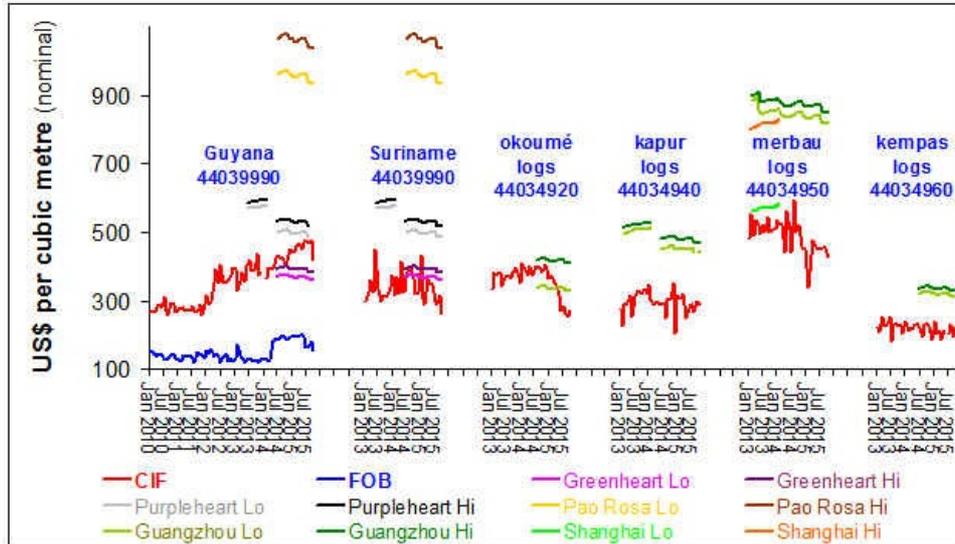


Guyana

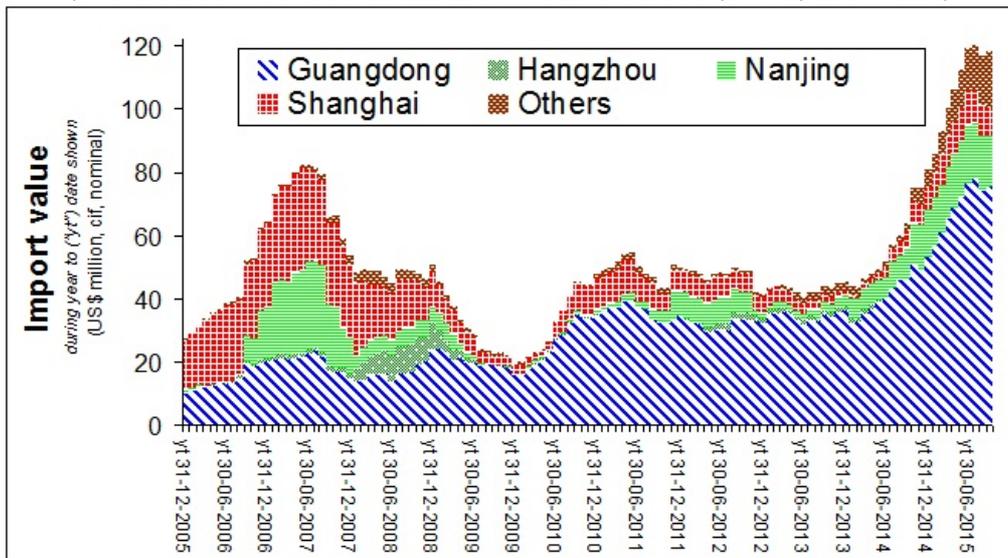
FOB, CIF and ITTO wholesale prices - logs from Guyana, Suriname and selected species

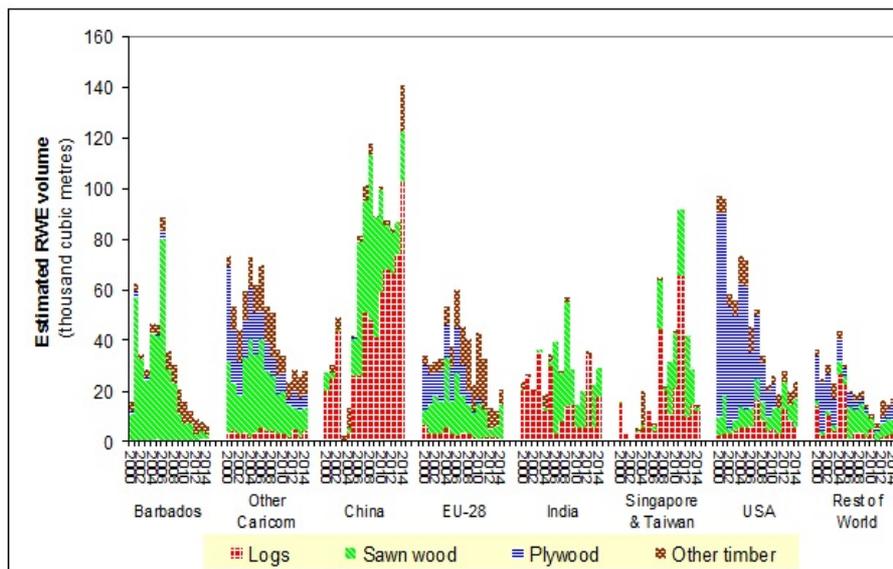
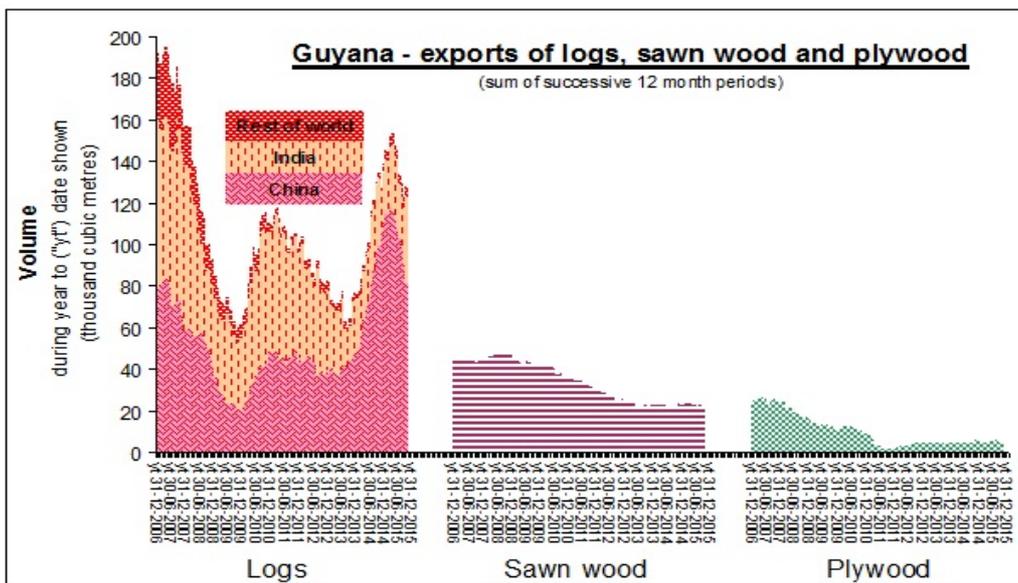
(Source: based on General Administration of Customs of the People's Republic of China, ITTO Tropical Timber Market Report, and FPDMC Market/Export Reports)



