



Prime Minister Hun Sen



Hun Sen's wife, Bun Rany



Hun Sen's first cousin Dy Chouch, also known as Hun Chouch



Dy Chouch's ex-wife, Seng Keang



Seng Keang's brother Seng Kok Heang, also known as Mr. 95



Khun Thong's brother-in-law, Minister of Agriculture, Forestry and Fisheries, Chan Sarun



Khun Thong's son-in-law, Director General of the Forest Administration, Ty Sokhun



Hun Sen Bodyguard Unit commander, Lieutenant General Hing Bun Heang



Head of Cambodia's Military Police, General Sao Sokha



4. Senior officials are complicit in these activities

- Prime Minister Hun Sen personally inaugurated the Tumring Rubber Plantation that provided the basis for massive illegal logging of Prey Long by the Seng Keang Company.
- Establishment of this plantation followed a survey of the Tumring site by MAFF, which is run by Chan Sarun. His brother-in-law, Khun Thong, is a leading figure in the Seng Keang Company. This MAFF survey misleadingly categorised the area as land containing only small amounts of valuable forest.
- Despite claiming a lack of valuable timber in the area, Chan Sarun awarded exclusive rights to Seng Keang Company to collect and process all wood cut in Tumring Rubber Plantation.
- Chan Sarun subsequently gave the company the permit to establish its wood-processing factory in Tumring, despite the fact that this was illegal.
- The FA, which is run by Khun Thong's son-in-law Ty Sokhun, has played a key role in facilitating Seng Keang Company's illegal logging and other criminal activities.

5. Evidence suggests that some of these senior officials are directly responsible for corruption within the institutions that they head

- There is substantial evidence that Chan Sarun and Ty Sokhun have illegally sold 500 or more jobs in the Forest Administration.
- Officials have calculated that selling jobs netted Chan Sarun more than US\$2.5 million in bribes.
- The desire to recoup the costs of purchasing these positions appears to account for the increasingly corrupt behaviour of many FA officials.
- Corruption and collusion in forest crime are both covered by existing Cambodian law and punishable by prison sentences and fines. No senior official has yet been either charged or disciplined in connection with the sale of jobs or the illegal logging in Prey Long, however.

6. Hun Sen's private army is financed through illegal logging and smuggling

- In transporting illegally-logged timber out of Prey Long, the Seng Keang Company has worked closely with Royal Cambodian Armed Forces Brigade 70. Brigade 70 acts as a reserve force for Hun Sen's 4,000 strong Bodyguard Unit. The two units comprise what is essentially a private army controlled by the prime minister.
- Aside from its activities in Prey Long, Brigade 70 acts as a nationwide timber trafficking service. It transports illegally-logged timber all over Cambodia and exports significant quantities to Vietnam.
- The officer organising these operations is

Brigadier General Hak Mao. His main protectors and patrons include Hun Sen Bodyguard Unit commander Lieutenant General Hing Bun Heang and national head of the military police General Sao Sokha.¹⁵

- Brigade 70's clients are a 'who's who' of major timber barons in Cambodia, including the infamous Pheapimex company run by Hun Sen crony Yeay Phu, as well as government officials and generals.
- In the second half of 2006, Brigade 70 was transporting an average of 1,260 m³ illegally-logged timber per week. Through these timber trafficking operations, Hak Mao makes approximately US\$1.2 million per year.
- Brigade 70 operates a parallel service transporting smuggled goods through ports on Cambodia's south coast, notably Oknha Mong Port, which belongs to Mong Reththy,¹⁶ a tycoon who is also a senator for Hun Sen's Cambodian People's Party (CPP).
- The Brigade 70 illegal timber and contraband trafficking operations combined are worth between US\$2 million and US\$2.75 million annually.
- The profits are used to pay for the operations of Brigade 70 itself. In addition, a large cut is handed over to Hun Sen Bodyguard Unit commander Lieutenant General Hing Bun Heang.
- These activities are covered by existing Cambodian law and are punishable by prison sentences and fines. To date none of those responsible have been prosecuted.
- Despite the evidence of entrenched criminality within the Royal Cambodian Armed Forces international donors such as China and the USA are now providing direct military assistance to Cambodia.

7. Cambodia's international donors are not using their influence effectively

- International donors annually provide approximately US\$600 million per year in aid to Cambodia. This is equivalent to half the national budget.
- Donors have not used the leverage that this aid gives them effectively. Specifically, they have refused to acknowledge the fact that the government is thoroughly corrupt and does not act in the best interests of the population.
- As a result, billions of dollars-worth of aid funded by western taxpayers have done relatively little to improve the lives of ordinary Cambodians.
- Moreover, donor support has failed to produce reforms that would make the government more accountable to its citizens. Instead, the government is successfully exploiting international aid as a source of political legitimacy.

TABLE 1: ISSUES THAT CAMBODIA'S JUDICIAL AUTHORITIES MUST NOW INVESTIGATE

| Individuals | Activity | Relevant Laws & Penalties for Violations |
|---|---|---|
| Dy Chouch Seng Keang Khun Thong | Apparent detention of Lia Chun Hua and forced takeover of Kingwood Industry Company | Law on the Aggravating Circumstances of Crimes Article 7: Detention and illegal confinement Penalty: 5-10 years in prison Article 6: Robbery Penalty: 5-10 years in prison |
| Seng Kok Heang | Reported attempt to kill two community forestry activists | Law on the Aggravating Circumstances of Crimes Article 3: Murder Penalty: 15-20 years in prison |
| Dy Chouch Seng Keang Khun Thong Seng Kok Heang | Industrial-scale logging outside the boundaries of the Tumring Rubber Plantation and cutting of thousands of resin trees belonging to local people | Forest Law Article 98: Misuse of a permit to harvest forest products; harvesting forest products without a permit; felling rare tree species and trees that local people tap for resin Penalty: 1-5 years in prison and fines of 10-100 million riel (US\$2,500-US\$25,000) Land Law Article 259: Infringement against public property Penalty: 1-5 years in prison and/or a fine of 5-50 million riel (US\$1,250-US\$12,500) Law on the Aggravating Circumstances of Crimes Article 6: Robbery Penalty: 5-10 years in prison UNTAC Penal Code Article 52: Wrongful damage to property Penalty: 1-3 years in prison |
| | Transporting millions of dollars-worth of logs cut during these operations | Forest Law Article 96: Transporting forest products obtained via illegal harvesting Penalty: Fine 2-3 times the value of the forest products |
| | Use of 'firewood' collection permits to facilitate log transportation | Law on Taxation Article 127 & Article 135: Tax evasion Penalty: 1-5 years in prison and/or a fine of 10-20 million riel (US\$2,500-US\$5,000) Forest Law Article 96: Transporting forest products contrary to those described in a transport permit Penalty: Fine 2-3 times the value of the forest products |
| | Processing these logs | Forest Law Article 96: Processing forest products obtained via illegal harvesting Penalty: Fine 2-3 times the value of the forest products |
| | Transporting the finished products | Forest Law Article 96: Transporting forest products obtained via illegal harvesting Penalty: Fine 2-3 times the value of the forest products |
| | Selling these items | Forest Law Article 96: Trading forest products obtained via illegal harvesting Penalty: Fine 2-3 times the value of the forest products |
| | Payments to officials to protect or turn a blind eye to the above activities | UNTAC Penal Code Article 54: Intentional corruption Penalty: 1-3 years in prison |
| | Establishing an informal association dedicated to undertaking the above activities | UNTAC Penal Code Article 36: Organised crime Penalty: 3-15 years in prison |
| Chan Sarun | Issuing a permit that provided a cover for industrial-scale logging outside the boundaries of the Tumring Rubber Plantation and cutting of villagers' resin trees | Forest Law Article 100: Officials directly or indirectly allowing activities contrary to the Forest Law Penalty: 1-5 years in prison and fines of 10-100 million riel (US\$2,500-US\$25,000) UNTAC Penal Code Article 69: Complicity Penalty: the same punishment applicable to the principal offender |
| | Authorising construction of a veneer factory and sawmill by Seng Keang Company within Prey Long forest | Forest Law Article 30: Prohibition on constructing sawmills within 5 kilometres of the Permanent Forest Reserve Article 100: Officials directly or indirectly allowing activities contrary to the Forest Law Penalty: 1-5 years in prison and fines of 10-100 million riel (US\$2,500-US\$25,000) |
| Chan Sarun Ty Sokhun | Selling hundreds of jobs in the Forest Administration | UNTAC Penal Code Article 38: Extortion Penalty: 3-7 years in prison and a fine of double the sum of money extorted; prohibition on standing for election or holding public office for 2 years after sentence served |
| Hing Bun Heang Dy Phen | Demanding and receiving payments from subordinates | UNTAC Penal Code Article 38: Extortion Penalty: 3-7 years in prison and a fine of double the sum of money extorted; prohibition on standing for election or holding public office for 2 years after sentence served |
| Hak Mao | Transporting millions of dollars-worth of logs and timber products sourced from areas where there are no legal harvesting operations | Forest Law Article 96: Transporting forest products obtained via illegal harvesting Penalty: Fine 2-3 times the value of the forest products |
| | Managing and protecting the transportation of goods on which the requisite import duties have not been paid | Law on Taxation Article 127 & Article 135: Tax evasion Penalty: 1-5 years in prison and/or a fine of 10-20 million riel (US\$2,500-US\$5,000) Article 128 & 136: Obstruction of implementation of tax Penalty: 1 month to 1 year in prison and/or a fine of 5-10 million riel (US\$1,250-US\$2,500) |
| | Collecting, storing and delivering these items | UNTAC Penal Code Article 51: Receiving and concealing stolen goods |

CHAPTER I: FORESTS AND CAMBODIA'S SHADOW STATE^{iv}

"One does not need expertise in human rights to recognise that many policies of the government have subverted the essential principles of democracy and due process, deprived people of their economic resources and means of livelihood, and denied them their dignity. I have come to believe that these policies are integral to the political and economic systems through which the government rules, which has manipulated democratic processes, undermined legitimate political opposition, and used the state for the accumulation of private wealth. In short I believe that the deliberate rejection of the concept of a state governed by the rule of law has been central to the ruling party's hold on power."

Yash Ghai, Special Representative of the United Nations (UN) Secretary General on Human Rights in Cambodia, statement to the UN Human Rights Council, 26 September 2006

In 1991 the international community undertook to bring democracy and development to post-conflict Cambodia. More than fifteen years later, what a UN Special Representative has described as Cambodia's "shaky façade of democracy" overlays a shadow state built on patronage, corruption and coercion.¹⁷ Cambodia's shadow state misappropriates public assets, extorts from businesses and manages an extensive illicit economy. It is administered by senior ministers who are fluent in the jargon of good governance and sustainable development.

Prime Minister Hun Sen and his inner circle have successfully pursued this two-faced approach to government since the late 1980s. After maintaining a veneer of socialism to placate Vietnamese mentors, they now project a semblance of liberal democracy



Lao Meng Khin and Choeung Sopheap (also known as Yeay Phu) together run Pheapimex, arguably Cambodia's most powerful company. Through its logging and economic land concessions, Pheapimex controls 7.4% of Cambodia's total land area¹⁹

tailored to western donors. Along the way they have progressively tightened their grip on power by both political and economic means.

1. Asset-stripping Cambodia

Cambodia's shadow state generates much of its illicit wealth via the expropriation of public assets, particularly natural resources, as well as through institutionalised corruption.¹⁸ With particular reference to the forest sector, this report looks at three of the main ways in which this works:

The allocation of public assets to cronies and relatives of the Cambodian leadership

This involves the allocation of concessions on forests, land, mineral deposits, fisheries and heritage sites, together with 'land swap' deals on state-owned buildings. Many of these transactions are unlawful. The beneficiaries are a relatively small group of tycoons with political, business or familial ties to senior officials. The effect is to place valuable public assets under the private control of individuals who are themselves part of the shadow state structure.

In an illustration of this overlap between politics and business, six of the most prominent tycoons have recently been appointed senators for Hun Sen's political party, the CPP. The six are Kok An, Kong Triv, Ly Yong Phat, Lao Meng Khin (who along with his wife Yeay Phu runs the Pheapimex company), Men Sarun²⁰ and Mong Reththy¹⁶. Figure 1 summarises their main interests.

Information about deals involving public assets is not made available to the Cambodian people to whom they collectively belong. For ordinary citizens whose livelihoods depend on the resources being signed away, the first they hear of new concessions is often the sound of chainsaws cutting down their forests or bulldozers flattening their crops.

The immediate human impact of this asset-stripping is to deny Cambodians access to natural resources and in some cases to evict them from their homes. More broadly, it deprives the entire population of the revenue that could be derived from sustainable management of these public goods. The corruption that facilitates asset-stripping undermines the rule of law, while elite families' accumulation of wealth gives them increased power and impunity. The end result is that already poor Cambodians get poorer and find it more difficult to hold the country's rulers to account.

^{iv} 'Shadow State' is a term coined by academic William Reno to describe the style of government adopted by certain African heads of state. Characteristic features of these 'shadow states'



Hun Sen flanked by Commander-in-Chief of the Royal Cambodian Armed Forces General Ke Kimyan (left) and Minister of Defence General Tea Banh (right)

Corruption within government institutions that enriches senior officials

Corruption in Cambodia is sometimes portrayed solely as a survival mechanism by badly-paid civil servants. In those institutions with the greatest scope for rent-seeking, however, staff generally pay for their jobs, make regular payments to keep them and expect to recoup these expenses through corruption.²¹ Money generated through corrupt practices flows upwards through a pyramidal structure, with the largest share accumulating in the pockets of those at the top of the hierarchy.²² The burden of everyday corruption in Cambodia falls proportionately most heavily on those without the power and connections to resist.

Military management of the illicit economy

The Royal Cambodian Armed Forces (RCAF) have little strategic purpose and questionable operational capacity. They are heavily involved in high-level deals involving public assets, notably via an undisclosed portfolio of 'military development zones' covering 700,000 hectares (ha) or almost four percent of Cambodia's land area.²³ RCAF's senior officers are major players in illegal business activities such as logging and trafficking drugs.²⁴ They also generate large sums of money through extortion.²⁵



2. Cambodia's Forest Sector

Cambodia's forest sector provides a particularly vivid illustration of how the country's elite has looted a public asset.

