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The Cost of Luxury

Chinese demand for luxury rosewood furniture is fuelling a multi-million dollar timber smuggling operation in Cambodia

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China's craze for rosewood *Hongmu* furniture is fuelling a multi-million dollar black-market trade in illegal logs across Cambodia, a new Global Witness exposé reveals. *The Cost of Luxury* is the result of an eight-month undercover investigation into the rush for Cambodia's last luxury timber. It documents how Cambodian tycoon Oknha Try Pheap is at the helm of an illegal logging network that relies on the complicity of officials from government, the military, police and customs to clear rare trees like Siamese Rosewood, traffic logs across the country and load them onto boats bound for Hong Kong.

"Buyers of lavish four-poster beds and vanity tables in China may be unwittingly lining the pockets of what can only be described as timber gangsters," said Megan MacInnes of Global Witness. "Try Pheap and his network are destroying Cambodia's last forests and robbing indigenous communities of their livelihoods. Meanwhile the very officials in Cambodia who should be stopping them are conspiring to ensure that contraband wood enjoys safe passage, and is exported as seemingly legitimate lumber."

Despite strict laws protecting rare and luxury tree species in force since 2002, the Try Pheap Group is exporting as much as 900m³ of timber from the international Sihanoukville port every day. Overall, 85 percent of Cambodia's timber exports are destined for China, with a 150 per cent increase in *Hongmu* log exports between 2013 and 2014.

Oknha Try Pheap is one of Cambodia's most prominent tycoons and previously a personal advisor to Prime Minister Hun Sen. He holds land concessions totalling 29,589 hectares – one quarter of the size of Hong Kong's territory. Interviews with government and industry insiders, including people on Try Pheap's own payroll, reveal how loggers in his network are granted safe passage, immune from timber confiscations or penalties thanks to entrenched systems of corruption. The Try Pheap Group has even been granted exclusive rights to purchase any timber seized by enforcement agencies, to sell on and export, at a profit.

One of Try Pheap's alleged middle-men, Hom Hoy, is a two-star general with the Prime Minister's Body Guard Unit *Brigade 70*, indicative of the company's close connections with Cambodia's armed forces. Numerous insider sources also described the tycoon's close relationships with Ministry of Environment and Forestry Administration officials.

"The Try Pheap Group's raids on Cambodia's last forests are tantamount to daylight robbery," said MacInnes. "The company is routinely and brazenly flouting laws aimed at protecting Cambodians and the eco-systems they rely on. This is yet another example from Cambodia of political power and business interests trumping citizens' rights, and the wholesale capture of the country's natural resources by its corrupt ruling elite."

At Cambodia's international port in Sihanoukville Global Witness obtained copies of shipment documents for timber valued at US\$5.6 million, for two lots of timber exported by the Try Pheap Group to the Kin Chung Transportation Company in Hong Kong. Investigations into this company revealed that it has a capital shareholding of just HK\$2.00 and no public presence as a timber trading company. When approached, the company's directors claimed to have no knowledge of the Try Pheap Group, and no idea why their company had been associated with such imports. Global Witness also wrote to Oknha Try Pheap and General Hom Hoy asking for their comment on the evidence presented in *The Cost of Luxury*, but received no reply.

These investigations demonstrate that any timber leaving Cambodia should be treated as highly suspicious, even when stored in containers with the government's seal of approval. Try Pheap Group timber should not be considered legal until proven otherwise because:

- The company and its affiliates deploy workers, accompanied by government enforcement agencies, to seek out **luxury-grade wood** such as Siamese Rosewood, which the Cambodian government banned from harvesting and export in 2013. This species is also protected under international law; listed by the Convention on International Trade in Endangered Species of Wild Fauna and Flora in 2013;
- The Group is gutting forests within **economic land concessions** – a leasing system intended not for logging but for large-scale agriculture. None of the Group's land concessions should be considered legal as they cover forested land, are larger than the maximum size limit and have not undergone required community consultations. Nearly 20,000 hectares of concession-land within Virachey National Park, home to indigenous populations and several endangered plant and animal species, was taken back from the Group by the Government in late 2014;
- The Group is also using its land-concession permits to clear forests beyond the allocated boundaries, **laundering valuable and protected timber** from surrounding areas;
- The Group is exporting **forms of timber prohibited for export**, namely unprocessed logs and sawn timber thicker than 25cm in diameter.

"Urgent action is needed to avert the destruction of Cambodia's critical forest habitats and the livelihoods of local communities relying on them," explained MacInnes. "The Royal Government of Cambodia must urgently tackle illegal logging and better protect endangered trees and the rights of forest dependent communities. It must also take immediate action to investigate evidence that Oknha Try Pheap and those under his control are involved in illegal activities. The authorities in Hong Kong and mainland China should suspend the import of all rare *Hongmu* tree species from Cambodia, and introduce legislation that prohibits the import, trading and processing of illegally harvested timber and products derived from such wood."

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