China's imports of logs from Guyana - by "customs district"

(Source: based on General Administration of Customs of the People's Republic of China)





Guyana's exports of timber

(Source: based on UN Comtrade - assuming codes 4403 & 4404 refer to logs)

For statistics of India's and China's monthly imports of logs from Guyana, see [tables at the end of this webpage](#).

Click the following links for:

[Bai Shan Lin](#), [Barama](#) (Samling Global), [Vaitarna](#) (Dark Forest / Coffee Day), [Demerara Timbers](#), [Jaling and Garner](#) (China Timber Resources), and [Sherwood Forrest](#)

Guyana

The Voluntary Partnership Agreement currently proposed between the EU and Guyana is unique within the EU FLEGT Action Plan in being confined to the supply of timber from Guyana to the EU. This will enable Guyana to do the minimum needed to comply with the terms of its "REDD-related" payments from Norway, rather than improve governance of its forest sector (which would require the scope of the VPA to include exports of logs, and exports to China and India) - undermining the aims of the FLEGT Action Plan.

The EU accounts for an almost negligible share of Guyana's timber exports. The cost of negotiating and implementing the VPA prior to FLEGT-licensing would be large relative to the revenue which Guyana would derive from the small volumes of timber which Guyana exports - if the VPA is confined to exports to the EU. The impact of the EC's Regulation 995/2010 (the "EUTR", which requires "Operators" to ensure the products they place on the EU market have a negligible risk of being illegal) appears to have had a significant impact on those exports - the volume having declined prior to March 2013 (when that regulation came into force) and has subsequently increased (presumably because importers are now confident in the legality of their sources of supply). The great majority is imported into the UK (about 200m3 of sawn wood per month).

The uppermost chart above indicates that declared FOB prices for Guyana's exports of logs to China tended to remain constant between January 2010 and April 2014 before rising 50% during the following month to a new plateau. In contrast, the corresponding CIF prices declared in China have risen strongly since the end of 2011. The difference in trend is consistent with increasing freight costs and with allegations of customs fraud in Guyana[1][2], but might have other explanations. Wholesale prices in Guangzhou quoted by the ITTO for Greenheart and Purpleheart during 2015 do not correlate closely with those CIF prices. However, they imply that the mix of species being imported into China from Guyana is increasingly of species having greater wholesale price than either of those two species. (The opposite trend is indicated for logs from neighbouring Suriname.) The difference between CIF and wholesale prices for logs of specific tropical species imported by China other than from Guyana (and for Purpleheart during

the second half of 2013) appears to have been in the range US\$100-200 per cubic metre.

There is significant concern (including in China) about the activities in Guyana of a Chinese company and inaction by the current (and previous) government of Guyana to properly address the implicit malpractice which allegedly characterises those activities - and damages China's international stature. The China Development Bank, which is funding a controversial major expansion in pulp production in South Sumatra (Indonesia)[-][-], is understandably reluctant to support the company (not least because, as a flagship for Chinese international investment, it is subject to (albeit voluntary) guidelines concerning the forest sector.

The company appears to control logging in a large percentage of Guyana's forest land, and has diversified into mining, haulage, construction and property development (substantially reducing the size of the market for Guyanese enterprises, and tending to use Chinese personnel). However, the subsidies which that company received from the previous government were intended to help the company establish itself in Guyana particularly in order to add value to Guyana's timber industry by transforming logs prior to export.

Despite that diversification, the subsidies (which, like those of a sino-malaysian multinational logging group, presumably remain current despite many years elapsing since the company became established), the failure to establish a mill (presumably in breach of its FDI agreement), the area of forest it controls, and - importantly - a booming market in China, the company claims to be in financial difficulty. The company has requested that the government of Guyana allows it two further years in which to establish suitable mills. There are no reports that it has offered credible guarantees to do so or to pay any penalty if it does not. Its annual accounts are not available to the public, but have presumably been audited by reputable accountants.

Title to at least one of the concessions over which the company appears to have operational control is held by an enterprise which is in a precarious financial position and listed on the Hong Kong stock exchange. That enterprise has title to two concessions (Garner and Jaling) and diversified into forestry through those concessions (albeit for reasons which seem unclear, speculation aside). Its business in Guyana has not declared any taxable profits and the total of the "impairment costs" which it reported concerning the net value of its concessions during FY2013, FY2014 and FY2015 is equal to half the declared cost of those concessions - implying substantial overestimates and/or forest exhaustion.