In the last years of Cambodia's civil war, which ended in 1998, both the Khmer Rouge and the Phnom Penh government used logging to fund military campaigns and then used military campaigns as a pretext for more logging. Cambodia's leaders have since found it hard to kick the habit of treating the country's forests as a slush fund for political campaigns, personal enrichment and rewarding key clients.

In the mid-1990s, senior government ministers secretly awarded between 30 and 40 logging concessions to Cambodian and foreign-owned companies. The contracts signed away over seven million hectares of forest, i.e. 39% of Cambodia's land area, on terms that greatly favoured the interests of the concessionaires over those of Cambodia.²⁶ All the concessionaires proceeded to break the law or the terms of their contracts or both. By the end of the decade, they were responsible for most of the illegal logging in Cambodia.

Reform

Global Witness first began exposing illegal logging in Cambodia and its links with conflict, corruption and human rights abuses in 1995. International pressure on the government to curb forest destruction mounted and at the end of 1998 Hun Sen declared that he would tackle forest crime and institute reforms. The prime minister's apparent epiphany coincided with a decline in the capacity of his rivals to compete for logging revenues. This related to the CPP's coup against its Funcinpec coalition partners in July 1997, its victory in national elections the following year and the final disintegration of the Khmer Rouge.

The government duly suppressed the activities of less well-connected illegal loggers, passed new laws and in 1999 agreed to appoint Global Witness as

crime. In September 2001 Cambodia signed up to the East Asia Forest Law Enforcement and Governance (FLEG) initiative under which the government committed to “take immediate action to intensify national efforts, and to strengthen bilateral, regional and multilateral collaboration to address violations of forest law and forest crime, in particular illegal logging, associated illegal trade and corruption; and their negative effects on the rule of law”.²⁷

For their part, the logging concessionaires failed to abide by the terms of a restructuring process that required them to produce sustainable forest management plans (SFMPs) and environmental and social impact assessments (ESIAs). Some carried on logging illegally. Under pressure to act, the government finally suspended the concessionaires’ operations from January 2002.

In 2003 international donors and the Cambodian government commissioned a team of international consultants to carry out an Independent Forest Sector Review (IFSR) and draw up a ‘road map’ for forest sector reform. In 2004 these consultants recommended that the government terminate the logging concession system and devolve forest management responsibilities to elected commune councils, with the Forest Administration (FA) playing a regulatory role. The rationale for this ‘partnership forestry’ model was the empowerment of populations living in and around the forest and greater institutional checks and balances aimed at reducing corruption. However, the government has demonstrated limited enthusiasm for the Independent Forest Sector Review’s proposals and the international donor community has not backed them strongly enough.

The shadow state strikes back

However, even as senior ministers publicly committed to reform processes, Cambodia’s shadow state continued to generate money from the timber sector. The same officials charged with implementing reforms actively subverted them, with the result that illegal logging has continued in a variety of forms:

Permits

In the aftermath of the crackdowns and the suspension of logging concession operations, the issuing of permits and licences which were themselves illegal, or designed to provide a cover for illegal activities, increased and diversified. These included permits to collect ‘old logs’ – a practice banned by Hun Sen in 1999 because of its widespread use as a cover for illegal logging operations.

Innovative variations on the ‘old log’ collection theme also emerged, notably licences to collect tree stumps, branches and poles, authorisations to cut timber for racing boats and permits to build wooden towers for the parachute regiment to jump off.²⁸



Permit authorising the parachute regiment to cut logs



Plantations

The opportunistic issuing of permits has accompanied more ambitious schemes to facilitate logging. The most lucrative of these is cutting in the name of plantation development, courtesy of government-led development projects or economic land concessions (ELCs).

Through these schemes, officials have allocated to pro-CPP tycoons land which contains valuable forest. The forest is then cut down, nominally to make way for plantations, and the timber is extracted and sold. Allocating ELCs on land that is forested contravenes Cambodia's 2001 Land Law, which classifies forests as *state public property* and only allows ELCs on *state private property*. Many ELCs exceed the law's 10,000 ha limit for this type of concession. Most, if not all, the ELC holders have failed to meet legal requirements to conduct environmental impact assessments.

The clear-cutting operations that characterise 'plantation development' result in the complete eradication of the forest. The damage is terminal. Chapter II describes a case of plantation development being used as a pretext for renewed industrial-scale logging in Prey Long, the largest lowland evergreen forest in mainland Southeast Asia.

Military logging

While permits and plantation developments provide logging with a bureaucratic gloss, the Royal Cambodian Armed Forces have kept up an assault on the country's forests that does not even pretend to be legitimate. Many RCAF units are stationed in or around forests and carry out illegal logging operations geared towards enriching their commanders.

In November 2004, in the midst of a 'War on Corruption' announced by Hun Sen, Global Witness published *Taking a Cut*, an in-depth exposé of military logging and extortion in Mount Aural Wildlife Sanctuary that named some of the senior RCAF officers profiting. A government spokesman criticised Global Witness for making the information public without giving it to the government first, but did not rebut the specific allegations made.²⁹ The authorities took

no serious action to halt forest crime in Aural and, as Chapter IV shows, the military remains heavily involved in illegal logging of protected areas and production forest across the country.

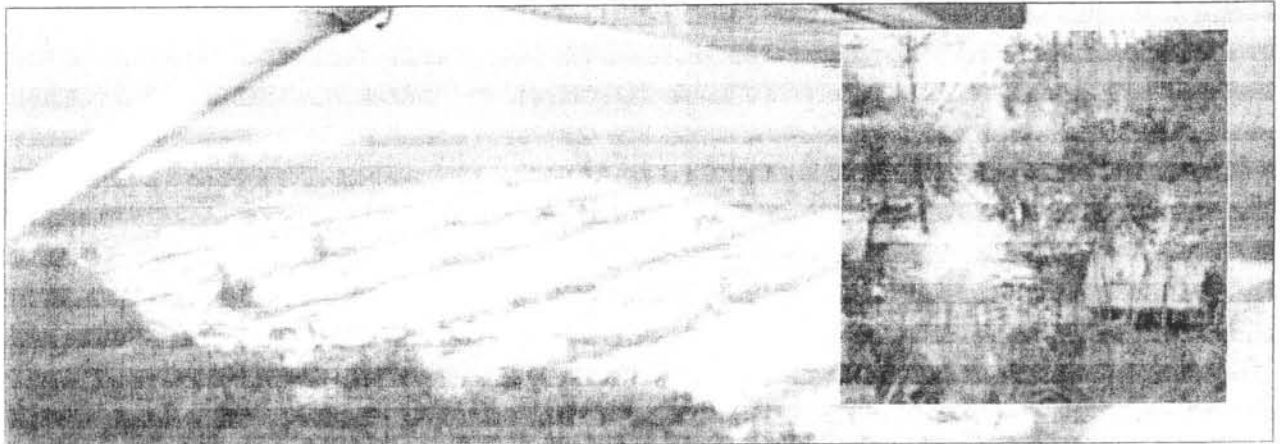
Annual bidding coupes

Since the suspension of logging concessions, the Forest Administration has been developing so-called annual bidding coupes as an alternative. The concession system gives companies control over large forests but typically subdivides these into 25 units, of which the concessionaire may harvest one per year. By contrast, annual bidding coupes are smaller parcels of forest that companies log for just 12 months. In theory the FA could now split a concession-sized forest into 25 annual bidding coupes and allocate them all for logging simultaneously, thus greatly increasing the rate of destruction.

There is little transparency in FA decision-making and the fact that annual bidding coupe boundaries will be redrawn each year could make an already bad situation much worse. Members of the public will find it harder to track which companies have harvesting permits at any one time and therefore harder to hold them to account. Standards of management planning, environmental and social impact assessments, public consultation and law enforcement, already abysmal under the concession regime, are likely to deteriorate.

The new system will also involve the construction of road networks through forested areas in order for logging companies to access their annual bidding coupes. Road building in Cambodia, as elsewhere in Southeast Asia, has provided a cover for uncontrolled cutting and has opened up previously inaccessible forests to poaching, land encroachment and secondary illegal logging operations. In recognition of these threats, the 2004 Independent Forest Sector Review recommended a moratorium on the construction of roads in forest areas.

As Box 1 shows, the first annual bidding coupe permit to be given out since the suspension of the logging concessions has provided the basis for an illegal logging operation.



Box 1: Furnishing the National Assembly

The first annual bidding coupe to have become operational in Cambodia is officially described as a "special coupe to supply timber to the new National Assembly Construction Committee".³⁰ The chairman of this committee, CPP parliamentarian Cheam Yeap,³¹ wrote to the Minister for Agriculture, Forestry and Fisheries, Chan Sarun, in May 2004 to inform him that the new National Assembly building would require luxury timber for furniture and grade I and II wood for other unspecified purposes.³² Luxury grade timber comes from rare tree species that are protected by law.³⁰ In March 2005 Chan Sarun directed the Forest Administration to establish a coupe on the cancelled Hero Taiwan logging concession in Ratanakiri Province.³⁰ This decision contravenes the Sub-decree on Forest Concession Management, which states that forest in cancelled logging concessions cannot be reallocated to another company.

Chan Sarun's instructions to the FA called for the harvesting of 10,577 m³ of logs in order to generate 6,509 m³ of sawn wood. The inventory that the FA subsequently drew up went much further, however, and proposed felling 16,747 m³ of logs.³³ These plans suggested that Cambodia's new National Assembly building might be among the most comprehensively furnished in the world. Global Witness does not have the specifications for the proposed items of furniture. However, it is worth considering that processing 16,747 m³ of logs into rather thick 25 mm wood panel at the conversion rate specified by Chan Sarun would generate 41 ha of panelling or enough to cover 1,580 tennis courts.

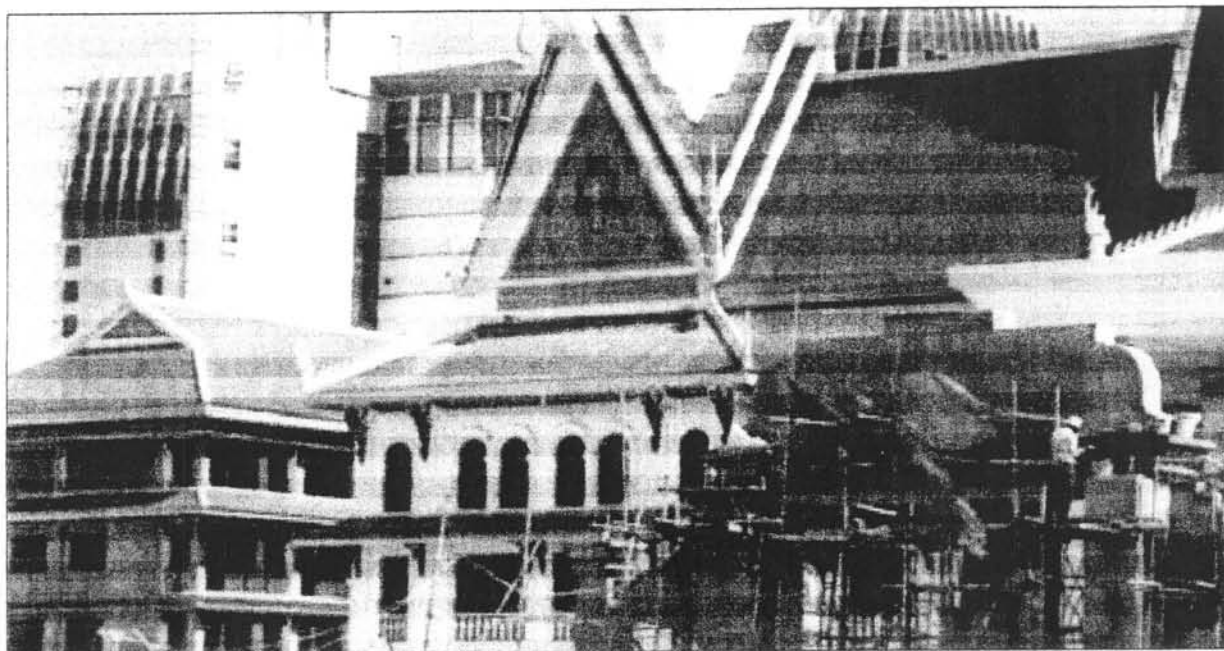
In 2005 the government awarded a permit to cut timber in the coupe to a company named Heng Brothers.³⁴ To the best of Global Witness' knowledge, this permit allocation did not follow any kind of open bidding process.³⁵ Heng Brothers was previously involved in illegally logging Botum Sakor National Park in Koh Kong Province in 2004, in cahoots with an offshoot of controversial Indonesian firm Asia Pulp and Paper.³⁶ For the special coupe Heng Brothers teamed up with Ly Chhuong Construction Company³⁷ which is building the new National Assembly and is reportedly owned by the son-in-law of Cheam Yeap.³⁸

Heng Brothers commenced operations in April 2005 and was still logging the coupe midway through the following year.³⁹ In September 2006 Global Witness received reports from a source close to the company that timber cut in the special coupe was not going to the National Assembly as required but was instead being transported across the border for sale in Vietnam.⁴⁰ This account is corroborated by separate investigations in Ratanakiri by NGO workers.³³

In August 2006 Cheam Yeap announced that the coupe had so far yielded only 257 m³ timber for the National Assembly construction.⁴¹ Global Witness wrote to him in February 2007 to ask for an update on this figure, but has not yet received a reply.



Head of the new National Assembly Construction Committee, Cheam Yeap



Cambodia's new National Assembly under construction, December 2006

Suppression of critical voices

Since the formation of a new CPP-led government in June 2004 there have been a number of violent attacks on villagers, junior officials and NGO workers involved in combating forest crime. These include at least three murders and two attempted murders.

