



PROHIBITED PERMITS

Ongoing illegitimate & illegal trade in CITES-listed rosewoods in Asia

Introduction

Since the 2013 listing of Siamese rosewood on Appendix II of the Convention on International Trade in Endangered Species (CITES), virtually all trade in the species has been characterised by crime, fake and illegitimate permits, structural failures in permit verification, the killings of hundreds of illegal loggers and dozens of forest rangers as well as other major scandals. The Environmental Investigation Agency (EIA) has played a crucial role in uncovering these issues through its work to uphold rule of law in international timber trade.

Yet, despite the lessons learnt and some important reforms during 2016,¹ significant risks of ongoing illegitimate trade in CITES-listed rosewood species persist - including for both Siamese rosewood and Burmese rosewood.

Simultaneously, the pressures from trade on lookalike replacement species not yet listed on CITES - particularly Burmese paduak (*Pterocarpus macrocarpus*) - are rapidly increasing.

Relevant range states and importing Parties - most of which are meeting at the 3rd Regional Dialogue on Preventing Illegal Logging and Trade in Siamese Rosewood in Bangkok from March 29-31, 2017 - and the CITES Secretariat itself have an opportunity and obligation to put a stop to this unsustainable crime by ensuring CITES provisions are effectively deployed and implemented.

In the interest of preventing years more illegal or illegitimate trade in endangered timber species under CITES permits, EIA hereby takes the opportunity to outline the core and structural problems that persist and suggests potential solution to them.





Risks of ongoing illegal trade

Ongoing illegitimate Siamese rosewood exports in violation of CITES

On January 1, 2017, following a mission to Laos in 2016, the CITES Secretariat issued Notification No.2017/012, urging Parties to honour a trade suspension on all Siamese rosewood exports from Laos.²

However, the trade suspension specifically *exempts "finished products, including carvings and furniture"*. At CITES CoP17 in September 2016, Parties also adopted CoP17 Prop.53 put forward by Thailand, which amended the listing's Annotation 5 to Annotation 4.

CITES obligations now also apply not just to raw materials but also to semi- or fully finished products, including carvings and furniture. As of January 2, 2017, Laos is therefore legally obliged to issue CITES export permits for furniture and carvings and all semi-finished and finished products made with Siamese rosewood.

According to the CITES 2016 Mission Report, and SC67 Doc. 12.1, the information, agencies, processes and capacities to legitimately issue CITES export permits for the species in compliance with the Convention are currently not in place in Laos. CITES Parties, including those in the Mekong and surrounding region, are consequently allowed to accept CITES permits for Siamese rosewood exports from Laos, despite the fact Laos has been found not to be able to issue them in compliance with the Convention.

A clear risk exists that Laos will issue CITES permits for Siamese rosewood furniture and carvings in ways that violates the Convention - but is allowed to, ironically, under the terms of the trade suspension. This is not coherent.

EIA recommends the immediate extension of the trade suspension to cover all Siamese rosewood product types in Laos in line with the amended annotation and specific institutional failings in Laos.

Contradictions and likely misdeclaration of "Source" in reported Siamese rosewood trade in 2015 and 2016

Laos, China and Vietnam appear to have submitted CITES trade data for Siamese rosewood for the periods 2015 and 2016 to the CITES Trade Database. Laos reported that it issued export permits for a combined 8,800m³ of Siamese rosewood sawn timber in 2015 and 2016, with the "source" declared as *"plants that are artificially propagated in accordance with Resolution Conf.11.11 (Rev. CoP15)"*.

A total of 7,301m³ of this supposed plantation stock was said to be exported to China and the remainder to Vietnam. EIA finds it highly suspicious that, following the

imposition of a trade suspension on Laos for the species, it suddenly reports significant ongoing trade, but from a source that is exempt from the convention. Meanwhile, in 2015, China reported importing 5,046m³ of Lao-origin Siamese rosewood logs and sawn timber - all of which was registered as "wild" origin. The discrepancy alone between what China declared it imported from Laos and what Laos declared it had exported to China is suggestive that one set of permit data must be incorrect.