The government of Guyana appears to have responded vindictively to the exposure of its generosity in providing duty free exemptions to one of the largest and most controversial foreign logging groups operating in Guyana - one which, being linked to a state-owned enterprise of one of the wealthiest countries in the world (China), might not need those exemptions and (in so far as its parent group pays taxes in China) would transfer to the government of China at least some of any declared profit accruing from those exemptions. That company is alleged to use various ruses to renege on its offers to pay Guyanese workers. There has been much well informed criticism of the government of Guyana's relationship with that company (and others), including in public hearings[-]. The company is understood to have recently constructed roads to gain access to logging and mining concessions - without having (let alone implementing) approved environmental and social impact assessments - and to have carried out unauthorised logging operations which have been endorsed by the Guyana Forestry Commission.[-] The company has generated considerable opposition from Amerindian communities whose land appears to have been acquired by the company for logging,

The government of Guyana's embarrassed response to the large apparent expansion in that group's extractive, exploitative "investments" revealed in Guyana's understandably polarised media tends to confirm the criticisms of that group and the government's relationship with it[-]. The data tables which that response presents, in so far as they exclude the logging concessions directly allocated to the group[slide 6], are not comprehensive (and present production statistics for only part of the year 2014 as if they were for the complete year). However they clearly demonstrate the group's (implicitly illegal) unsustainable forest management strategy of abandoning concessions having stripped them of timber of the quality sought by its markets.[-][-] This directly contradicts the government's embarrassed response [This means that there is no overharvesting by Bai Shan Lin] and which is either naïf or disingenuous in ignoring that the sustainable yield is theoretical and assumes that a broader mix of species is being extracted than that which the group exploits. Remarkably however, the Guyana Forestry Commission is understood to have changed its Code of Practice (so that it waives the requirement for sustainability, something which is presumably contrary to its remit and/or Guyana's constitution).

In addition, that apparent expansion (and the hype - in China - surrounding it)[-] would be consistent with the success of the group's efforts to borrow - presumably in return for logs of the species which, as the government's embarrassed response tends to confirm, Wamara. Although wamara (*Swartzia spp.*) is not currently classified as "hong mu" - which has special status in China - the (often speculative) expansion of markets for "hong mu" has been so rapid and large that it is inconceivable that "look alike" species such as wamara are not also subject to such "demand". The difficulty of securing sufficient wamara (and presumably pressure to repay its creditors) might explain the group's interest in *ad hoc* purchases and its landlording of logging concessions.

The announcement [-] [final ¶s p10] that wood from a tree plantation (yet to be established) will be transformed into pellets in Guyana for shipment to Europe where it will be burned is inconsistent with the reality of the woody biomass market in Europe. The supply of pellets from Liberia and South Africa to the EU has now ceased. At least one major low cost producer in Brazil no longer plans to supply pellets to Europe.[-] Ghana will probably cease exporting pellets once its cheap source of supply - old rubber trees[-] - is exhausted. It is now recognised that although wood is renewable, burning it (instead of fossil fuel) to generate heat and power tends to increase greenhouse gas emissions.[-] Also, the co-firing of pellets with coal tends to be heavily subsidised,[-] including indirectly by failing to tax or otherwise account for the greenhouse gas emissions of bunker fuel[-] (for ships). It is most unlikely that pellets from Guyana could compete against supplies from south eastern USA (which are fifty times greater in scale - 3.5 million tonnes during the year to 30 06 2014 - and which tend to use specially designed transportation systems) in the two largest segments of the EU market for woody biomass - power stations and residential or municipal users (- much of the latter being supplied from local woodland).

As in a number of other countries (notably Mozambique) China's impact on Guyana's logging and timber processing industries is transforming local markets. The latter industry is being undermined by imports from China of cheap furniture having a probable life much shorter than that of furniture made in Guyana which it is displacing. The apparent market within Guyana for logs of the species previously used in making such furniture is contracting to the point at which exports (typically to China) are almost the only option available to logging companies (other than letting the trees live).

The government of Guyana could deploy a range of fiscal and policy measures to sustain its timber processing industry [5 p18] and thus avoid the social and economic cost of losing this. However, it appears that the government has chosen to apply such measures in ways which suit certain vested interests, both local and foreign.

This has come to a head in recent, sustained discussion in the media, which includes detailed allegations and apparently misleading responses from government. In addition to that discussion, one might wonder why the (audited) annual accounts of an "investor" (registered on the Hong Kong Stock Exchange) - whose logging interests in Guyana might be linked to the largest Chinese group operating in Guyana's timber sector - show persistent large losses, both in relation to sales revenue and asset value. Those losses seem inconsistent with the rapid expansion of that Chinese group in Guyana. However, such losses in revenue and/or asset value seem common to companies which have or until recently had logging or "forest development" interests in China and/or overseas and which are or until recently were listed on the Hong Kong or Toronto stock exchanges.[-][-][-][-][-][-]

One of the two largest logging groups operating in Guyana (both are foreign) has plans to log a very large proportion of Guyana's forest area and to mine gold. Such operations are likely to conflict with Guyana's Low Carbon Development Strategy and REDD+ initiatives supported by Norway. The company describes as "investment" the cost of constructing the infrastructure which will enable this asset stripping. However, it appears that that same company is exporting volumes of logs well in excess of that which is expected from State Forest Exploratory Permits[-][-] - and therefore without proper authorisation, and doing so both directly (from Kwakwani) and after transportation to Georgetown in containers on lorries driven not by Guyanese but by east Asians.

The "spiralling demand" for tropical logs in China[3.2.3] (and to a very much lesser extent India) is attributable largely to the continued willingness of both China and other countries (including those which prohibit illegal wood-based products, such as the USA and the 28 EU member states) to turn a blind eye to the legality and sustainability of those logs' provenance. The legality of concession allocation, subcontracting of logging or logging by front companies, the export of species in volumes exceeding quota, the independent inspection of consignments prior to export and the rights of forest peoples should be cornerstones of the VPA which Guyana is negotiating with the EU - unless both intend the VPA to be window dressing.