At the same time, the authorities have also tried to suppress reports of illegal logging and associated corruption. A development strategy prepared by officials for the donor-government Consultative Group (CG) meeting of December 2004 declared that "The Royal Government welcomes the work in Cambodia of Global Witness, other NGOs and civil society organisations concerned with forest law enforcement".⁴² In February 2005, however, customs officials confiscated 2,000 copies of

Global Witness' *Taking a Cut* report at Phnom Penh International Airport and the following month the

Council of Ministers announced it was investigating Global Witness' activities in Cambodia. In July, soldiers and police delivered threats to several of the organisation's Cambodian staff and the government banned five international employees from entering the country. These developments coincided with Global Witness investigating illegal logging by relatives of Hun Sen and the elite Brigade 70 military unit.

In view of the deteriorating security situation, Global Witness closed its Phnom Penh office in September 2005. That same month, Hun Sen declared that the organisation was "finished".⁴³ In 2006 Global Witness' London-based staff completed the investigations begun by the Phnom Penh office the previous year. The findings form the basis of this report.



Box 2: Measuring Forest Cover and Deforestation in Cambodia

Estimating Cambodia's forest cover and deforestation is a contentious issue. Successive surveys of Cambodia's forest cover have rarely, if ever, used the same methodology twice, thereby restricting the scope for cross-comparison and accurate measurement of forest loss. Moreover, recent forest cover surveys have relied on satellite image interpretation, with little or no ground-level verification. These recent surveys offer only limited insights into forest quality, in terms of either biodiversity or standing timber volume.⁴⁴

Cambodia's last national forest cover survey was conducted in 2003 by the Forest Administration and funded by a loan from the World Bank. The survey's main finding – that forest cover had increased – ran counter to evidence gathered by NGOs and others over several years that illegal logging was causing a decline in forest cover and forest quality in Cambodia.

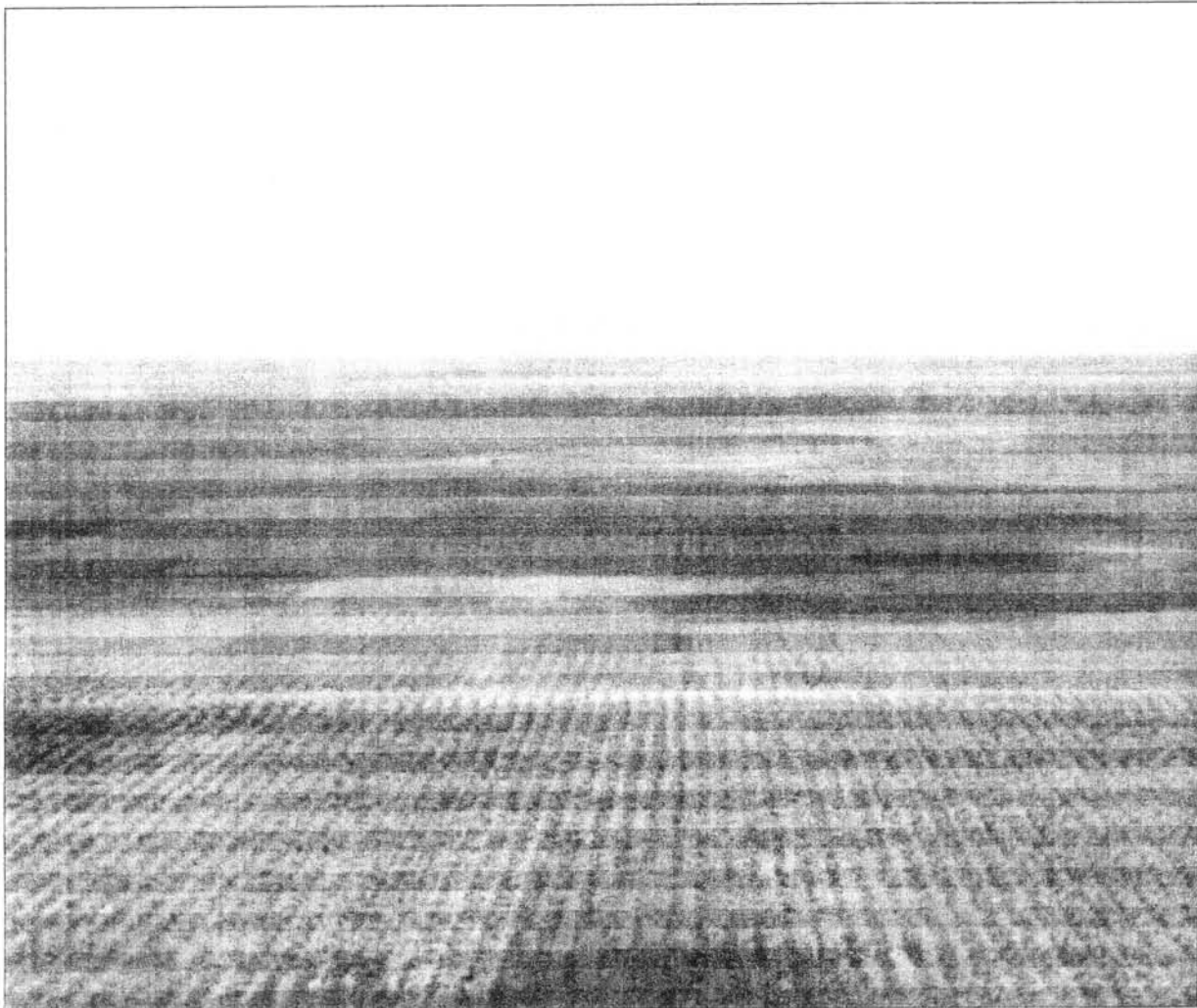
Global Witness interviewed a consultant who worked on the 2003 study and asked him to explain

how the survey came to mark as fully forested areas that the previous (1997) survey had marked as forest-free. In response, the consultant said that this reflected the inability of the 2003 forest cover survey to distinguish adequately between forest and bamboo.⁴⁵

Despite widespread doubts about the reliability of the 2003 forest cover survey, officials seized on its findings as evidence of their wise stewardship of the forest estate. Speaking on the eve of a national election, Prime Minister Hun Sen said that:

“It is a significant achievement that Cambodia's forest cover has increased from 58.6% (10,638,209 hectares) in 1997 to 61.14% (11,104,285 hectares) in 2002. This is an important achievement of the second term of the Royal Government.”⁴⁶

The most recent Food and Agriculture Organisation (FAO) assessment of global forest cover paints a different picture, however. Its findings indicate that Cambodia lost 29% of its primary tropical forest between 2000 and 2005.⁴⁷ While this figure may possibly be too high, there can be little doubt that forest destruction in Cambodia is continuing at an alarming rate.



3. Cambodia's International Donors – Aiding Cambodians or Abetting the Government?

“There is a frenzy now across the country by the rich and powerful in Cambodia to acquire land. I think the donor communities and the UN agencies need to be much more outspoken. What I find missing here is a sense of outrage that should be there.” UN Special Rapporteur on Housing Rights Milan Kothari, 2005⁴⁸

For over a decade, international donors have consistently provided Cambodia with aid equivalent to half its national budget. Total international aid to Cambodia currently stands at around US\$600 million per year. Despite the leverage that this gives them, the donors' track record in ensuring that their aid produces results for Cambodia's citizens has been unimpressive.

In the late 1990s donors did, to their credit, place illegal logging and reform of forest management at the top of the agenda in their dialogue with the Cambodian government. In 1996 the IMF froze funding to Cambodia because of massive irregularities in the government's management of logging revenues. This catalysed concerted donor action which saw the World Bank make disbursement of its US\$15 million Structural Adjustment Credit contingent upon the implementation of forest management reforms.

The momentum generated by this donor pressure and initial government crackdowns against politically dispensable loggers gradually dissipated, however. With its refusal in January 2003 to allow Global Witness to continue working as independent monitor and threats to prosecute its in-country representative, the government signalled that it had moved as far as it intended to go. Many donors retreated from a sector increasingly perceived as being too difficult.

Donors' shortcomings are not confined to the forest sector however, and the donor track record with regards to rural poverty, infant mortality and literacy is equivocal at best. In terms of establishing a genuine democracy, rule of law, respect for human rights and good governance it is even less convincing. In private, ministers describe the donors as 'dunces' who will continue to bankroll the government no matter how much of their taxpayers' money is misappropriated.⁴⁹ In public they present the aid the government receives as a sign of the international community's approval of their actions.⁵⁰

Donors frequently justify their failure to work harder for the interests of ordinary Cambodians by arguing that a more robust stance will push Hun Sen further into the arms, or rather pockets, of China. China's growing influence in Cambodia is undeniable. However this argument overlooks the fact that China, despite its generosity, cannot offer the Cambodian government the international respectability it seeks. The government's continued pursuit of international

on the UN Security Council, gain entry to the WTO, contribute to UN peacekeeping forces and join the US-led 'War on Terror'. It is similarly eager to sign up to all manner of international conventions which it generally then fails to implement. The 2001 East Asia Forest Law Enforcement and Governance Ministerial Declaration is just one example.

A more banal but more plausible explanation for donors' supine behaviour is simple indifference. As an international event Cambodia has lost its novelty value and policymakers' priorities have long since moved on. Donor representatives and diplomats on the ground know they will not be rewarded by their head offices for rocking the boat and putting Cambodia back on a crowded foreign policy agenda. It is easier to keep heads down and the money flowing.

It is not just NGOs that are disturbed by the donors' reluctance to exert themselves. In 2006, UN Secretary General's Special Representative on Human Rights in Cambodia Yash Ghai noted that:

*“If it is indeed true that donor agencies are not mindful of human rights or democracy, but just wish to build a cosy relationship with the government, then it seems to me that they are not only failing the people of Cambodia, but also their own domestic taxpayers as well, who approve these grants in the expectation that these countries will be the beneficiaries.”*⁵¹



Hun Sen meeting a Chinese delegation. Many donors cite China's

1. Introducing Cambodia's Premier Logging Syndicate

This chapter examines the careers of a group of timber barons who together constitute Cambodia's most powerful logging syndicate. Boasting familial links to Prime Minister Hun Sen, the Minister of Agriculture, Forestry and Fisheries, Chan Sarun and Forest Administration Director General Ty Sokhun, their careers illustrate how the country's political elite has successfully subverted forest management reforms and continued looting a valuable public asset. There is substantial evidence that this group's activities extend beyond illegal logging to encompass kidnapping and attempted murder. Moreover, there are strong indications that corruption and nepotism at the highest levels explain the impunity with which its members have operated for almost a decade.

While this syndicate has operated under various labels, most recently 'Seng Keang Import Export Company Ltd', its public profile is relatively low considering the immensely damaging impact it has had on the country's forests.

1.1 Dy Chouch, also known as Hun Chouch

Dy Chouch, better known as Hun Chouch, is a first cousin of Prime Minister Hun Sen. In the mid 1990s Dy Chouch operated a range of businesses with Hun To,⁵² a nephew of the prime minister whom well-placed sources name as a major drugs trafficker.⁵³ Another of Dy Chouch's early business associates was renegade RCAF commander Sat Soeun.⁵⁴ Over the past decade, Sat Soeun has faced charges relating to three different murders, two attempted murders and one physical assault.⁵⁵ According to residents of Kompong Cham, Dy Chouch, Hun To and Sat Soeun's early ventures centred on smuggling fish and rubber tree wood across the border to Vietnam.⁵⁶

Dy Chouch and his ex-wife Seng Keang have gone



Hummer belonging to Dy Chouch associate Hun To

on to manage logging operations for several of the forest concessionaires, including Kingwood Industry, (whose activities are described in detail later in this chapter), Cambodia Cherndar Plywood and Mieng Ly Heng. Global Witness has documented illegal acts by all three of these concessionaires over a number of years.⁵⁷

Cherndar Plywood, despite its nominal Taiwanese ownership, is referred to within the timber business as "Hun Chouch's company" or "Seng Keang's company".⁵⁸

The exact nature of the couple's links with Cherndar Plywood has proved difficult to establish, however.

Dy Chouch and Seng Keang's relationship with Mieng Ly Heng is equally murky and Dy Chouch has appeared reluctant to advertise his association with the firm.⁵⁹



Dy Chouch associate Sat Soeun

During a visit to the Mieng Ly Heng logging camp at Baksna in Kompong Thom in 2001, Global Witness staff met with a man who introduced himself as 'Li Seng', the head of company security. When asked how, as a security supervisor, he was able to afford the solid gold, diamond-studded Rolex Oyster Perpetual watch he was wearing, 'Li Seng' explained that it had been given to him by his boss in recognition of his services to the firm. Global Witness photographed 'Li Seng', who was subsequently identified as Dy Chouch by two people that know him.⁶⁰

In social circles, however, Dy Chouch is less reticent and introduces himself as an *oknha*. *Oknha*, which has a meaning similar to 'Sir', is an honorific title conferred on businessmen and women who have made donations of at least US\$100,000 to the state.⁶¹ Dy Chouch has been known to threaten with a gun those who have

1.2 Seng Keang

While 'Hun Chouch' commands greater name recognition, Seng Keang's influence within the timber industry appears to equal or exceed that of her ex-husband. Like Dy Chouch, Seng Keang has worked as a subcontractor supplying logs to Cherndar Plywood, Mieng Ly Heng and Kingwood Industry.⁶³ She has also played a similar role for the Chinese state-owned Everbright CIG Wood logging concessionaire.⁶⁴ Forest Administration officials have named Seng Keang, moreover, as the principal shareholder in Mieng Ly Heng.⁶⁵

Seng Keang has a number of friends in high places. She is friends with Hun Sen's wife Bun Rany⁶⁶ and

