

The Chinese Timber Trade and the Logging of Peruvian Amazonia

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China has replaced Japan as the world's largest importer of tropical timber and Italy as the largest exporter of processed wood products (ITTO 2005; Liu & Diamond 2005; White et al. 2006; Wang et al. 2007). Now, a debate has ignited regarding China's responsibility for illegal logging of forests around the world (Laurance 2008; Wang et al. 2008) and reports in the popular press have proliferated that directly implicate Chinese logging companies, notably in Asia and Africa. For example, in January 2008, Sierra Leone banned timber exports due to alleged forest destruction by Chinese companies (BBC 2008) and, more recently, the Kachin News Group reported that Chinese loggers were exploiting Burmese children in the process of removing timber belonging to local people in northern Shan state (KNG 2008). Little has been reported on the scale or nature of Chinese timber procurement activities in Latin America, although some categorical and misleading statements have been made. A 2007 Conservation International study on conservation in Amazonia states "there is no appreciable trade between the Pacific coast of South America and China" (Killeen 2007). Conversely, the year before, a director of the Council on Foreign Relations, a policy think tank, testified before a U.S. congressional commission that "Chinese logging companies" were present throughout the Amazon and had been fined for "poor logging practices" (Economy 2006). Both statements are erroneous. Exports of Amazonian timber from Peru's Pacific coast to China are booming. In the region of Pucallpa, the major center of logging in Peruvian Amazonia, however, there is no evidence of logging by Chinese companies.

Exports of Amazonian hardwood to China already represent a substantial portion of Peru's market. Figures from the International Tropical Timber Organization show Peru exported 199,000 m³ of sawn wood in 2006 (ITTO 2006). We collected the names of 95 companies export-

ing timber from Peru and examined digital customs declarations (SUNAT 2008) for all of their shipments in 2006. These declarations show that at least 56,425 m³ of sawn wood was shipped to China, 63% of which (or 35,559 m³) was separated by species. Of this quantity, 95% belonged to three ecologically important, but not endangered, rain-forest hardwoods: *Dipteryx* spp., *Miroxylon balsamum*, and *Manilkara bidentata*. For comparison, mahogany (*Swietenia macrophylla*) and tropical cedar (*Cedrela odorata*), both listed as endangered and often mentioned in the context of illegal logging, remain high-volume exports to the United States. Without minimizing the potential impact of China's huge timber demand, it is significant to note that China imports negligible quantities of these two protected species.

Since China restricted domestic logging and lowered import tariffs to conserve its own forests (Wang et al. 2007), many new supply chains have been established to deliver timber from remote tropical forests to China. We collected information on these supply chains originating in Pucallpa, the largest center of logging and milling in Peruvian Amazonia, through 63 interviews in Spanish and Mandarin with individuals associated with the timber trade. We found that, although there are Mainland Chinese and other ethnic Chinese people, including Chinese Peruvians, involved in the timber trade, no Chinese companies or their subsidiaries are extracting trees from forests in the area. Rather, what distinguishes Chinese market actors is the diversity of their connections to different types of Peruvian sellers, including multiservice timber companies extracting and processing logs and exporting finished lumber directly to Chinese ports; contractors specialized in logging alone; sawmills specialized in processing logs; export companies trading already-processed sawn wood; and smallholder farmers and itinerant loggers selling rough chainsaw-milled

lumber by the boatload on the banks of the Ucayali River and its tributaries.

Chinese traders have moved far up the timber supply chain in Peru and have begun to preprocess some of the sawn wood they send across the Pacific. Nevertheless, in order to assess the ecological impact of logging for the Chinese market beyond the gross effect of high demand, it is necessary to direct attention toward the specific practices of various categories of Peruvian—rather than Chinese—actors. The closest thing to a Chinese logging company in Pucallpa is a Peruvian multiservice timber company run by an ethnic Chinese family, with a subsidiary finishing plant and distributor in eastern China. The company, however, employs a Peruvian extractive team that works in accordance with local practices as it negotiates for logging rights and delivers logs to the mill. There are several smaller trading houses run by owners and key staff members from mainland China, some of whom have lived in Peru for decades—long before the current timber export boom. These trading houses purchase timber on the local market and ship it to clients, partner companies, or even subsidiaries in southern and eastern China. Only one buyer with a permanent presence in Pucallpa is reportedly the subsidiary of a Chinese timber conglomerate; this company, however, has no extractive activities in Peru.

Due to China's demand for timber, Chinese buyers have a large influence on the market and are perceived by some sellers to control timber prices, a perspective supported by a decrease in prices in Peru around Chinese New Year, when demand drops. The resource moves locally through both legal and nonlegal (or informal) channels and in various stages of processing from forest to market, which increases the elasticity of supply and causes some larger Peruvian timber companies to seek less price-sensitive markets in, for example, North America and Europe. Notably, several (non-Chinese) companies have obtained Forest Stewardship Council (FSC) certification for timber they sell to these markets at higher prices while they continue to ship uncertified timber to China.

Chinese buyers located in Pucallpa and Lima support a segment of independent woodsmen, smallholders, and small sawmills (collectively known as *microempresarios*) that have organized to lobby the government to legalize their trade in what they term *predimensioned* timber. This term refers primarily to *Dipteryx*, which is too heavy to float on rivers and must therefore be chain-saw milled at the extraction site before transport because smaller traders cannot afford the equipment needed to lift and transport entire logs. At least one company with ethnic Chinese ownership has provided *microempresarios* with specialized equipment imported from Asia to cut the extremely hard *Dipteryx* wood into floorboards. When asked about issues of illegal logging's impact on

forest conservation, one Chinese timber buyer praised the use of selective logging as practiced in Peru, whereas another talked of the importance of low-waste production efficiency, but the most prevalent theme was the importance of the subsistence needs of *microempresarios*. We do not know whether this people-need-to-eat argument for trade in the informal sector arises from a heightened social conscience or from a pragmatic rationale to continue trading in unregulated timber; nonetheless, it contrasts with perceptions that Asian timber companies invariably abuse local people and the environment (see e.g., Smouts 2003).

Although the importance of the Chinese market can be easily assessed by monitoring exports, the nature of Chinese actors in terms of ecological and social impact cannot be simply described. As noted by Mawdsley (2008), the identities of Chinese actors and companies are not nationally discrete. For this reason and because all timber shipped from Peru is documented as "legal" by the Peruvian government, whether in fact it was legally harvested or not, we argue that China's responsibility and capacity as a nation to selectively reject illegally logged Peruvian timber is limited. Meanwhile, until and unless Chinese loggers enter the area or China-based companies begin extractive activities, the specific ecological impacts of logging need to be addressed by assessing the practices of diverse Peruvian, rather than Chinese, actors. Finally, observation of the business relationships of various Chinese buyers and companies with diverse Amazonian actors reveals the surprising existence of an alternative, informal economy in which some benefits from the global timber trade flow to economically marginalized groups, a fact that should not be overlooked by those interested in reforming the sector.

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