If, as is likely, the government does not have records of the projected and actual fiscal balance between the benefits and cost (to Guyana's treasury) of special tax incentives and the like in relation to particular logging groups, then this might simply reflect weak government capacity. However it might imply corruption. The likelihood of the latter would presumably need to be assessed by those carrying out due diligence under EC Regulation 995/2010 and the Lacey Act given their obligation to minimise the risk that products they place on the markets of the EU and USA respectively are illegal.

The Guyana Forestry Commission has not published sufficient recent forest inventory, roundwood production and export data to judge whether, as seems likely, the rate at which a number of tree species are being exploited is leading to their exhaustion - particularly those in which there is substantial interest from China (notably wamara and other *Swartzia spp.*).

Relations between the Chinese group which controls most of Guyana's industrial-scale logging concessions and the government of Guyana appear close - that group is also providing basic construction services, thereby denying Guyanese contractors and their workforce those business opportunities. That group's control over relevant policy-making in Guyana appears to have become so extensive as to warrant remark in Guyana's media.

Recent reports referring to Guyana's timber industry and its exports (including one concerning its competitiveness as a cluster - funded by the UK, Canada and the Inter-American Development Bank) seem to ignore or downplay the dominance of the industry by foreign interests, particularly those from China, and to focus on sawn wood rather than logs - despite the latter being much more controversial than the other timber products which Guyana exports. This contrasts with other reports of dubious ventures in Guyana for which China provided or has offered to provide debt. Indeed there appears to be increasing concern about the level not only of Guyana's debt to China but also of China's concomitant control over Guyana's economy.

Analysis of the financial accounts of the Guyana Forestry Commission suggests the prevalence of large scale impropriety. This analysis makes the timing of a substantial grant from the Inter-American Development Bank ostensibly to support REDD+ in Guyana all the more remarkable. Due diligence would presumably require the Technical Co-operation consultancy proposed under that grant to report whether malpractice by the authorities is - as in a number of other countries - in effect the greatest threat to Guyana's forest.

The Forestry Sector Information Reviews for the last three years indicate that log production during the month of December tends to be between two and five times as great as during other months of the year. Temporary surges at year end - when Guyana Forestry Commission ("GFC") inspectors are likely to be on holiday - do not seem to have taken place during previous years. The most high profile changes in the industry during the last few years has been increased interest by "Asian" enterprises. Inevitably perhaps, this makes it seem not only that those enterprises are cynically exploiting the established routine of the GFC but that they lack commitment to Guyana and its peoples' forest.

Given that export volumes do not exhibit such a spike, it may be that the logs produced at year end are stockpiled for export or transformation later in the year. Such stockpiles if not clandestine, would presumably be easy to find.

If the declared FOB price at which logs of certain species are exported were much less than the price at which those species were advertised in relevant newspapers for sale to the market in Guyana, then this might indicate that those who seek to export logs are exploiting loopholes in Guyana's policy concerning the export of logs. The lower chart above illustrates the extent to which that policy (which seeks to promote the export of processed timber, not logs) is being flouted. (If the price advertised to the local market were exorbitant, there would appear to be no local interest, thereby making it easier to argue that the logs should be exported.) Assuming that there is no collusion, it would presumably be in the GFC's interest if such an assessment were carried out.

Presumably, the Voluntary Partnership Agreement which Guyana is starting to negotiate with the EU will resolve whether the EU is to regard as legal the illegalities with which a number of foreign logging groups in

Guyana are allegedly associated. Guyana's motivation in seeking that VPA might change once funds which are being withheld under an agreement between Norway and Guyana are released.

During 2012, a roundwood equivalent volume of approximately 120,000 cubic metres of timber was exported from Guyana. China and India each account for about one quarter of the total, almost entirely as logs. A further 3% was destined for the EU, predominantly as "undressed" sawn wood having an export value of little more than US\$ two million. This accounts for a large majority of the roundwood equivalent volume which is exported from Guyana.

Nevertheless, a Chinese enterprise seems to have negotiated rights to log 300,000 cubic metres - twice as much as this - in order to supply a proposed saw mill, consequently casting doubt about sincerity of Guyana's Low Carbon Development Strategy. Further, there is unlikely to be a market for the output of that mill (or the logs from a number of the concessions which Bai Shan Lin appears to have taken over), This is because there is non-negligible risk that taking over those concessions is contrary to Guyanese law, which would presumably be unacceptable under the VPA and which is unacceptable under the USA's Lacey Act and the EC's Regulation 995/2010 (which prohibit the placement, on the USA or EU market respectively) of wood-based products which have a non-negligible risk of being illegal, whether supplied directly or indirectly, e.g. via India or China).

The Guyana Forestry Commission is reported to be keen to support those who exploit forest through Community Forestry Organisations in increasing the supply of timber for export.^[p12] This might reflect exhaustion of commercially attractive species in industrial-scale concessions ("Timber Sales Agreements"). Prior to allowing such exploitation, communities should reflect on the profit which those further down the supply chain are likely to make at their expense.

Formal consultancy reports are said to identify not only numerous defects in the Legality Assurance System which the Guyana Forestry Commission "GFC" proposes (and in how the GFC interprets the law) but also weaknesses in forest management practice in Guyana.

Recent media articles indicate that Guyana's informal trade in timber (by the ethnic Chinese diaspora, some of who's residency status is likely to be questionable, as in Suriname) is increasingly manifest and has become an integral component in the export of Guyanese timber. This is contrary to the policy of the GFC - and probably illegal. This and other probable illegalities concerning Guyana's timber exports seem to be condoned by the authorities - and to contradict GFC rhetoric. This does not necessarily reflect Guyana's reputation for corruption (score 2.5 on TI's most recent CPI).

Although the volume of plywood which is exported from Guyana (roughly 400m³ monthly) is currently a small fraction of what it used to be, there has been no change in the fiscal concessions which have for a number of decades been granted to one of the largest logging groups operating in Guyana - this apparent generosity by those at the highest levels of government (supposedly on behalf of the peoples of Guyana towards that logging group might reflect powerful vested interests.