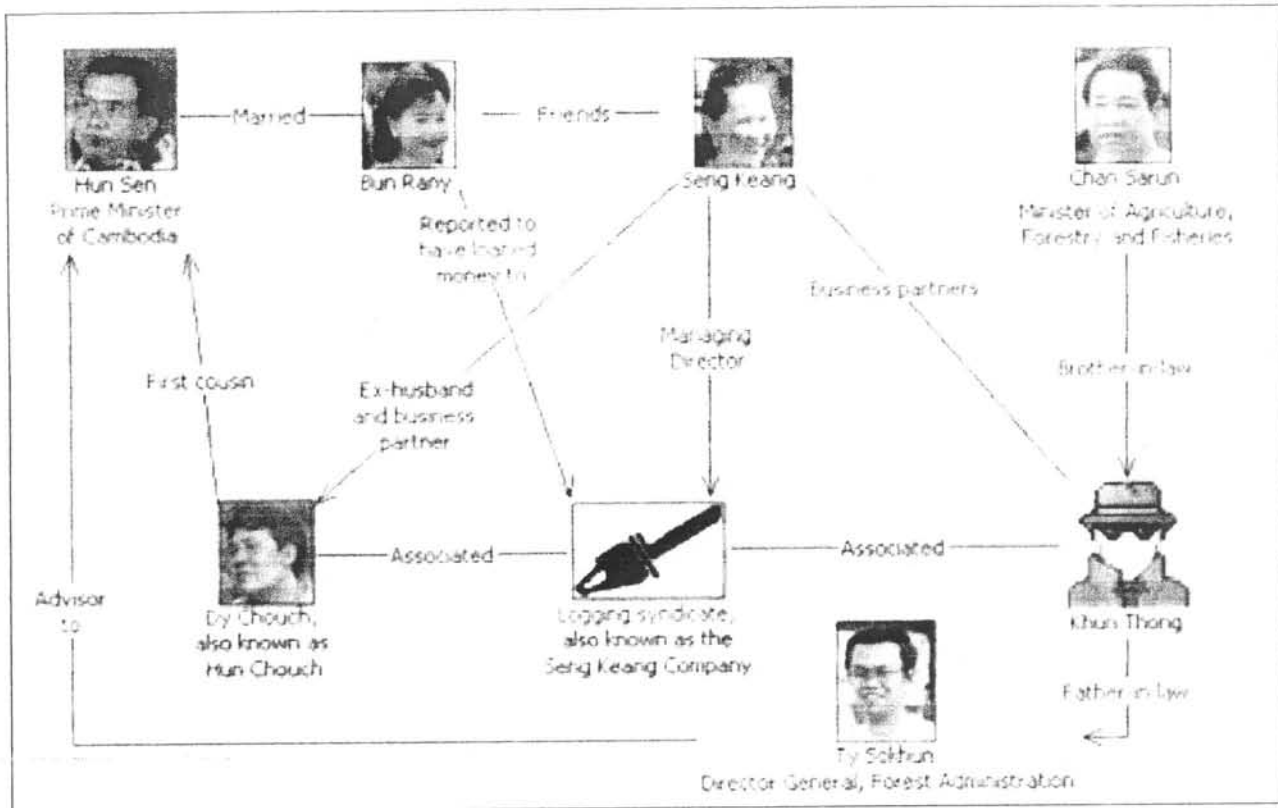
periodically appears with her at public events broadcast on national television. She is also close to Leang Vouch Chheng,⁶⁷ the wife of the prime minister's brother and Kompong Cham Provincial Governor Hun Neng.⁶² Global Witness has received reports from a well-placed source that Seng Keang and Leang Vouch Chheng run lucrative racketeering ventures in Kompong Cham in partnership with the wives of two other provincial officials. These activities are said to include levying protection money from taxi operators in Kompong Cham town.⁶²

Dy Chouch and Seng Keang divorced in 2005.⁶⁸ According to timber industry insiders, they continue to do business together, however.⁶⁹



Logging syndicate member Seng Keang (left) and her friend, Prime Minister's wife Bun Rany





Cambodia's premier logging syndicate and friends

1.3 Khun Thong

Khun Thong has the dual distinction of being the brother-in-law of Minister for Agriculture, Forestry and Fisheries Chan Sarun and the father-in-law of Director General of the Forest Administration Ty Sokhun.⁷⁰ Phnom Penh telephone directories previously listed one of Khun Thong's sawmills as Ty Sokhun's residential address.⁷¹

Like Seng Keang and Dy Chouch, Khun Thong is a logging subcontractor and has worked with Kingwood Industry and Everbright CIG Wood.⁷² In 2001, in its capacity as official independent forest monitor, Global Witness exposed a large-scale illegal logging operation by Everbright outside its concession. Members of the government team that subsequently investigated the case blamed Khun Thong's relationship with Ty Sokhun

for their inability to mount a successful prosecution against the company.⁷³

In addition to his work with Kingwood and Everbright, Khun Thong is known to have generated additional income by extorting money and timber from rival wood traders along the Mekong River. According to those he targeted, Khun Thong would accompany his demands with threats to invoke 'crackdowns' by forestry officials answerable to his son-in-law, Ty Sokhun.⁷⁴

A low-profile figure, Khun Thong has nonetheless been described by Dy Chouch as the "backbone" to his timber business and his name appears on a range of documents relating to the group's activities.⁷⁵



2. Kingwood – Rise and Demise of a Logging Concessionaire

The Cambodian government's allocation of between 30 and 40 logging concessions in the mid 1990s set the stage for what an Asian Development Bank review described as "total system failure".⁷⁶ Specifically, it placed arguably the country's most important natural resource in the hands of the most unsuitable commercial operators, many of whom operated under the patronage of the country's ruling families. Typifying these new custodians of Cambodia's forests was Kingwood Industry, a company incorporated in Cambodia by Taiwanese, Singaporean and Indonesian businessmen, which obtained a 301,200 ha concession in 1995 covering parts of Kratie, Stung Treng and Mondulkiri provinces.⁷⁷ In common with all but two of the concessionaires, Kingwood had no experience of managing a forest. Like many others, it rapidly demonstrated a willingness to break the law in pursuit of a quick profit.

Another exemplary aspect of the Kingwood operation was its associations with a politically influential family. Prior to obtaining its concession, Kingwood had already formed an alliance with Khun Thong's sister Sok Keo.⁷⁸ Sok Keo is the wife of Chan Sarun, then Director General of the Department of Forestry and Wildlife (DFW) and currently the Minister of Agriculture, Forestry and Fisheries (MAFF). In September 1994, she helped Kingwood acquire a 25 ha plot on the Mekong River in Kandal Province's Muk Kampoul District, 21 km from Phnom Penh. Within four days of acquiring title deeds for the land in her name, Sok Keo signed an agreement

with Kingwood's Taiwanese managing director Lia Chun Hua to pass control of the site to the company. The document states that she is leasing the land to Kingwood on a rent-free basis for 70 years; while Kingwood is providing her with an interest-free loan of US\$430,984. The only condition attached to the lending is that Kingwood be allowed to build a

factory on the site.⁷⁹

"In case of the Cambodian Government not allowing (Kingwood) to build a wood-processing factory on the said land, (Sok Keo) has to sell, transfer or dispose of the said land within one year. The mortgage loan of US\$430,984 shall be refunded to (Kingwood) without condition."⁷⁹

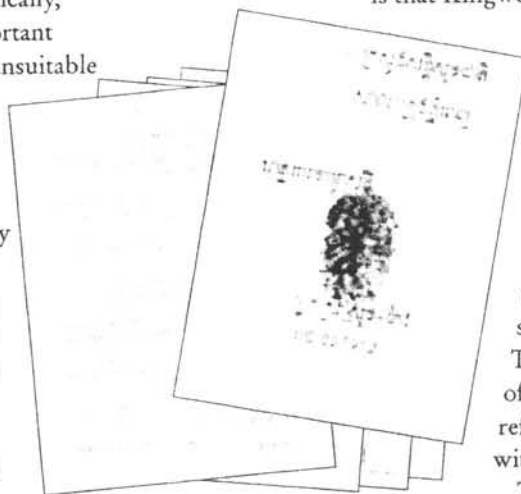
The contract does not say whether Sok Keo intended to take an active role in ensuring that Kingwood

received authorisation to construct a factory; however it gave her a very strong incentive for doing so. The agreement thereby set up a potential conflict between Chan Sarun's responsibilities as an impartial regulator of the forest sector and his wife's business interests. In February 2007 Global Witness wrote to Chan Sarun to ask him whether he was aware of his wife's dealings with Kingwood and whether he helped the company obtain its factory construction permit. As this report went to print, Chan Sarun had not replied to this letter.

After receiving permission to build on the land leased from Sok Keo, Kingwood's directors took out initial loans of at least US\$9.4 million to finance the construction of a plywood factory.⁸⁰ A 2001 loan agreement between the company and the Cambodian Public Bank describes Sok Keo as the owner of both the factory premises and the machinery within it.⁸¹ In February 2007 Global Witness wrote to Sok Keo to ask her to explain her association with Kingwood. Sok Keo has yet to reply.

2.1 Illegal Logging

According to industry analysts, the factory Kingwood built was capable of producing 96,000 m³ of finished product per year, with practical capacity of 84,000 m³ per year.⁸⁰ To operate at full practical capacity, and therefore full efficiency, thus required an annual supply of around 164,000 m³ of round logs – almost five



Sok Keo's thumbprint signature on a rent-free lease to Kingwood



Sok Keo (left) and her husband Chan Sarun meeting King Norodom Sihamoni (right)

was legally permitted to cut in its large but sparsely forested concession.⁸⁰ Processing over-capacity has been a feature of Cambodia's concession system as a whole. For the concessionaires, it created a strong incentive either to log illegally or try to source timber from other concessions. Kingwood opted to do both.

In 1997, the company cut trees illegally in the Macro-Panin concession adjacent to its own, using the excuse that it was collecting 50,000 m³ of 'old logs'.⁸² Over the same period the firm employed a military commander to cut logs in a 100 km² area outside its concession and haul them back within Kingwood boundaries to be passed off as a product of the company's own harvesting operations.⁸³ During the 1997-1998 dry season Kingwood also undertook a major harvesting operation in its own concession, despite the fact that it had no cutting permit.⁸³ In addition, the 2000 Asian Development Bank review of logging concessionaires' performance revealed that the company failed to honour its contractual commitments to invest US\$76.5 million in Cambodia and pay the government US\$300,000 royalties and deposits.⁸⁴

In its efforts to supply its factory, Kingwood contracted Sok Keo's brother Khun Thong, together with Seng Keang, to supply logs.⁸⁵ The advantages to Kingwood included Seng Keang and Khun Thong's ability to source wood from other concessions in which they operated as subcontractors; notably that of Cherndar Plywood.

2.2 Bad Debts

Despite its factory's intensive production activity, Kingwood's operations were underwritten by an expanding array of loans. A source close to the company claimed that it needed to borrow because its directors were laundering sales revenue through affiliated companies in Indonesia, Singapore and Taiwan.⁸⁶ Global Witness wrote to the Kingwood directors in February 2007 to ask them to comment on this claim but has not yet received a reply. Whether or not the allegation is true, there is no doubt that the company's financial situation became increasingly precarious.

During its start-up phase in the mid 1990s, Kingwood obtained three loans totalling around US\$9.4 million from Maybank of Malaysia.^{80, 87} These loans took the form of a debenture because Kingwood claimed that it did not own any land that it could mortgage as collateral. The stringent terms of the debenture agreement prohibited Kingwood from transferring control to or borrowing from any other party.⁸⁸ Despite this, the company went on to borrow from three other banks in Cambodia.⁸⁶ In June 2001 for example, Chan Sarun's wife Sok Keo took out a loan from the Cambodian Public Bank on behalf of Kingwood, mortgaging the factory site and machinery.⁸¹ The mortgage agreement was signed not only by Sok Keo and a representative of Cambodian Public Bank but also by Cambodian Bar Association President Ky Tech.⁸¹ A source close to Kingwood claims that Cambodian Public Bank lent the company a total of around US\$3 million.⁸⁶

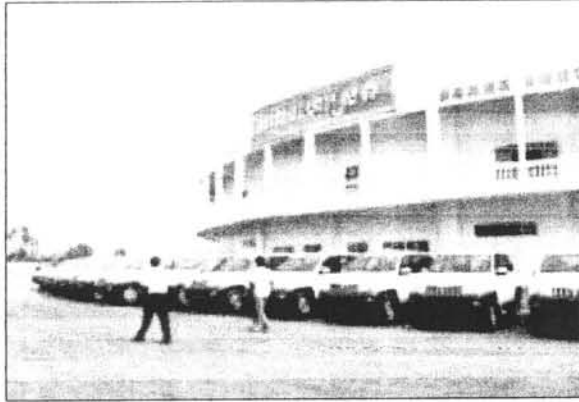


Old log collection permit used and abused by Kingwood



Box 3: Ky Tech

President of the Cambodian Bar Association Ky Tech is described by well-placed sources as an advisor to Hun Sen's wife Bun Rany and he has close links with powerful players in Cambodia's timber industry.⁸⁹ In early 2001 he represented the logging concessionaire Everbright in its unsuccessful legal action against staff from Global Witness for alleged trespass. At the time Global Witness was the official independent monitor of government efforts



Building used by the joint UN-Cambodian government tribunal set up to try former leaders of the Khmer Rouge, who are held responsible for the deaths of as many as two million Cambodians between 1975 and 1979. Many Cambodians are hoping the tribunal will help raise standards in the country's judiciary

By late 2001 Kingwood's list of creditors included not only banks, but also its subcontractors. On 3 October 2001, Kingwood Managing Director Lia Chun Hua and Seng Keang signed an agreement governing past and future purchases of logs. Khun Thong countersigned the document as a witness.⁸⁵ The agreement states that Kingwood owed Seng Keang over US\$1.9 million, which Lia Chun Hua committed to repay in instalments of US\$100,000 per month over 20 months. Lia Chun Hua also promised to continue buying logs from Seng Keang and ceded to her temporary control of 94 items of industrial machinery in the Kingwood factory as a guarantee. Her possession of these items would become permanent in the event of any default on the repayments.⁸⁵ The machinery ceded to Seng Keang is the same equipment mortgaged to Cambodia Public Bank by Sok Keo. It is not clear whether either the bank or Sok Keo knew about Lia Chun Hua's agreement with Seng Keang.

Kingwood's prospects of keeping up its debt repayments were not enhanced when, under pressure from NGOs and international donors, the Cambodian government imposed a

to tackle forest crime and the alleged trespassing was an official inspection, mandated by the Council of Ministers, of the Everbright plywood factory. During this inspection, Global Witness uncovered evidence of large-scale royalty evasion by the company.

