularly since the inauguration of President Ellen Johnson-Sirleaf in January 2006. Forestry revenue collection has increased by 400%. Illegal miners have been kicked out of a major protected area. The UN has agreed to allow the use of military observers to protect the Liberian Forestry Development Authority (FDA) staff as they regain control of forest areas. In 2004, an unprecedented Forest Concession Review (FCR) was undertaken. The results revealed widespread non-compliance -- an indictment of the industry and the government: *“Of the 74 contracts that claim legal rights to log, not one company could meet the minimum legal requirements to operate, even for a single year. Only 14% of taxes were paid; more than US \$64 million are in arrears. Social responsibilities were ignored, and human rights and environmental regulations violated.”*⁸ Based on these results, the unanimous recommendation of the FCR Committee was to cancel all outstanding contracts.

Despite this progress, certain observers such as the Sustainable Development Institute (SDI), a Liberian NGO, and the UK-based organization Global Witness, argue that Liberia has not technically met all of the requirements for the lifting of the sanctions and, until it does so, the lifting of sanctions risks a return to a business-as-usual scenario -- one of corruption, local grievances and a possible return to civil strife.⁹ While many pertinent legislative and regulatory reforms have been drafted (including regulations for mandatory tracking or chain-of-custody systems for all wood products to ensure only legal sourcing and full payment), most have not yet been passed into law or been implemented as of May 2006. While the Liberian government strives to establish authority over forest areas, its enforcement capacity is still limited, and tracts of forest remain under the control of ex-combatants according to a recent Global Witness report¹¹. In addition:

- New transparent accounting and reporting systems are not yet in place, although the FDA is now being audited;
- The tender process for chain-of-custody service has been started, but the contract not signed; and
- Forest revenue collection has increased, but a large portion of this revenue comes from continued illegal pit-saw production¹⁰ (processing logs using chainsaws) which often instigate conflict with local people and in the past have been operated by commanders of warring factions.

Signaling her commitment to the issue, President Johnson-Sirleaf signed Executive Order #1 shortly after her inauguration, declaring all concessions identified in the FCR null and void and proclaiming an industry moratorium until all forest reforms are complete. These measures include improved transparency, public participation, and benefit-sharing provisions. Executive Order #1, if complemented by improved control in forest areas, will be seen by some as a guarantee that even if the sanctions are lifted, domestic controls will ensure that “business-as-usual” will not return.

The forest industry is eager to return to Liberia. Responsible players would likely benefit from the more stable investment climate and a more even playing field. The overlapping concessions are no longer cause for legal uncertainty; chain-of-custody will be mandatory for all operations; concessions will be auctioned through transparent and open bidding processes; and new laws and regulations will clarify the roles and responsibilities of the logging industry as distinct from the government.

Role of the International Community, in particular Europe and China: The UN Security Council and several member states recognize that once the trade sanctions are lifted, which could happen as early as June 2006, the international community – especially government and private consumers - will need to play a critical complementary role to domestic reform in Liberia. Supply-side efforts will not be enough. The Government of Liberia is asking all consumers to only purchase wood that passes through the official chain-of-custody system, since this will be the only way to ensure that taxes and revenues have been paid through the appropriate channels, and that illegal wood is not mixed with legal products.

In response to the requests from Liberian government and the UN, the European Commission has become engaged and may include Liberia under the EU Forest Law Enforcement, Governance and Trade (FLEGT) program which could provide technical assistance and collaborative trade partnerships. The US and World Bank have put into place significant donor programs and are being assisted by groups such as IUCN and Conservation International.¹³ Other countries such as the UK could consider the Liberian chain-of-custody system as positive proof of legality and sustainability, whose certified wood would be eligible for purchase under their public procurement policies.

China, the largest purchaser of Liberian timber in the recent past, is likely to remain important in the future. It should also consider similar procurement and trade control programs being implemented in Europe, as well as the development of education programs to inform importers, retailers and consumers of the social, environmental and economic impacts of the forest-product trade. It should also put in place controls to ensure that potential Chinese investments in the Liberian forest sector comply with that nation's laws.

References:

1. Paragraph 17, UN Security Council Resolution 1478 (2003), S/RES/1478 (6 May 2003.)
2. The most common definition of “conflict timber” has been developed by Global Witness as “timber that has been traded [or taxed] at some point in the chain of custody by armed groups, be they rebel factions or regular soldiers, or by a civilian administration [or its representatives] involved in armed conflict... either to perpetuate conflict or take advantage of conflict situations for personal gain.”
3. Blundell, A. G. 2005. Conflict timber and Liberia’s war. *European Tropical Forest Research Network News*. 43-44: 32-35.
4. Charles Taylor is indicted on crimes against humanity by the Special Court in Sierra Leone, and currently awaits trial.
5. FCRC, 2004.
6. *The Independent*, May 19, 2006.
7. Report of the Panel of Experts pursuant to paragraph 25 of Security Council Resolution 1478 (2003) Concerning Liberia.
8. Report on the Panel of Experts pursuant to paragraph 14(e) of Security Council resolution of 1607 (2005) Concerning Liberia.
9. These include the requirements that (a) security is established throughout Liberia, including the forest areas; (b) forest revenues are not used to fund conflict; and (c) forests are managed to ensure legitimate use -- basic forest governance reforms to ensure transparency, equitable distribution of benefits and sustainable forest management.
10. Much of the pit sawing production feeds the domestic markets.
11. *The Analyst*, June 5, 2006. Global Witness on Liberia’s back.
13. Through the Liberia Forest Initiative: www.fao.org/forestry/site/lfi

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