Neither GFC reports nor the media appear to mention how and to whom the c.700,000ha increase in Timber Sales Agreements was assigned during the second half of 2010 (presumably from previously Unallocated Forest).^[Table 2 and Table 2] This and the other apparently unexplained changes in forest allocations might reflect manipulation by those in authority, and as such might compromise the monitoring of relevant supply chains and assessing their legality. That the Minister for Forestry is the current President begs interesting questions in this respect.

Guyana is negotiating a Voluntary Partnership Agreement with the European Union "VPA", one component of which would require implementation of a Timber Legality Assurance Scheme "TLAS". Remarkably, assessment of such processes (fundamental to governance) as those by which (a) forest has been designated for logging or conversion, (b) concessions have been allocated, and (c) the logging entity authorised, do not seem to be required in the TLASs which the EU is negotiating elsewhere.^[Cameroon Congo Ghana] Documents rubber-stamped by relevant officials are deemed sufficient. If such rubber-stamped documentation is deemed insufficient evidence of legality under the EU's Regulation 995/2010 (which requires due diligence to exclude Illegal Timber from the EU market) it would seem to be in Guyana's interest to establish a VPA - from the 3rd of March 2013, that regulation will make it illegal to place Illegal Timber on the EU market, unless consignments (or illegal components thereof) derive from countries which are implementing a VPA.

As the upper chart above shows, the quantity of timber being exported from Guyana has risen strongly since the signing of the MoU between Guyana and Norway (November 2009), particularly as logs whose export is officially discouraged. Under that MoU, penalties will be triggered if timber *production* annually exceeds the average for 2003-2008^[p20] and if the percentage of timber production which is illegal exceeds 15%^[p22] (the Illegal Timber content of Guyana's timber exports to India and China is likely greatly to exceed 15%).

Further evidence that Guyana is not serious about reducing deforestation or forest degradation derives both from the number of logging concessions being granted - which has increased - and the nature of the enterprises which have been allocated the new concessions (- see below).

In addition, it appears that cocaine is being smuggled out of Guyana in containers with timber illegally [Aroraima 180m³] supplied by Chinese nationals (linked to well-known restaurant). Disputes about where the different authorities' jurisdictions start or end, and a previous order to reduce surveillance, would be consistent with high level interest. Failure to notice the fraud (illegal timber) tends to indicate that routine monitoring systems being used by the Guyana Forestry Commission are not fit for purpose, and this begs questions about claims submitted by the GFC under the MoU.

Remarkably, the MoU requires that measurement of forest degradation ignores one of the most fundamental characteristics of forest vitality - their mix of species (both of trees and their mode of reproduction, including the recycling of their nutrients).^[p19-22]

Since late 2009, the only destinations willing to accept Guyana's plywood exports have been local - the former primary markets of the USA or the EU now have or will soon have legislation which in effect prohibits the import of Illegal Timber. The benefits which Guyana has secured from its tax concessions to foreign enterprises in the timber industry seem negligible - though their cost is substantial.

The government of Guyana, a country which is both one of the most corrupt in South America and noted

for links to the [illegal drug trade](#), is to receive a grant of US\$30 million from the government of Norway. The grant is an initial instalment of a much larger payment which is supposed to reward the people of Guyana particularly for the retention of their forests' eco-system so that other countries can continue causing climate change through their consumption of carbon.

The much larger payment would be made even if deforestation increases - as is likely given plans to construct a controversial hydro-electric project. Norway will reward Guyana for increasing deforestation by between 50% and 400%.[\[p15\]](#)

The Amaila Falls project is to be funded partly by the China Development Bank[\[-\]](#), and likely to use imported Chinese labour rather than Guyanese[\[-\]](#). Although the ostensible purpose of this project is to substitute for electricity generated by current fossil-fuel power stations, the project might instead supply export-oriented refineries which have yet to be built.[\[-\]](#)

The route chosen for a new road to the project site conveniently passes through a mature forest ecosystem. The likely sub-contractor for the road is one of the three foreign logging groups which supply the great majority of the timber which is exported from Guyana to China and India. The government refuses to publish the mandatory environmental impact assessment of the project and this access road.[\[-\]](#) Norway's initial payments will presumably help commit Guyana to implementing this costly hydro-electric project prior to general elections in 2011...[\[-\]](#)

The Norway-Guyana agreement does not seem to require Guyana to address the primary drivers of forest degradation in Guyana - mining (particularly of gold) and, less lucrative, logging, both of which tend to be not only illegal and unsustainable but also associated with poor governance.

In so doing, Norwegian taxpayers snub their counterparts in the UK who, particularly during the 1990s, provided extensive funding and technical assistance to the Guyana Forestry Commission in order to help ensure sound management of Guyana's forest and timber trade.

Opportunities to take advantage of poor governance under REDD have already attracted criminal interests.[\[Interpol\]](#) Under REDD, forests are being treated as if they were merely agents for the sequestration of carbon (rather than for their social and environmental services locally and globally) and, as such, tradeable by those who wish to continue to supplement the already dangerously high levels of greenhouse gases in the atmosphere. The Auditor General of Guyana has commented on financial chicanery by the office of the President of Guyana.[\[-\]](#) Instances of a similar character relating to funds disbursed under the MoU between Norway and Guyana are apparent.[\[-\]](#)

Despite major flaws, the government's Low Carbon Development Strategy has some encouraging points.[\[-\]](#) However, a McKinsey report[\[-\]](#) concerning incentives to avoid deforestation in Guyana appears to be based on a flawed appreciation of the potential of Guyana's forest land and the reality of Guyana's forestry sector.[\[-\]](#)

The unit prices cited in the ITTO's fortnightly "Tropical Timber Market Report" indicate that the difference between the unit prices for Guyana's log exports are remarkably small relative to unit prices for equivalent products exported from other producer countries. The difference might well be attributable to transfer pricing fraud. Given that, during 2005, logs account for almost all India's (and half of China's) timber imports from Guyana, and that India and China (primarily India) account for more than half of Guyana's log exports, entities in India and China might be unwittingly party to such fraud. The loss of export revenue attributable to transfer pricing fraud probably now amounts to very approximately US\$50 million *per annum*. Although that amount is substantial in relation to Guyana's official export revenue of US\$ 500 million (roughly half of which was then attributable to gold, diamonds and sugar, and a further 10% to timber), Guyana's losses from fraud in the export of gold and diamonds is probably much more substantial.