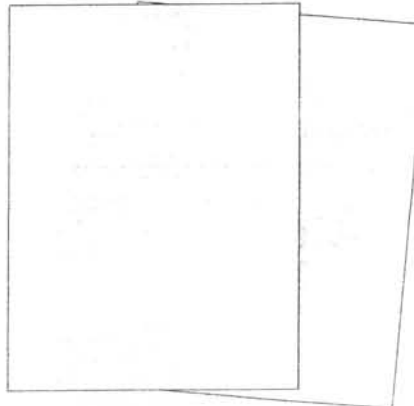
Like Kingwood, Everbright's principal subcontractors included Seng Keang and Khun Thong. As described elsewhere in this chapter, Ky Tech has represented Seng Keang in her dealings with Kingwood's directors and the Cambodian judiciary.

Ky Tech has attracted recent media attention for his vocal criticism of proposals to allow foreign lawyers to practice at the trial of former Khmer Rouge leaders.⁹⁰ He is also reported to have said that Cambodian lawyers participating in training organised by the International Bar Association in support of the Khmer Rouge Tribunal are in breach of Cambodian law.⁹¹ Global Witness wrote a letter to Ky Tech in February 2007 to ask him whether these reported comments are an accurate reflection of what he said and, if so, to explain their meaning. Ky Tech has not yet replied to this letter. Human rights workers have expressed concerns that Ky Tech is acting on instructions from senior Cambodian officials who want to see the tribunal process stall or disintegrate altogether.⁹²

concessions with effect from January 2002. The moratorium followed the concessionaires' failure to meet the deadline for submission of sustainable forest management plans (SFMPs) and Environmental and Social Impact Assessments (ESIAs) set for the end of November 2001.

The moratorium on cutting was followed by a moratorium on the transportation of logs, which came into full effect in May 2002. Some concessionaires, notably GAT International and Pheapimex, initially continued logging and transporting wood in violation of the moratoria. Following Global Witness' exposure of GAT's activities, however, Hun Sen cancelled the firm's two concessions in June 2002.⁹³ Hereafter the logging concession system entered a state of near-total inactivity.

2.3 A Very Hostile Takeover
For Dy Chouch, Seng Keang and Khun Thong, concession companies such as Kingwood had provided a useful façade behind which they could exercise control over a large slice of the logging industry in Cambodia. The 2002 moratoria on harvesting and log transportation changed this

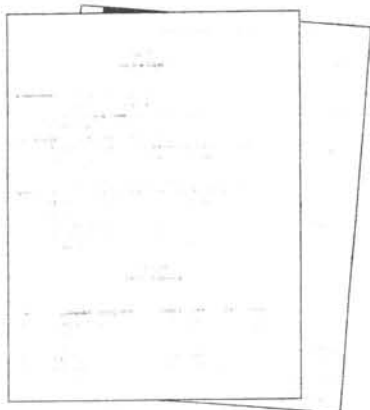


Contract between Seng Keang and Lia Chun Hua regarding log supply

A source close to the Kingwood operation informed Global Witness that, in August 2002, Kingwood's Managing Director Lia Chun Hua attempted to cut his mounting losses and leave Cambodia for good. According to this source, he was prevented from doing so by Seng Keang, whose entourage abducted Lia, confiscated his passport and held him hostage in the factory compound. Global Witness has investigated these claims and gathered information from a range of sources which points to the need for a credible judicial investigation into the fate of Lia and the current ownership of Kingwood. This information is summarised below:

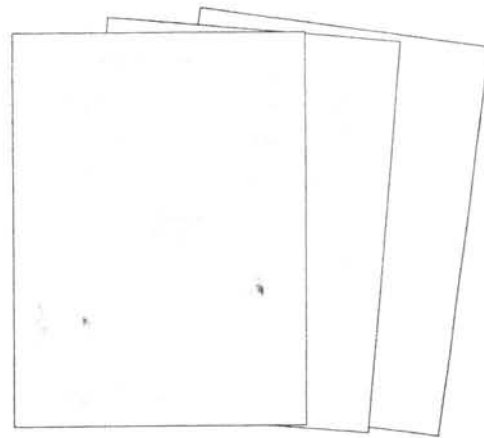
i) Documents concerning Lia Chun Hua's surrender of control of Kingwood

Lia Chun Hua relinquished control over Kingwood in a series of written agreements signed with Seng Keang and Khun Thong during the second half of August 2002. On 12 August, he signed an agreement on behalf of the company acknowledging debts of US\$1,871,871.56 to Seng Keang and US\$1,605,000 to Khun Thong. This document effectively superseded the agreement on log purchases of October 2001. It reiterated that Seng Keang, and now Khun Thong also, would hold the same 94 items of factory machinery as collateral until Lia cleared his debts. Lia also agreed to pay interest of 1.8% per month. The document is countersigned by the deputy district governor and the commune chief.⁹⁴



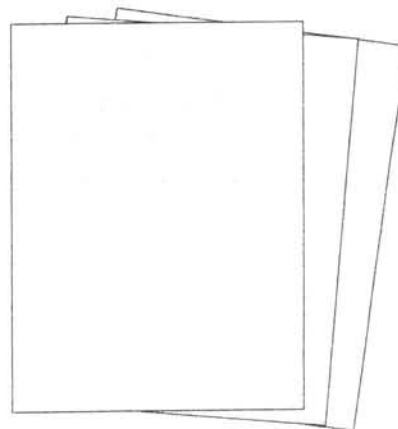
Contract in which Lia Chun Hua acknowledges debts of nearly US\$3.5 million to Seng Keang and Khun Thong, 12 August 2002

One week later, on 19 August, Lia signed a second agreement in which he effectively surrendered all control over Kingwood. This second contract states that Lia has ceded the entire Kingwood operation and assets to Seng Keang and Khun Thong until the debts and interest are paid. It adds that once the last repayments are made, Seng Keang and Khun Thong will retain a 30% share in the company. The document also commits Lia to assist in the running of the factory. Once again it is witnessed by the deputy district governor and the



Contract in which Lia Chun Hua surrenders control of Kingwood, 19 August 2002

The next day, Seng Keang, Khun Thong and Lia signed a memorandum listing the same 94 items of machinery referenced in previous agreements. This handwritten document carries the signatures of 13 different people, including local officials and police officers. It is accompanied by a fourth contract, also signed on 20 August, which certifies that control of all the Kingwood factory machinery has passed to Seng Keang, Khun Thong and an individual named Yiem Seng.⁹⁶ The signatories to this last agreement are Lia and Malaysian businessman and Kingwood shareholder Lim Yok Fong.⁹⁷



Contract signed by Seng Keang, Khun Thong and Lia Chun Hua, 20 August 2002



The outcome was the de facto transfer of ownership of Kingwood's assets and operations to Seng Keang and Khun Thong. While the terms of the various contracts indicate that Lia Chun Hua could regain partial, if not complete, control of the company in the future, the level of debt he is committed to repay, not to mention the interest payments, are extremely high.

Cambodia's investment law requires that the government Council for the Development of Cambodia (CDC) gives its consent to any transfer of company ownership a full 30 days before the transaction takes place.⁹⁷ To the best of Global Witness' knowledge, neither Kingwood's board, nor Seng Keang nor Khun Thong approached the CDC for its authorisation, however. CDC officials did subsequently learn of the takeover and contacted Seng Keang. She informed them that she took control of Kingwood the way she did to avoid assuming responsibility for the company's existing debts.⁹⁶

The transfer of control leaves many questions unanswered. The document that Lia Chun Hua signed on 12 August gave Seng Keang and Khun Thong possession of items of factory machinery until he cleared his debts. This does at least maintain a degree of internal consistency with the agreement on debt repayment and log supply of October 2001. Why then, only one week later, did Lia Chun Hua agree to hand over complete control of Kingwood's operations? Nothing in the document accounts for the rapid change in circumstances. What, moreover, accounts for the drafting of four overlapping and in some cases crudely written documents? While the paper trail is not in

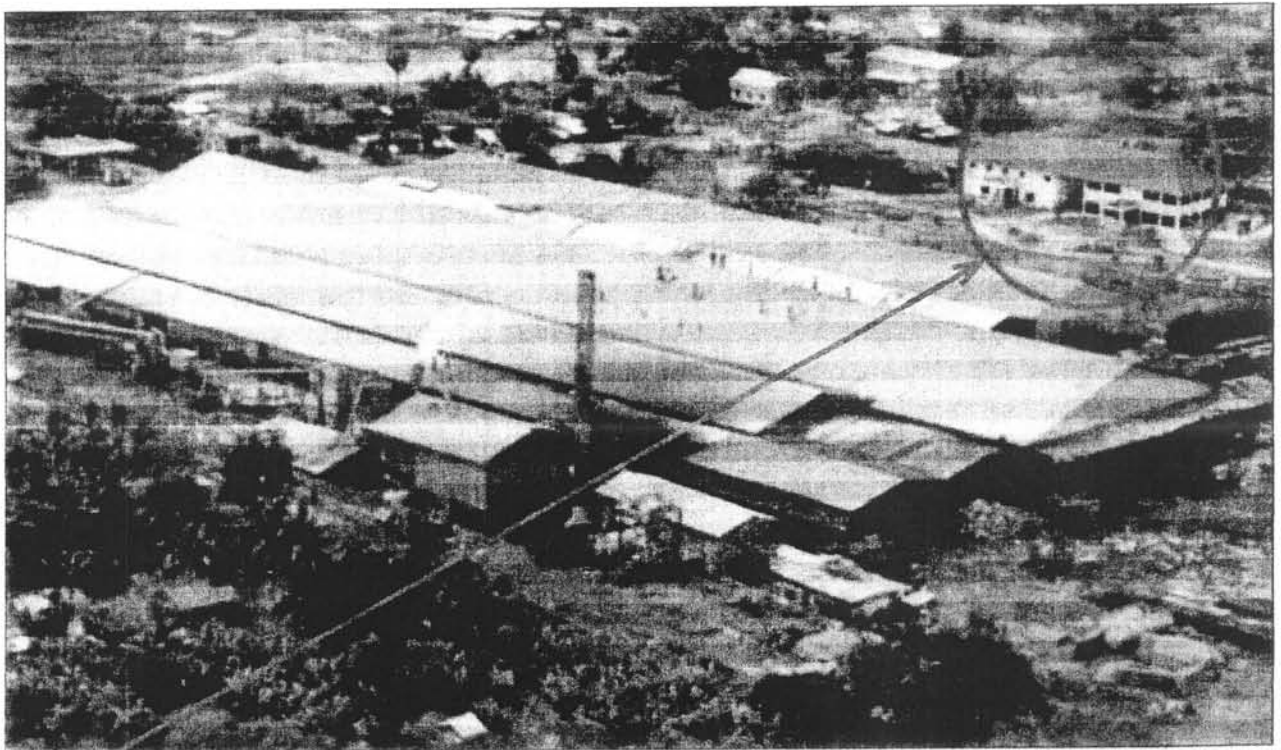
itself evidence of coercion, it gives the appearance of a hurried and unorthodox transfer of control.

ii) Accounts from individuals employed by or associated with the logging syndicate

In 2004 Global Witness interviewed a close associate of Seng Keang who confirmed that the logging syndicate was holding Lia prisoner within the factory. This person added that, although the timber barons were confident that Lia could not escape, they were concerned that he might attempt suicide. The interviewee also reported the presence at the factory of ten other Taiwanese nationals whom Dy Chouch and Khun Thong were employing as technicians. These technicians were said to be prohibited from leaving the factory for fear that they might divulge information about the syndicate's activities.⁹⁸

The same year Global Witness interviewed a second individual closely associated with the Kingwood operation who also maintained regular access to the factory. This person had not met Lia Chun Hua since his abduction but claimed to have heard from workers that he was being kept in harsh conditions that were adversely affecting his health, that his phone was no longer connected and that he had no further contact with the outside world. The interviewee reported that guards accompanied Lia Chun Hua at all times within the factory compound.⁹⁹

In a separate interview in 2004, a business associate of Seng Keang informed Global Witness that Lia Chun Hua was living inside the Kingwood compound. This individual did not talk in terms of abduction or



imprisonment and claimed that Lia was being “well looked after”. They did not offer any explanation, however, for why Lia would have left his home to live inside an industrial processing facility or why he needed to be looked after.¹⁰⁰

In 2005 an employee of the logging syndicate informed Global Witness that Lia Chun Hua continued to live inside the factory compound and was being guarded by military police employed by Dy Chouch.¹⁰¹

iii) Account from an official who has investigated the case

A prominent government official who has conducted his own investigations of Kingwood told Global Witness in 2004 that Seng Keang and Khun Thong were keeping Lia Chun Hua and other foreign workers hostage inside the factory compound and had confiscated their passports. The official added that the authorities had been unable to free the men because the logging syndicate represents the business interests of Bun Rany, Prime Minister Hun Sen’s wife.¹⁰²