EIA advises the Secretariat to request evidence from Laos to unequivocally demonstrate that these stocks were indeed plantation grown and that any discrepancies in reported trades are credibly explained, with verifiable evidence, by both Laos as exporter and those importing Parties which report imports.

Investigation into fake permits underpinning Siamese rosewood trade

In June 2016, the Cambodian CITES Management Authority (MA) publicly announced that no Siamese rosewood exports had been authorised and any that had must have been exported under fake permits.³ Over the ensuing weeks and months, a series of allegations and counter allegations played out between the CITES MAs of Cambodia and Vietnam, which had imported all 8,263m³ of the Cambodian-origin timber allegedly exported with counterfeit permits.

At CoP17, discussions were held between the relevant Parties, the CITES Secretariat and Interpol. It was understood that an investigation was underway into the issuance of falsified CITES permits. Resolving the case transparently is crucial, for both the species and the credibility of the Convention.

Vietnam co-proposed the original listing of Siamese rosewood on Appendix II and knew at the time it co-drafted the proposal text that "Harvesting this species is also banned by Cambodian Forestry Law 2002 No.35."⁴

Vietnam also stated in CoP16 Prop.60 that "No information is available on trends for the species in Cambodia (Kampuchea), Lao P.D.R., and Vietnam" - evidencing that Vietnamese authorities knew that when the listing came into force Cambodia (and Laos) had no basis on which to conduct Non-Detriment Findings for the species.

On the entry into force of the Appendix II listing for Siamese rosewood, Vietnam's CITES MA had information that necessarily excludes the possibility of Cambodia issuing CITES export permits legitimately. Yet Vietnam ignored that information in favour of accepting CITES permits which could not have been issued legitimately and which Cambodia's CITES MA claims were faked.

EIA appreciates the March 21, 2017 notification (2017/023) on *Fraudulent CITES Permits or Dalbergia cochinchinensis* issued by the Secretariat on the request of Cambodia.

However, EIA urges the Secretariat to ensure the results of the investigation into what went wrong are made transparently public so lessons can be learnt.

Permit verification failings for Siamese rosewood

At CoP16, China's CITES MA tabled a proposal to improve procedures for international cooperation in permit verification, leading to Resolution Conf. 12.3 (Rev. CoP16) which made recommendations to prevent the increasing use of false and invalid permits. Specifically, it recommends: *Parties not authorise the import of any specimen if they have reason to believe that it was not legally acquired in the country of origin (II); Parties exchange issued and/or accepted permits or certificates to verify their authenticity; Parties refuse to accept any permit or certificate that is invalid, including authentic documents ... that contain information that brings into question the validity of the permit or certificate (XIV); and*



Rosewood logs stored in a warehouse, Dong Ha, Vietnam (c) EIA

urges the Parties to check with the Secretariats when they have serious doubts about the validity of permits.

In May 2013, one month before the Appendix II listing came into force, China's CITES MA issued a public notice stating that Thailand, Vietnam, Cambodia and Laos had all explicitly prohibited the logging and export of Siamese rosewood of wild origin.⁵ In effect, China had reason to believe that Siamese rosewood exported from any of those countries was likely harvested illegally and that any CITES permits could not be validly or legitimately issued. Yet Chinese imports of the species from 2013 to 2014 included 3,938m³ of Cambodian-origin wood from Vietnam and a further 22,302m³ of Lao-origin Siamese rosewood, either directly from Laos or via Vietnam.

When, in August 2016, EIA pointed out to China that it appeared to have failed to implement the Permit Verifications it had proposed be instituted within CITES, China's CITES MA denied it was at fault. China argued it had verified all permits imported directly from Laos and the Cambodia-origin permits, although with Vietnam rather than Cambodia as none of the trade was direct.