Such a large percentage in lost revenue should prompt donors to at least claim to be applying effective pressure on the government of Guyana to substantially reduce those losses. Remarkably, donors do not seem to be doing so.

Logs, sawn wood, and plywood accounted for approximately 35%, 45%, and 15% of the RWE volume of Guyana's timber exports during 2009.[\[-\]](#)

It seems likely that an increasing proportion of the logs exported is supplied other than directly from forest concessions - by shops and other small enterprises across the country (run by Chinese immigrants or ethnic Chinese domiciled in Guyana) which, implicitly, have diversified away from the business which they are authorised to conduct. Such informal commerce is unlikely to be acceptable if and when Guyana implements a credible Voluntary Partnership Agreement "VPA" with the European Union under the latter's Forest Law Enforcement Governance and Trade "FLEGT" action plan. [Top](#)

Bai Shan Lin [\[-\]](#)

This company is reported to have commenced logging in concessions prior to having been given approval and to constructing roads either in the concessions of others or - without having or respecting credible environmental and social impact assessments - towards prospective logging concessions or mining areas. It is alleged that, since late 2012, with the support of Guyana Forestry Commission, Baishanlin has refused to obey three instructions from the Guyana Geology and Mines Commission to cease unauthorised work preparing for a mine. The company expects to obtain US\$1,800 per hectare in profits from logging in Guyana.[\[slide 17\]](#) where it admits to holding roughly 960,000 hectares of logging concession.[\[slide 6\]](#). There is doubt that it is legal for Baishanlin to have rights to log a number of these concessions - landlording being illegal. The company's saw mill is said to now process logs of a diameter which would previously have been illegal. Publicity by the company[\[slides 16 & 26\]](#) tends to confirm allegations that residence in Guyana facilitates migration into other countries, notably the USA, and that the company intends to promote migration from China to Guyana and facilitate tax and other matters for businesses established in Guyana. A state-owned bank appears to be facilitating the company's forest-related business - which tends to imply that, according to the bank's due diligence, BaiShanLin is not in breach of the "[A Guide on Sustainable Overseas Forest Management and Utilization by Chinese Enterprises](#)".

A state-owned timber enterprise from Wuchang (Northern China) was to log Jaling's concessions despite having no experience of tropical forests. It is likely - see the next paragraph - that Guyana BaiShanLin International Forestry Development Co. might have logged Jaling's concessions. These arrangements are akin to "landlording" which is illegal in Guyana (unless officially authorised by the President). The resulting timber was to be exported through a joint venture partly owned by a Mr Chu Wenze - a hardwood floor dealer - who was chief executive of BaiShanLin and who has been arrested in China. Mr Wenze has

forecast that BaiShanLin's annual output of processed timber from Guyana would exceed 300,000 cubic metres at its peak.[p5]

It is said that BaiShanLin now (2010) has interests in a concession (which Barama used to log [§5]) under arrangements which include a change in underlying control of the concession (implicitly illegal unless authorised by the President).

BaiShanLin (part owned by "BUCC", a (state-owned) residential housing company from Beijing whose indentured work force in Dubai went on strike during 2007) has also taken over Jaling's operations in Linden (the location of the Karlam mill). Safety for workers and visitors to those operations has been a disgrace and BaiShanLin's workforce is treated badly. There is concern that the timber businesses associated with BaiShanLin and Jaling are using Chinese workers (some of whom are indentured/bonded - as in Dubai) instead of employing local counterparts - and withdrawing support for community services.

BaiShanLin was registered during the month in which 51% of Jaling's shares were acquired from the Chan family. Its subsidiary, BUCC Wood, asserts that BaiShanLin has been granted wood cutting licences for 1.2 million hectares of Guyana's forest - an area considerably larger than that of concessions granted to Jaling, Garner and Demerara Timber combined... It is likely that this exaggeration was intended to increase interest from Chinese investors - i.e. to con them. Alleged financial difficulties helped BaiShanLin to secure (from Guyana's Republic Bank) a US\$200,000 mortgage over the Karlam sawmill. BaiShanLin subsequently defaulted on its repayments.

The European Commission (under its Linden Economic Advancement Programme) has subsidised China's timber industry with a US\$10 million loan [p19] to promote the export of flooring strips from a controversial sawmill in Guyana.[Karlam p23]. China can easily afford to provide such subsidies itself. The enterprise in which the loan is now invested, BaiShanLin [p18], is related to the government of China. Given this and BaiShanLin's track record, it is remarkable that the European Commission continues to support this enterprise - indeed it is unlikely that BaiShanLin's products would be acceptable for import into the EU under the EC's [p9] "Timber" (due diligence) regulation.

During April 2007, BaiShanLin was prohibited from exporting logs, partly as a consequence of its failure to comply with its obligations. Two weeks later, Jaling's Timber Sales Agreement was suspended due to non-compliance by whoever was then logging on behalf of Jaling.

BUCC Wood, established at the end of 2006, is a jointly-owned subsidiary of BaiShanLin and BUCC. It claims to sell 200,000m³ of imported logs annually (the maximum Wuchang expected to extract from Jaling's concession) and to process some of this into veneer and flooring in Beijing. BUCC Wood gives the impression that Guyana is its sole supplier, that its logs enter China through ports near Zhangjiagang, Shanghai and perhaps Tianjin, and that at least some of the products made from those imports are subsequently exported. However, China declared the import of little more than 60,000m³ of logs and 4,000m³ of sawn wood from Guyana as a whole during 2007.