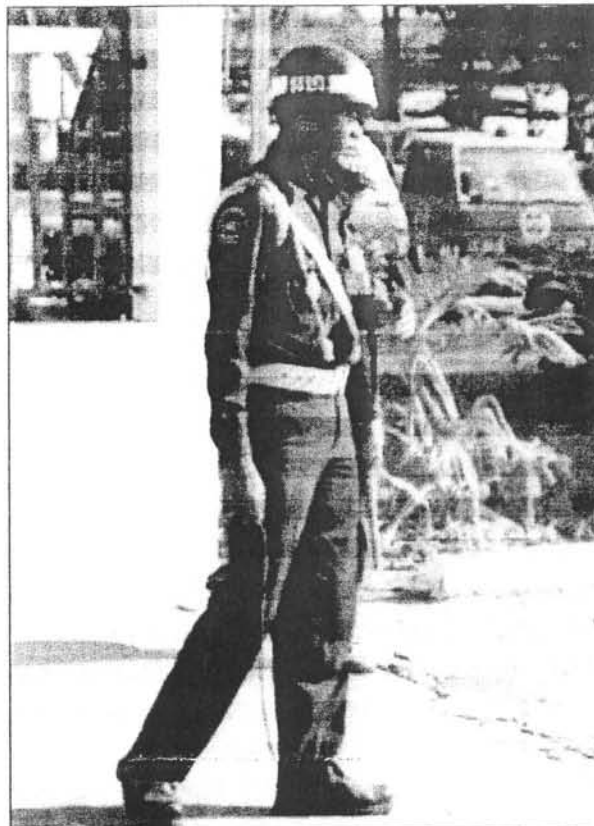


The logging syndicate is reported to represent the business interests of Prime Minister's wife Bun Rany

iv) Evidence of the logging syndicate imposing strict security measures at the Kingwood factory
According to a security guard at the Kingwood factory, the person responsible for security since 2002 is a military police officer named Keo Sarim.¹⁰³ In the first half of 2005, Keo Sarim’s group consisted of three military police officers each armed with an AK-47 and a pistol, together with six additional guards each equipped with an AK-47 only.¹⁰⁴ All were being paid by Dy Chouch. Two of these guards were detailed to accompany Lia Chun Hua at all times within the factory compound. The guards’ other duties included screening and searching factory staff as they arrived for work each day and excluding unwanted visitors.¹⁰⁵ The latter include members of the local authorities, who have been prevented from conducting mandated checks on the factory’s operations and the visa compliance of its foreign staff.¹⁰⁶

v) Sightings of a man resembling Lia Chun Hua
During a visit to the Kingwood factory in December 2002, Global Witness investigators observed a middle-aged ethnic Chinese man, together with four ethnic Chinese women, being escorted to a waiting vehicle by two men wearing uniform and carrying guns. While not possible to confirm the man’s identity, his physical appearance and his armed escort match descriptions of Lia Chun Hua and the conditions of his alleged detention.¹⁰⁶

In April 2005 Global Witness staff observed



Lia Chun Hua is said to have been guarded by members of Cambodia’s military police

Kingwood compound. An employee of the logging syndicate accompanying Global Witness identified the man as Lia Chun Hua. This employee added that Lia was not allowed to leave Cambodia and had to be escorted at all times by armed guards.¹⁰⁷

vi) Reports that Lia Chun Hua has failed to respond to summons from the courts in Phnom Penh
Since the time of the Kingwood takeover, Maybank of Malaysia has pursued a legal action to reclaim unpaid debts from the company. Lia Chun Hua has failed to answer summons to appear before the court in Phnom Penh on at least three occasions. His place has been taken by lawyers hired by Seng Keang who have failed to explain his repeated non-appearance.⁸⁸ Court documents record Lia Chun Hua as having a permanent residence in Phnom Penh but “presently living in Kingwood sawmill, Prek Anhchanh Commune, Muk Kampoul District, Kandal Province”.¹⁰⁸

In October 2006 a public official informed Global Witness that they had received letters recently signed by Lia Chun Hua on Kingwood’s behalf.¹⁰⁹ While this information gives little insight into Lia’s current circumstances, it does suggest that he is still in Cambodia and remains associated with the company’s operations.

In February 2007 Global Witness wrote letters to Lia Chun Hua as well as Seng Keang, Dy Chouch and Khun Thong and other Kingwood shareholders

of publishing, Global Witness had not received any responses to these letters.

In summary, there are grounds for believing that the reports of Lia Chun Hua's abduction are correct and that his personal safety may be seriously at risk. It is evident that the authorities are aware of the situation but are either unwilling or unable to act. Given the close connections between the logging syndicate and senior officials, this situation seems unlikely to change in the absence of outside pressure on the Cambodian government.

2.4 Competing Claims

After taking over the Kingwood factory, Dy Chouch, Seng Keang and Khun Thong serviced selected debts owed to other Kingwood creditors. They may also have borrowed money themselves: a source close to Hun Sen's family told Global Witness that Bun Rany had been making loans to Seng Keang for the Kingwood operation.¹¹⁰ Global Witness wrote to Bun Rany in February 2007 to ask for her comment on this claim. As this report went to print she had not replied.

One Kingwood creditor that the timber barons refused to pay, however, was Maybank, which received little or no repayment on the approximately US\$9.4 million it lent Kingwood in the mid 1990s.⁸⁸ The magnitude of this potential loss spurred the bank to embark on legal proceedings in 2003.

Maybank targeted its legal action at Kingwood directors Lia Chun Hua and Lee Kwan Siang.¹¹¹ This posed a serious challenge to the position of the logging syndicate. In the first instance it threatened their hold over Lia, who faced summons to appear before court, not to mention the possibility of a prison sentence if found guilty. A win for Maybank, moreover, would

pave the way for the bank to enforce its claim on the same Kingwood assets that Seng Keang and Khun Thong seized in August 2002.

The timber barons vigorously contested the case, with Seng Keang appointing her lawyer, Chet Boravuth¹¹² to 'represent' Lia Chun Hua. In pre-trial hearings Chet Boravuth argued that Maybank's action was invalid because Kingwood now belonged to Seng Keang. He was unable to supply any documentary proof to substantiate this claim however, and the trial went ahead.⁸⁶

Sources within Cambodia's judiciary informed Global Witness that Seng Keang's representatives subsequently tried to bribe the judge and, when this failed, to intimidate him. These sources claim these threats were delivered separately by Chet Boravuth and Ky Tech, the lawyer who helped Sok Keo and Kingwood secure a loan from Cambodian Public Bank in 2001. Both sources allege that Chet Boravuth and Ky Tech told the judge that Hun Sen's wife Bun Rany would have him sacked if he found in favour of Maybank.⁸⁹ Global Witness wrote to Chet Boravuth and to Ky Tech in February 2007 to ask them to comment on this allegation. As this report went to print, neither had replied to these letters.

In April 2004, the court found in favour of Maybank, convicting Lia Chun Hua and Kingwood Chairman Lee Kwan Siang for breach of trust. Lia Chun Hua and Lee Kwan Siang received sentences in absentia of six months imprisonment, suspended pending their repayment of the loan, plus interest and a US\$250,000 fine. Following an unsuccessful appeal by Seng Keang's lawyers, the courts confirmed the conviction and sentences in August 2005.¹⁰⁸ This paved the way for Maybank to seize control of the factory to reclaim Kingwood's debts. To date, however, the authorities have taken no action to enforce the court's verdict.

Box 4: Kingwood's Assets – Property of the Cambodian People?

In August 2003, the Council of Ministers issued a *prakas* (ministerial declaration) terminating Kingwood's investment agreement, along with that of Mieng Ly Heng.¹¹³ These cancellations related to the poor quality of the concessionaires' sustainable forest management plans and environmental and social impact assessments rather than the illegal takeover of Kingwood, however.

For Dy Chouch, Seng Keang and Khun Thong, termination of Kingwood's investment agreement had little consequence in terms of timber supply, as the forest in the Kingwood concession was largely exhausted. The legal implications were potentially far-reaching, however.



Council of Minister's order cancelling Kingwood's investment agreement

The Asian Development Bank-funded concession review published in 2000 concluded that termination of companies' investment agreements implied a simultaneous cancellation of their Forest Timber (harvesting) Licence.¹¹⁴ Under the terms of Kingwood's original Forest Timber Licence agreement with MAFF, the company agreed to forfeit all buildings and plant that it did not remove upon the licence expiring. This indicates that the Cambodian government is now empowered to seize the Kingwood factory and other remaining assets as state property.¹¹⁵ Given that MAFF Minister Chan Sarun's wife Sok Keo owns the Kingwood site and her brother Khun Thong now controls the factory, it is perhaps unsurprising that no such seizure has taken place.

3. Tumring Rubber Plantation – the New Face of Industrial-Scale Logging in Cambodia

“If the logging companies still don’t listen, take away their licences. This morning I read the Cambodia Daily. It said that many companies won’t obey the order of the Ministry of Agriculture. Just you try, if you aren’t going to obey, just you try. If I don’t take away your concessions and close down your factory I will cut my throat!” Prime Minister Hun Sen, December 2001

Following the imposition of the cutting and log transportation moratoria, forest concessions no longer provided a vehicle for elite logging interests. However, with the connivance of those senior officials responsible for enforcing the timber industry’s suspension, the more powerful timber traders continued their activities under a range of new guises. The most lucrative and destructive of these has been the use of plantation developments – whether government-mandated development projects or so-called economic land concessions (ELCs) – as a pretext for clear-cutting forest.

Few timber barons are as well placed to take advantage of such schemes as Dy Chouch, Seng Keang and Khun Thong. By the time the government suspended forest concession operations, the group was already positioning itself for the next logging bonanza, courtesy of Tumring Rubber Plantation. Tumring is a flagship development initiative of the Cambodian government. It is also a classic example of how corrupt misallocation of public assets benefits the country’s political elite at the expense of the rural poor.

3.1 A Family-Scale Enterprise

In August 2000, Prime Minister Hun Sen issued a communiqué calling for the establishment of “family-scale rubber plantations”, as a component of the government’s rural development policy.¹¹⁶ The following year officials announced the creation of a new rubber plantation. The designated site comprised 6,200 ha excised from three logging concessions – Colexim Enterprise¹⁷ (3,577 ha), GAT International (2,181 ha) and Mieng Ly Heng (442 ha) – at their point of convergence in Tumring Commune in Sandan District, Kompong Thom Province. The area is in the heart of Prey Long – mainland Southeast Asia’s largest lowland evergreen forest and an important

This process was expedited via a survey by the Kompong Thom Department of Agriculture, Forestry and Fisheries in November 2000. This survey team classified the Tumring site as land containing only small amounts of valuable timber, when in reality much of the 6,200 ha was forested.¹²⁹

The government established the plantation not as an economic land concession allocated to a private company, but as a state-led development project mandated by a sub-decree. A sub-decree is a binding legal instrument signed by the prime minister but not subject to the approval of Cambodia’s National Assembly. Sub-decrees on the usage of particular areas of state land are unusual although not unprecedented. Issuing one specifically devoted to Tumring reflected the importance the prime minister and other senior officials attached to the project.



Dy Chouch (left) and his ex-wife Seng Keang (centre left) posing with Hun Sen’s daughter

Having signed the sub-decree establishing Tumring Rubber Plantation in August 2001, Hun Sen personally inaugurated the project the same month.¹¹⁸ Addressing local residents, he expounded his vision of a new Tumring:

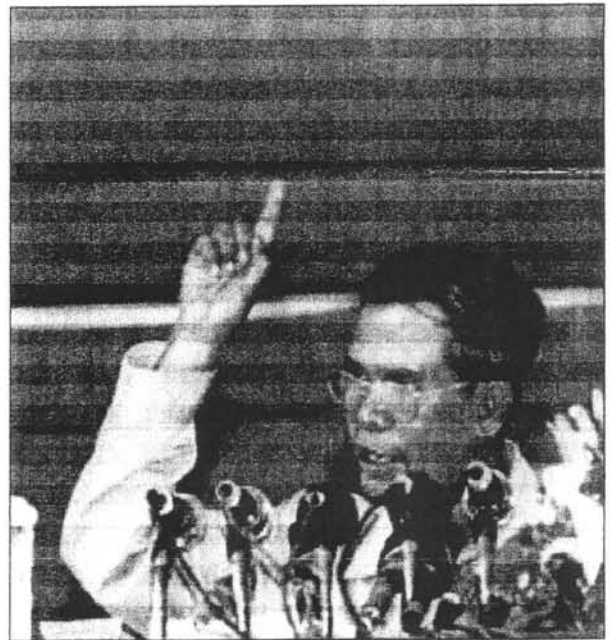
“If you tap resin, the logging concessions aren’t happy. And you don’t know when they’ll cut down your trees ... The first recommendation is that we need to change people here, from slash and burn farmers and resin tappers ... Make this a place ... Change from collecting resin, tapping resin ... from tapping resin to tapping rubber.”

Hun Sen concluded with a personal assurance:

“If Hun Sen says something, he will do it. I have not come to cheat you, I have not come to cheat you. And I don’t know how to cheat people. I don’t know how to cheat people, Hun Sen doesn’t know how to

cheat people. Hun Sen means honest. That’s it.”¹³⁷

The government turned over control of the 6,200 ha site to Chup Rubber Company,¹³⁸ a parastatal firm which runs large rubber plantations in Tboung Khmum District, Kompong Cham Province. According to the UN Office of the High Commissioner for Human Rights, “Chup Rubber Plantation has a poor record in human rights and labour rights compliance”.¹³⁹ In Tumring, the company received a mandate to implement industrial-scale rubber production on 4,359 ha, with 1,841 ha available for local families in three hectare parcels. Officials encouraged families to cultivate rubber, and the sub-decree signed by Hun Sen stated that Chup would provide them with technical assistance over the six to ten years that the trees would take to mature.¹¹⁸



Box 5: Resin Tapping

Liquid resin, tapped from *chhoenteal* and other species of Dipterocarp tree is the most widely harvested and traded non-timber forest product in Cambodia and a source of income for roughly 100,000 people living in or around forested areas.¹³⁰ It is used for lighting, water-proofing boats and for making paints and varnishes.¹³¹

Resin tapping involves cutting a hole in the trunk of a mature tree and thereafter burning a handful of grass or twigs in this cavity every few days to stimulate a flow of resin. Over the course of a year, tappers collect around 20,000 tonnes of resin in this way across Cambodia. Available evidence suggests that tapping does not harm the trees, which can continue to yield resin for several decades.¹³⁰

While agriculture is the dominant form of economic activity for most rural Cambodians, for many resin tapping is a vital secondary source of income with which to buy rice in times of shortage.¹³² Research undertaken in 2004 in Preah Vihear and Kompong Thom provinces found that households derived almost one-third of their income from resin tapping.¹³²

The activities of logging companies pose a direct threat to resin tappers' livelihoods.¹³³ The trees that rural Cambodians tap for resin are those same commercial grade species that the timber companies target for use in production of plywood and veneer. Records of logging concessionaires' harvests during the last cutting season (2000-2001) before the government suspended their operations clearly illustrate this. The harvesting records of one concessionaire state that 89% of the trees it cut comprised the principal resin-producing tree species.¹³⁴ Another concession company informed Global Witness that resin trees accounted for 80% of its harvest.¹³⁵

Article 17 (g) of the 1988 Decree-Law on Forest Practice Rules made it illegal to cut trees that people were tapping for resin. This law has been superseded by the 2002 Forest Law, Article 29 of which extends this protection to "trees of species that people tap for resin". The logging companies have consistently violated these laws, however. Resin tappers living in and around logging concessions in one province have reported losing as many as 20-30% of their trees to company harvesting operations.¹³⁶ The impact of the Tumring Rubber Plantation project on households in the centre of Prey Long forest has been even more severe.