Incredibly, China's MA suggested it could ignore the information it had published on logging and trade bans in Cambodia, Laos and Vietnam because the information "was derived from various sources, but not from the decisions from the CoP to CITES or the CITES Standing Committee. As a result, there is not any justification for China CITES MA to refuse a validated CITES export permit or re-export certificate involving *Dalbergia cochinchinensis*."

In effect, China argued that because the CITES CoP or Standing Committee had not communicated the trade bans in Laos and Cambodia in any Decision, the fact that the countries had bans in place (and that China knew of them) did not matter and could be disregarded in favour of accepting permits - all of which were later found to be illegitimate or to relate to illegally exported wood. This displays a fundamental misinterpretation of CITES.

EIA advises the CITES Secretariat to firmly remind Parties that Permit Verification is a central obligation of CITES Parties and authorities have a responsibility to not disregard information that leads them to believe permits may not be legitimate. The prescriptions of Resolution Conf. 12.3 (Rev. CoP16) must be urgently heeded by all Siamese rosewood range and importing states.



Carving Hongmu rosewood furniture in China © EIA

Burmese rosewood exports in violation of CITES

Following the adoption of Prop.55 at CoP17, all *Dalbergia* species were listed on Appendix II, with all parts and products covered. For Laos and the Mekong region, this means *Dalbergia oliveri/bariensis* (Burmese rosewood) must now be traded only under CITES permits. The listing came into force on January 2, 2017.⁶

EIA believes it is likely that Laos will issue CITES export permits for Burmese rosewood (*Dalbergia oliveri/bariensis*) in a manner neither commensurate nor compliant with the Convention. EIA understands the issues that undermine Laos' ability to administer CITES permits for Siamese rosewood - the Secretariat has found Laos to have an under-resourced, disorganised and under-empowered Management Authority and Scientific Authority⁷ - are not species-specific and also apply for Burmese rosewood in the country.

The two species are both targets of traders servicing the often volatile and destructive *Hongmu* (red wood) markets in Vietnam and China.

EIA understands that the forest and species management plan being sought for Siamese rosewood as a prerequisite for the lifting of the trade suspension placed on Laos is similarly not in place for Burmese rosewood.

In the same way that the trade suspension placed on Siamese rosewood in Laos was immediately outdated due to CoP17 Prop.53, so too was it immediately overly limited in its species scope due to the entry into force of CoP17 Prop.55.

EIA recommends that a trade suspension be issued for Burmese rosewood (*Dalbergia oliveri/bariensis*) in Laos, in parallel and concert with that already in place for Siamese rosewood, and that the same requirements are applied to both species' management before the suspension for either is lifted.

EIA also recommends that a notification is issued to all CITES Parties recommending their rejection of CITES permits for Burmese rosewood from Laos until the conditions for lifting the trade suspension have been met by Laos and duly communicated by the Secretariat.

Increasing pressures on Burmese paduak (*Pterocarpus macrocarpus*)

Burmese paduak (*Pterocarpus macrocarpus/pedatus*) is a mid-quality redwood species included in the list of 33 recognised in China's 2000 Hongmu Standard. It is deemed a replacement, lookalike species for Siamese rosewood, Burmese rosewood and African paduak.

Following the Appendix II listings of Siamese rosewood (2013) and Burmese rosewood (*Dalbergia bariensis/oliveri*) (2016), and in light of the Appendix II listing of *Pterocarpus erinaceus* (Kosso, or African paduak) (2016), the pressures from the rosewood trade on *Pterocarpus macrocarpus/pedatus* (Burmese paduak) have significantly increased.

Burmese paduak has been heavily targeted by trade as it is more affordable and available than the highly valued Siamese and Burmese rosewoods and has been seen as safe investment material while prices for the more expensive woods have fluctuated heavily. Traders target Burmese paduak in the belief it will fill the demand of the second-tier of Hongmu consumers in Asia who may be less affluent or less concerned with species than higher-value Hongmu collectors or investors.