BUCC Wood appears particularly to promote logs of locust wood (*Hymenaea courbaril*) from Guyana in its marketing material. The export from Guyana of logs of this species - and crabwood/andiroba (*Carapa guianensis*) which BUCC also markets - has been prohibited since 2002, both for reasons of conservation and in order to safeguard supplies for Guyana's furniture industry. Authorities in China have been obliged to "correct" the statistics of imports from Guyana which they declare to the ITTO so as to exclude reference to this species. BUCC Wood also markets logs of bulletwood (*Manilkara bidentata*) from Guyana - a protected and ecologically important "keystone" species, for which the Guyana Forestry Commission nevertheless quite readily grants permission to log.[Top](#)

Barama (Samling Global)

While "striving for an equitable world", the government of Guyana evidently continues to support the business of Barama.

During early 2006, Barama (then Guyana's largest timber enterprise) received an FSC certificate pertaining to the management of 570,000ha of its forest concessions. This FSC certificate was withdrawn in January 2007 after it became apparent that Barama had failed to comply with improvements required to maintain that certificate. Of Barama's 218,000m³ log production during FY2005/6, only 28,000m³ were FSC-certified and 156,000m³ derived from the 445,000ha of forest (and a further 60,000ha or so of Amerindian lands) over which Barama claims harvesting rights. Given that Barama's 1.6m² hectare concessions expire in 2016, it is remarkable that such a small proportion of Barama's log production derives from its own concessions. However, the window of opportunity for such exploitation is short (such "rights" tend to be illegal and they expire prior to 2016), making it unlikely that management of these forest areas is sustainable. Indeed, Barama has stated that it has no intention of managing these areas sustainably [§12] (which is contrary to the law). It is probably from these areas that it fells most of the logs which it exports.

Barama is now wholly owned by Samling, its former joint owner Sunkyoung (a major conglomerate from Korea) having withdrawn. Samling, based in Sarawak, is a controversial logging group (particularly due to its record for disrespecting native customary rights) which has recently been blacklisted by one of the world's largest investors - the government of Norway. Samling's listing in February 2007 on the Hong Kong Stock Exchange[code 3938] embarrassed the banks which arranged that listing. Most of Barama's key workers and labourers are Malaysians and Indonesians - some of whom are said to have worked for Rimbunan Hijau in Papua New Guinea - fuelling resentment within Guyana.

Such employment practice, allegations of economic crime (concerning transfer pricing fraud and the granting of the very large area of its forest concessions and its remarkably generous tax treatment), failure to respect the rights of workers and indigenous people, and procuring wood from dubious sources, all in relation to Barama, breach "A Guide on Sustainable Overseas Forest Management and Utilization by Chinese Enterprises" - which is said to be applicable to enterprises operating from Hong Kong as well as mainland China.

Subsequent to a formal review of its relationship with some officials which investigated illegal logging operations and fraud, Barama was penalised with a token fine and by having some of its operations suspended. More recently, Barama has been further fined - for failing to submit credible forest inventories and operation plans. It seems that Barama has not paid all its fines. It would appear that Barama's continued operation in Guyana - including without even having a forest management plan [CAR.SGS.FM.2006.14] - is consistent with high level corruption and the consequent risk of blackmail.

If Barama, the owner of the country's only plywood mill, finds it more profitable to export logs rather than plywood then this might partly explain why Guyana's plywood exports have collapsed - and would tend to reduce management effort in the mill, causing the quality of Barama's plywood to deteriorate. Barama's ill-repute will have contributed to a reduction in buyers' interest in that plywood. That collapse might also be attributable partly to exhaustion of suitable species in Guyana's forest - reflecting unsustainable management and a failure of government oversight. The mill processed logs from numerous sources.

As indicated in the table below, the volume of plywood entering end-use each year within Guyana has fluctuated around an average between 5,000 and 10,000 cubic metres.

The mill was a fundamental component of the very generous investment incentives granted by the then Guyana government to Barama (Barama commenced operations in 1991). The mill seems to have been used by Barama as a political tool. Soon after being convicted for several illegalities (and perhaps in response), Barama threatened to close the mill. The reason cited - insufficient supplies of logs - (refuted by the government) implies an unwillingness to buy in suitable logs, and has previously been given (perhaps when negotiating access to concessions which it had not been granted). Given Barama's ownership by a major tropical logging group whose operations include plywood production, it would be odd if Barama had offered to build a mill whose capacity exceeded the likely supply of suitable logs and/or that it so overestimated potential log production from its own and others' concessions. However, it might have done so as a (fraudulent) tactic to secure favourable terms of engagement in Guyana. Similar tactics may explain why the Independent Technical Report prepared for the Samling Global IPO in 2007 (see below) states that there are plans to expand the mill from 108,000 to 153,000m³/a - the increase being in stark contrast to the publication a few months later of plans to close the mill, and the steep decline in production by the last decade (see table below). The government forced Barama to close its Buck Hall mill during 2010 subsequent to the death of an employee in the mill's timber shredder.

Barama closed its mill for the foreseeable future during October 2010, subsequent to damage to part of the mill which had a fundamental design fault.[1.] The President has expressed willingness to renew the subsidies from which Barama has benefitted for many years despite their cost to Guyana especially if the plywood mill is reopened.[.]

Barama has been subsidised by (externally supported) technical assistance [ECTF; WWF] and, for almost twenty years (as a consequence of its various tax and de facto legal exemptions), by the people of Guyana. It has been said that the set of company accounts which Barama submits to the Registrar of Companies tend to show that Barama's business is unprofitable, despite all this assistance (and its competitive advantage in relation to profitable Guyanese timber companies). Like most timber companies listed on the Hong Kong stock exchange, Samling Global is incorporated in a British Overseas Territory (Bermuda), presumably for reasons of transparency and tax efficiency.

Despite the above, it would not be surprising if, prior to standing down during 2011, the President were to renew Barama's financial privileges for a further ten years.