Resin tapper in Prey Long Forest (courtesy of Andrew McDonald)



Box 6: Prey Long Forest at the Crossroads

Industrial-scale logging in tropical regions typically targets lowland rainforests over upland areas because they are easier to access and yield higher volumes of timber. The consequence in Southeast Asia has been the disappearance or severe degradation of most rainforests of this type.¹¹⁹

The Prey Long forest landscape in northern Cambodia is the largest contiguous area of lowland dry evergreen and semi-evergreen forest left standing in mainland Southeast Asia. Situated to the west of the Mekong River, it covers an area of approximately 5,250 km².¹²⁰

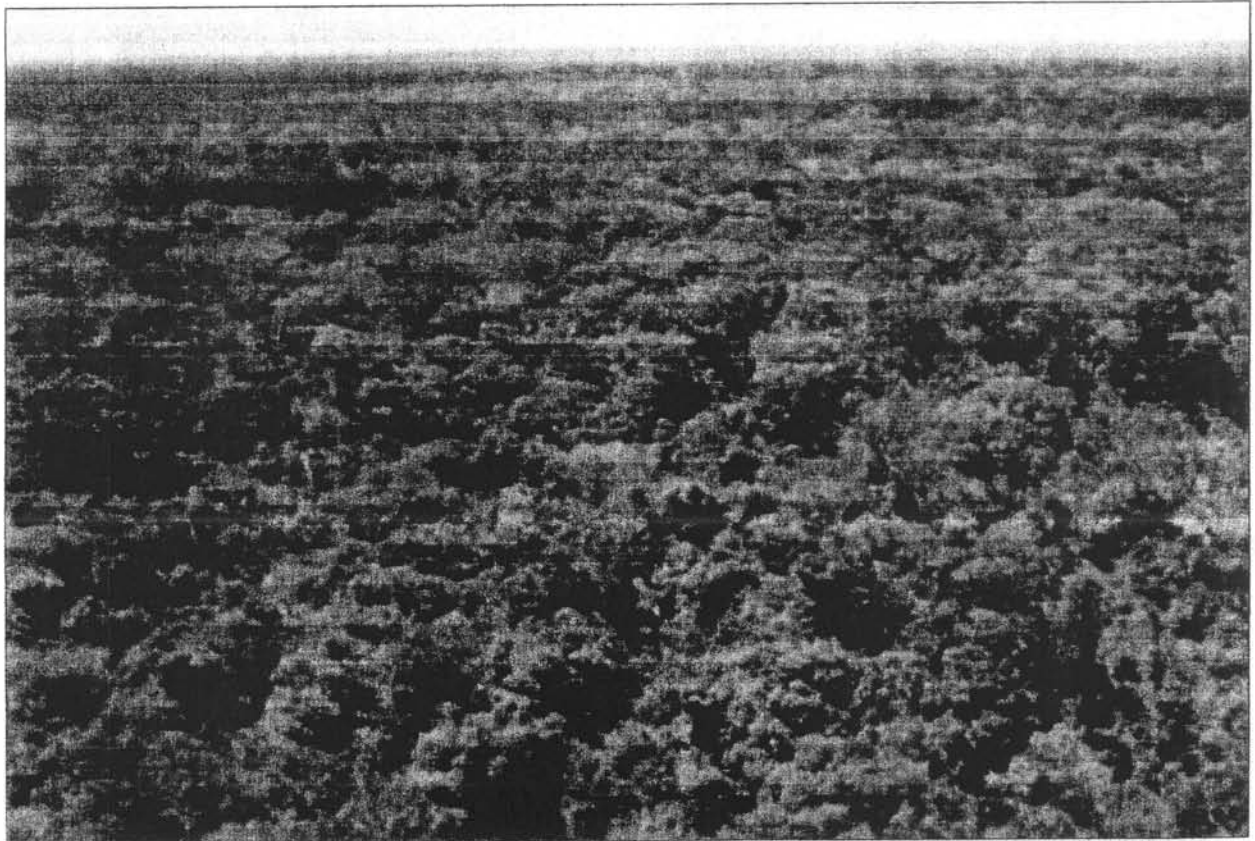
Surveys carried out in the Prey Long region reveal a diverse and unique natural heritage at risk and in need of preservation. A 2004 study found seven distinct types of forest, including the rare first-growth evergreen forests and evergreen marsh forests.¹²¹ Prey Long is also home to rare wildlife species such as elephant, gaur, banteng, tiger and Asiatic black bear.¹²²

Prey Long is critically important to the lives of some 256,000 people living in 340 villages in and around the forest. For these communities, the forest provides a livelihood not only through resin tapping (described in Box 6), but also via its provision of building materials, medicine and food.¹²⁰ It also plays an important role in cultural terms, as it contains large numbers of burial groves and spirit trees that

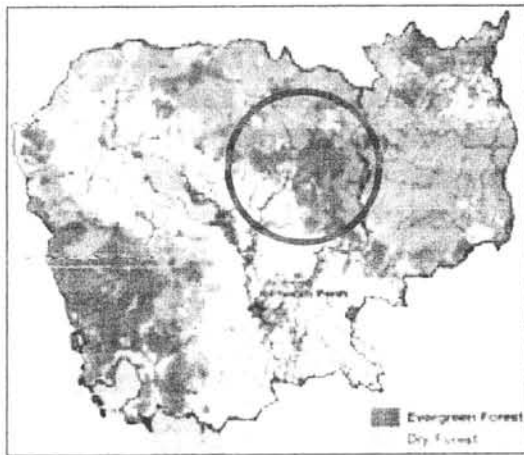
have particular significance for indigenous minority groups such as the Kuy.¹²³ In addition, forests such as Prey Long provide important watershed management services to Cambodia's rural population as a whole through their regulation of water flows to agricultural areas.¹²⁴

Prey Long's importance is highlighted in a number of studies of forest management in Cambodia, not least the 2006 World Bank Inspection Panel report and the 2004 Independent Forest Sector Review. It has been included in a tentative list of sites proposed for UNESCO World Heritage status.¹²⁵ However, Prey Long is not currently under any kind of protective management regime and it has been at the epicentre of logging concession activity over the past decade.¹²⁰ Despite the failure of all Cambodia's concessionaires to meet requirements to produce adequate sustainable forest management plans and environmental and social impact assessments, four logging concessions covering much of Prey Long remain in place.¹²³

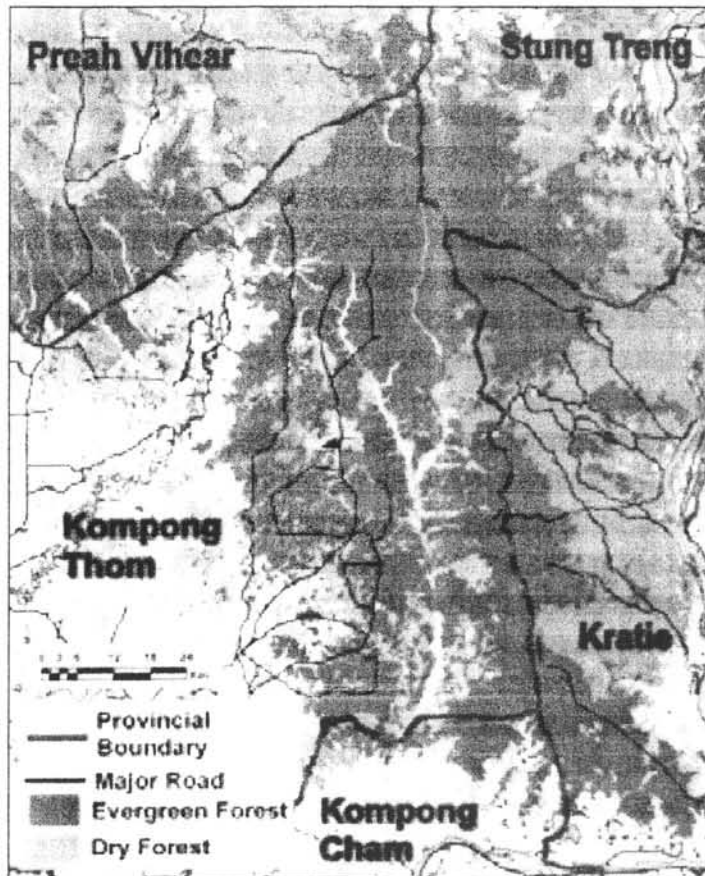
Although these concessions have been largely inactive since the 2002 moratoria on their operations, industrial-scale logging in Prey Long has continued via the Tumring Rubber Plantation profiled in this chapter. In 2006 the government granted at least one new ELC in Prey Long and officials are currently drawing up plans to convert tens of thousands of hectares to more rubber plantations.¹²⁶



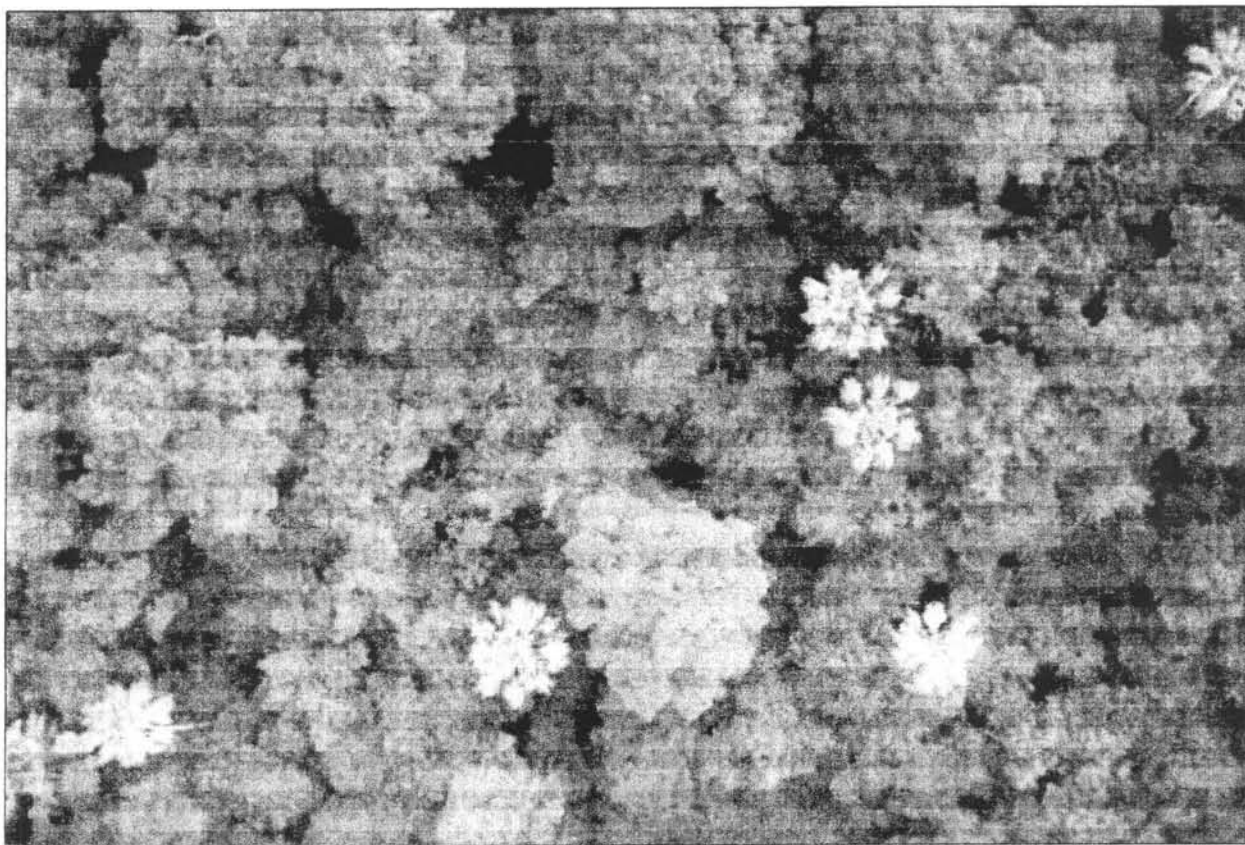
While the short-term economic gains of more logging in Prey Long are doubtless tempting for Cambodian officials, the costs in terms of biodiversity, livelihoods and watershed management would be severe.¹²⁷ Furthermore, the conclusion of the recent Stern Review on the Economics of Climate Change – that any serious attempt to address climate change must include preventing destruction of existing natural forests – underscores an already compelling case for concerted international action to preserve Prey Long and Cambodia's other remaining forest landscapes.¹²⁸



Location of Prey Long Forest, Cambodia



Prey Long Forest



3.2 The “Benefit of Conversion”

“If this area [Tumring], can contribute to the national economy, and the forest is going to be lost anyway, why should we keep it? We should immediately convert it to this use [rubber] that has high economic effectiveness. This is the benefit of conversion.” Minister of Agriculture, Forestry and Fisheries Chan Sarun addressing the National Assembly, 2002

To date Tumring has not yet produced any rubber; however it has yielded a huge timber haul through the clear-cutting of thousands of hectares of forest. The initial wave of logging in the months following the plantation’s inauguration was carried out by the GAT, Colexim and Mieng Ly Heng concessionaires. As already noted, Seng Keang and Dy Chouch have close links with Mieng Ly Heng which may extend to actual ownership. Operating in a regulatory vacuum, the three companies illegally felled thousands of resin trees belonging to local families.¹⁴⁰

In May 2002 the government re-instated a log transportation moratorium. The following month it cancelled the two timber concessions held by GAT International. From this point Dy Chouch, Seng Keang and Khun Thong took sole charge of the logging in Tumring. At around the same time they began working under the name Seng Keang Import Export Company.¹⁴¹

In October 2002 Chan Sarun’s Ministry of Agriculture, Forestry and Fisheries issued a letter conferring “permission, in principle, to collect wood of all classes within the rubber plantation at Tumring, Kompong Thom Province” to Seng Keang Import Export Co. Ltd.¹⁴² To the best of Global Witness’ knowledge, the Ministry’s decision did not follow an open tendering process and was never publicly announced. This lack of transparency offers little

reassurance to a Cambodian public that already perceives MAFF as being very corrupt.¹⁴³ In a letter to Deputy Prime Minister Sok An in March 2006, Chan Sarun explained his decision in the following terms:

“Cambodia’s tropical forest always contains different types of trees: luxury trees, first-grade trees, second grade trees, third grade trees, and other kinds of tree. Whenever there is clearing of the forest, it is vital to collect these trees for measurement, taxation and use of the timber resources other than burning, which causes a loss to the national budget and affects the natural environment.”