EIA has estimated that between 50-70 per cent of 2014 imports of HS 44039930 (Hongmu logs) from the South-East Asia region was *P. macrocarpus/pedatus* - constituting between 240,000 m³ and 336,000m³ of *P. macrocarpus/pedatus*. A further 250,000m³ was imported into Vietnam alone as sawn timber in 2014. Combined, across product groups and major markets, up to half a million cubic metres of *P. macrocarpus* may have been harvested and traded in 2013/14.

Despite the fact that harvesting and trade is prohibited in Vietnam, Thailand, Cambodia and Laos, while restricted in Myanmar, Burmese paduak has become the most targeted and heavily traded Hongmu species in South-East Asia.

The species deserves CITES protection. EIA urges responsible Range States to conduct inventories of standing stocks and propose CITES Appendix III protection before the next CoP, seeking to attain a global Appendix II listing.

Summary

In 2016, EIA information helped uncover extensive illegal trade in CITES-listed Siamese rosewood, including the systematic issuance of illegitimate permits by Laos and traffic in illegal timber covered by fake Cambodian CITES permits into Vietnam. EIA also uncovered how major importers China and Vietnam are failing in permit

verification in ways that have facilitated trade in illegal timber under CITES permits.

EIA has now identified considerable risks that illegal trade in CITES-listed rosewoods (*Dalbergia cochinchinensis* and *D.oliveri/bariensis*) will likely continue into the future without appropriate policy reforms within CITES and implementation improvements by relevant CITES Parties.

Recommendations

In tandem with targeted cross-border enforcement cooperation and in coordination with civil society actors, including affected communities, EIA recommends the following actions are taken by the CITES Secretariat and/or Parties, as appropriate:

- Extend the scope of the trade suspension on Siamese rosewood in Laos to cover all Annotation 4 products
- Conduct a transparent investigation into the declared exports of “A” sourced Siamese rosewood in Laos and the discrepancy between importing Parties’ reported 2015-16 imports of “W” sourced rosewood from Laos
- Transparently disclose the findings of the investigation into “Fake Cambodian permits” being accepted on import into Vietnam from 2013-14 onwards
- A reminder from the Secretariat that Parties must conduct credible Permit Verification for all species, including Siamese rosewood
- Extend the trade suspension on Siamese rosewood in Laos to also apply to Burmese rosewood (*D.oliveri/bariensis*) in Laos
- Responsible Parties propose the Appendix III listing of Burmese padauk (*Pterocarpus macrocarpus*) on Appendix III prior to the next CITES CoP and collaborate on an Appendix II listing proposal (under Annotation 5) at the next CoP.

REFERENCES

1. Reforms EIA has advocated on illegal Siamese rosewood trade include a trade suspension being placed on Laos and the strengthening of the Appendix II listing. EIA has also advocated the Appendix II listing of Burmese rosewood (*Dalbergia olivei/bariensis*). All of these were achieved last year.

2. <https://cites.org/sites/default/files/notif/E-Notif-2017-012.pdf>

3. <https://www.cambodiadaily.com/archives/rosewood-export-permits-were-faked-govt-says-114772/> & [http://www.phnompenhpost.com/national/rosewood-exports-vietnam-](http://www.phnompenhpost.com/national/rosewood-exports-vietnam-achieved-fake-signatures-official)

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4. This wording on Cambodia’s laws was submitted by Vietnam to CITES Parties as part of CoP16 Prop.60, co-authored by Vietnam.

5. 国家濒管办关于濒危木材物种进口贸易管制的提示信息, June 15, 2013. Accessed on July 19, 2016 at: <http://www.forestry.gov.cn/main/443/content-602198.html>

6. <https://cites.org/sites/default/files/eng/cop/17/prop/060216/E-CoP17-Prop-55.pdf>

7. <https://cites.org/sites/default/files/eng/com/sc/67/E-SC67-12-01.pdf>

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