Comparison between the import statistics of China and India and Samling's export statistics[slide 36] suggests that, during 2009, Barama supplied one third of the volume of logs which were exported from Guyana to China and two thirds of that supplied to India. Samling plans to produce 220,000 cubic metres of logs during 2011,[slide 16] not much less than the total produced nationwide in Guyana during recent years.[p27] [Top](#)

Vaitarna / Dark Forest Company (Simon and Shock; Caribbean Resources)

An Indian enterprise Vaitarna Holdings has, through a local subsidiary - "Dark Forest Company" - acquired Simon and Shock's business in Guyana - which consisted of a State Forestry Exploratory Permit (valid for up to three years) for concessions of total area c.392,000ha.[p6] It has also acquired the former concession of Caribbean Resources Limited (part of the CLICO group) whose area is c.346,000ha.[.] It is not legal for the government to transfer concessions in this way. These transfers, which took place during 2010, do not appear to have been made public until 2011.[.]

It is also not legal to allocate concessions to enterprises - like Dark Forest Company - which have no experience of tropical forest logging. Further, it is not legal for a concessionaire to subcontract the logging of its concession (unless authorised by the President) - as the Minister implies [], and even more questionable if the two concessions were to be logged by affiliates of Barama or Bai Shan Lin. The Minister responsible for forests would appear ill-suited to his role given that, as Minister, he has implied that cultivating tree crop monocultures on accessible plantations requires similar experience as logging in remote, bio-diverse forest.[.]

The allocation to Simon and Shock was made during January 2008 on condition that it established a major sawmill before carrying out any logging. No such investment appears to have been made. Although Dark Forest indicates that it might establish a mill, the enterprise seems intent on exporting logs (contrary to Guyana's forest and export policies) for the foreseeable future.[p2] It is unclear why the Guyana Forestry Commission has not withdrawn either the concessions acquired by Dark Forest. Having taken three years to carry out the requisite checks on the original owners of Simon and Shock (an established timber business), it is odd that the GFC does not appear to have carried out similar due diligence concerning the eligibility of this enterprise. Further, it is unclear to which CLICO policy holders the G\$600m payment on which has been made on behalf of the Coffee Day group for CRL has been allocated.[.]

It transpires that Dark Forest Company is an affiliate of an Indian group whose core business is the management of cafes - Coffee Day - which seeks to expand its (currently in-house) furniture business, DAFFCO. Its plans to do so and float DAFFCO will presumably benefit from investments made during April 2010 by the private equity funds of Standard Chartered and KKR.[.] Perhaps these funds and those involved in promoting the flotation (including the relevant stock exchange) are unaware of or have discounted the reputational risk to which they are or will be exposed given the probable illegality of the furniture which DAFFCO presumably intends to make from wood supplied by its logging business in Guyana - a business which would seem to belie and threaten the integrity which underpins Coffee Day's brand.

It appears that the authorities have waived the requirement that Vaitarna establishes a saw mill[.] [.] and, for reasons which are not yet clear, the company has requested that its concession agreement be transferred to an affiliate of almost the same name[.]. It is understood that the company has started to export logs from Guyana. [Top](#)

Demerara Timbers

The owner of Guyana's second largest timber company, Demerara Timbers, was at one time thought to

value (US\$ million)	1.8	1.6	1.3	1.7	0.9	0.7	1.9	0.6	0.8	0.8	0.8	1.3
China	2009 (average US\$290/m3)											
Volume ('000 m3)	1.4	1.1	0.7	2.0	0.9	0.5	2.2	1.3	1.8	3.4	2.4	1.5
Import value (US\$ million)	0.4	0.4	0.2	0.6	0.3	0.2	0.6	0.4	0.5	1.0	0.6	0.4
China	2010 (average US\$280/m3)											
Volume ('000 m3)	2.2	2.3	5.3	3.0	2.8	7.3	5.6	5.7	6.7	2.4	2.5	4.8
Import value (US\$ million)	0.6	0.6	1.4	0.9	0.8	2.1	1.8	1.5	1.7	0.7	0.7	1.3
China	2011 (average US\$270/m3)											
Volume ('000 m3)	3.4	3.3	3.4	5.6	3.2	2.9	3.7	4.5	3.4	2.2	1.0	0.4
Import value (US\$ million)	0.9	0.9	1.1	1.5	0.9	0.8	1.0	1.2	0.9	0.6	2.6	1.1
China	2012 (average US\$360/m3)											
Volume ('000 m3)	3.3	2.4	3.1	3.5	5.3	3.1	3.3	4.8	2.4	2.4	3.4	0.3
Import value (US\$ million)	1.1	0.8	0.9	1.3	2.1	1.1	1.4	1.7	0.8	0.9	1.3	1.2
China	2013 (average US\$380/m3)											
Volume ('000 m3)	5.1	3.2	3.6	2.7	3.5	2.0	4.7	6.2	4.3	1.5	5.1	3.7
Import value (US\$ million)	2.0	1.0	1.3	1.0	1.3	0.8	2.0	2.4	1.6	0.7	1.9	1.4
China	2014 (average US\$390/m3) Note: the volumes shown since 01 01 2014 are estimates based on source data in units of weight.											
Volume ('000 m3)	8.5	4.6	6.0	4.5	4.9	4.1	10.5	9.0	11.6	17.1	4.9	9.6
Import value (US\$ million)	1.9	1.7	2.4	1.8	1.9	1.8	4.5	3.8	4.9	5.1	2.0	4.3
China	2015 (average US\$430/m3) Note: the volumes shown since 01 01 2014 are estimates based on source data in units of weight. .											
Volume ('000 m3)	8	10	14	10	11	11						
Import value (US\$ million)	3.7	4.4	6.3	4.8	3.4	5.1						

Source (China): General Administration of Customs of the People's Republic of China

Note: this schedule might assist the authorities in Guyana assess the extent of any fraud in the volumes and export values declared by enterprises which supply logs from Guyana to China. [Top](#)

Further information