Chan Sarun’s concern to avoid wasting Tumring’s timber is commendable but appears at odds with the argument he makes elsewhere in the same letter that “before issuing the sub-decree to create Tumring Rubber Plantation, we had already set up a committee to conduct prior research, the results of which showed only small amounts of valuable timber in this area.”¹⁴⁴

The Minister’s statements on Tumring are at best contradictory and at worst deliberately misleading. By October 2002, Dy Chouch, Seng Keang and Khun Thong had a track record of violations going back several years. Chan Sarun’s decision to give the trio a permit offering a cover for continuing their illegal logging appears to place him in breach of Article 100 of Cambodia’s Forest Law, which states that “Any activities carried out by local authority officials, the police officers, Royal Armed Forces or other authorities that directly or indirectly allow forest exploitation or other activities contrary to the provisions of this law ... shall be subject to one to five years in prison and fines of ten million to one hundred million riel [US\$2,500 to US\$25,000].” The Minister’s actions also amount to complicity, as defined by the UNTAC (United Nations Transitional Authority in Cambodia) Penal Code. To date, Cambodia’s judicial authorities have

not investigated the minister’s actions with respect to Tumring; however Global Witness believes there are compelling grounds for doing so.

In summary, as Cambodia’s logging concessionaires faced up to a period of enforced hibernation that has now lasted more than five years, Dy Chouch, Seng Keang and Khun Thong secured, in rapid succession, one of the country’s largest timber processing facilities and a new resource with which to supply it.



Loggers from GAT International carried out the initial wave of forest clearance in Tumring



Seng Keang company representative in Tumring Seng Kok Heang (bottom right) and company guards

3.3 Log Laundering

Seng Keang, Dy Chouch and Khun Thong appointed as their representative in Tumring Seng Keang's brother Seng Kok Heang, an officer in the elite Royal Cambodian Armed Forces Brigade 70.¹⁴⁵ Seng Kok Heang is known as 'Ta Kao Pram' or Mr. 95 – 95 being his number in the numerical sequence of radio call signs used by his entourage. Seng Kok Heang had previously worked for Mieng Ly Heng and made a seamless transition from logging as forest concession management to logging as plantation development.¹⁴⁶

Tasked with supplying the Kingwood factory, Seng Kok Heang quickly showed himself uninhibited by the perimeters of the poorly demarcated Tumring site.¹⁴⁷ During field investigations in September and October 2003, Global Witness found his loggers cutting over half a kilometre outside the plantation boundaries. Commenting on this illegal expansion of the plantation operation, Chup Rubber Company's on-site representative stated "I don't know ... On the other hand I'm not supposed to know too many things."¹⁴⁸

Seng Kok Heang's cutting within the plantation boundaries involved the removal of all tree cover. Logging beyond the perimeter however, focused on the most suitable throughputs for the Kingwood plywood mill: *chhoenteal* (resin tree), *phdiek* and other commercial grade species. Having felled the trees, Seng Kok Heang's crews then moved the logs inside the plantation boundaries where they could be presented as a by-product of the authorised land conversion process.¹⁴⁷ The Tumring formula – officially-sanctioned clear-felling within a valuable forest – provides almost unlimited scope for laundering illegally-logged timber.



3.4 Firewood Collection

With the rubber plantation project enjoying political support from the highest level, the logging syndicate was able to poach villagers' resin trees and log outside the plantation boundaries with impunity. In the context of a national log transportation moratorium, however, the group adopted a more circumspect approach to moving the timber to the Kingwood factory. Surveillance by Global Witness staff in January 2003 revealed that the factory's log supplies arrived from Tumring only after dark, at an average of 6-7 trucks per night.¹⁴⁷ Thanks to fraudulent permits supplied by the Forest Administration meanwhile, the trucks' 60 m³ loads of two metre log sections assumed the guise of 'firewood'. In the words of the UN Office of the High Commissioner for Human Rights:

"The Special Representative [UN Secretary General's Special Representative on Human Rights in Cambodia Peter Leuprecht] visited Tumring Commune in July 2003 ... When meeting with local forestry officials, he personally witnessed the transport of five truckloads of large tree trunks, including those of resin trees. When he queried this, he was shown permits for firewood."¹³⁹

The firewood permits offered not only a documentary pretext for the log transports, but also scope for tax evasion. While the royalty rate for the grade II *chhoeuteal* and *phdiek* logs transported from Tumring is US\$54 per cubic metre, the corresponding rate for firewood is only US\$1. Based on accounts from FA staff in Kompong Thom and Global Witness surveillance of trucks arriving at the Kingwood

factory in 2003, it appears that Seng Keang Company transported a minimum of 20,000 m³ grade II wood out of Tumring in that year alone.¹⁴⁹ This suggests that in 2003 the company should have returned at least US\$1,000,000 in royalties to the Cambodian treasury. In 2006, however, Chan Sarun stated that in over three years Seng Keang Company had paid the government total timber royalties of less than US\$600,000. The question of how much tax the logging syndicate should have paid is examined in more detail in section 4.6.¹⁴⁴

Commenting on the logging around Tumring in September 2003, an official in the Kompong Thom provincial forestry department stated that "The Ministry of Agriculture has licensed Mrs Seng Keang to collect cut trees for firewood since late 2002".¹⁵⁰ Meanwhile, Khun Thong's son-in-law, FA Director General Ty Sokhun declared that "There is no log transportation. Some people use wood as firewood. If there are trees cut outside the plantation, we will crack down on it. There is no log exploitation business. There could be some clearing for farms." He denied ever having heard of Seng Keang or Dy Chouch.¹⁵⁰

Writing in a letter to the international donor Working Group on Natural Resource Management in the same month, Khun Thong's brother-in-law Chan Sarun asserted that "Up to date, as per the timber transport, MAFF continues implementing moratorium of the exploitation ban and effective logs transport."¹⁵¹ Seng Keang's staff informed associates in 2004 that the group was continuing to receive firewood permits from the Forest Administration.⁹⁸



3.5 Further Benefits

In September 2004, a few weeks after the formation of a new CPP-led government and his reappointment as Minister of MAFF, Chan Sarun issued a *prakas* authorising Seng Keang Company to establish a factory in Khaos village in Tumring for milling wood and processing veneer.¹⁵² This *prakas* contravenes the 1999 Sub-decree on Measures Restricting Certain Investment Sectors, which prohibits further investment in the processing of round logs.¹⁵³ It also violates the 2002 Forest Law, Article 30 of which states that no processing facility may be established within five kilometres of the permanent forest reserve. The Forest Law adds that “The Ministry of Agriculture, Forestry and Fisheries may grant an exemption to (these) prohibitions if a study by the Forest Administration can demonstrate that the benefit of such an exception would not cause harm or have only minor social and environmental impacts”. Chan Sarun’s *prakas* makes no reference to any such study and FA officials based in Tumring informed Global Witness in 2005 that none had been conducted.¹⁵⁴

A credible Environmental and Social Impact Assessment would certainly have highlighted destructive and illegal logging by the Seng Keang Company. In any case, by mid 2004 Tumring had already attracted considerable attention for the environmental damage, loss of household income, destruction of spirit forests and intimidation being visited upon its population. Global Witness, other NGOs and journalists, not to mention local inhabitants themselves, had presented the authorities with ample evidence of what was occurring.¹⁵⁵ Assuming that Chan Sarun was exercising his ministerial duties competently, he would have been fully aware of this information. In all likelihood, he simply chose to ignore it.

In 2006, the Minister defended his decision to issue the *prakas* in the following terms:

“Our authorisation of the Seng Keang Company to create a sawmill in Tumring is in accordance with the Forest Law as it [the sawmill] is not within the forest boundaries but in the middle of the development zone of Tumring Rubber Plantation.”¹⁴⁴

This argument is unconvincing, as the plantation site is bounded on all sides by Prey Long and the Seng Keang Company sawmill site is less than a kilometre from the forest that forms the plantation’s eastern perimeter.

Chan Sarun’s authorisation raises further questions as to how he reconciles his conflicting arguments on Tumring and who is receiving the “benefit of conversion”. The Minister has claimed that there was little valuable timber in Tumring, yet he chose to authorise construction of a sawn wood and veneer factory operating no less than four production lines. Where did he expect that the Seng Keang Company

Prakas signed by Chan Sarun authorising Seng Keang Company to construct a timber processing plant in Khaos village

Chan Sarun again appears to have breached Article 100 of the Forest Law. Yet, while almost certainly illegal, the Minister’s actions are entirely in keeping with a political culture in which public office is perceived as a licence to circumvent the law rather than a responsibility to enforce it.

In the final quarter of 2004, Seng Keang Company proceeded with the construction of a milling and veneer manufacturing plant equipped with new machinery imported from China.¹⁵⁶ Its opening ceremony was graced by high-ranking officials from Phnom

Penh.¹⁵⁷ Seng Kok Heang took charge of managing the factory and by the end of 2004 it was processing large numbers of villagers’ resin trees cut outside the plantation boundaries.¹⁵⁸



3.6 Old logs and Donor Amnesia

In late 2004 Dy Chouch, Seng Keang and Khun Thong's operations received an additional boost when the temporary lifting of the log transportation moratorium allowed them to use logs left in Tumring Rubber Plantation by the logging concessionaire Colexim Enterprise. Colexim Enterprise had taken a leading role in the early months of the clearing operation in Tumring and, according to its own records, "collected" 3,355 logs.¹⁵⁹ Following the introduction of the moratorium, 2,812 of these logs remained stranded beside the road running through the plantation. Global Witness inspections of these logs revealed that at least 50% had resin-tapping holes, suggesting that the company had cut them illegally.¹⁶⁰

Collection of old logs is well-established as a cover for illegal logging operations in Cambodia and Hun Sen banned the practice in 1999. Unperturbed, Colexim lobbied persistently for permission to transport the logs from Tumring to its factory on National Route 5.¹⁶¹ In 2003 the company submitted a formal proposal to the government with the tacit encouragement of the World Bank.¹⁶² Meanwhile, Chan Sarun solicited support from the international donor Working Group on Natural Resource Management (WGNRM) for lifting the log transportation moratorium. The WGNRM responded with two letters to the minister which noted that:

"The proposed log transport cannot be separated from the origin of the logs. Our understanding of the development of the Tumring Rubber Plantation is very troubling ... communities have been displaced and lost their established livelihoods ... Our critical concern is that any authorised log movement should not create an opportunity for transport of new illegal logging [sic] or transport of illegally felled timber. It was for this reason that the Working Group urged in 2002 ... the present suspension of log transport."¹⁶³

"We also see the environmental aspects (erosion) as well as the social issues of the Tumring project as

closely linked with the wisdom of advancing on the controlled transport and sale of logs from the project site. Even with the clarifications you provide, we still can not endorse the movement of these logs."¹⁶⁴

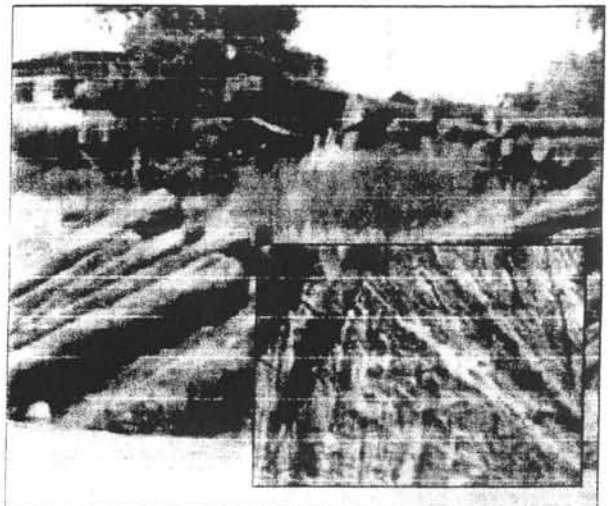
However, when Chan Sarun pushed for a resumption of log transportation at the December 2004 Consultative Group meeting, the donors decided to give the proposal their support. In the interim nothing had changed, beyond a deterioration of the situation in Tumring as Seng Keang Company's operations expanded and more resin-tappers lost their trees. In January 2005 concessionaires began moving stockpiles of logs; many of them illegally-felled resin trees. Donor endorsement became Chan Sarun's main justification for ending the log transportation moratorium.¹⁴⁴

Along with Colexim, one of the main beneficiaries was Seng Keang Company which, by the time timber transports resumed in January 2005, had bought more than a thousand of the logs in Tumring for US\$216,397.¹⁶⁵ The syndicate proceeded to take these logs to the Kingwood factory by truck before re-loading them onto barges and selling them to sawmills further down the Mekong River.¹⁶⁶

Donor representatives who had previously expressed concern about the proposed log transportation from Tumring raised no further questions about the origin of the logs or the wisdom of allowing dubious companies to profit from illegal activities. Neither did Swiss firm SGS, which had taken over as the official monitor of government efforts to tackle forest crime following the removal of Global Witness. SGS informed Global Witness in February 2007 that it "was not asked to investigate or provide any opinion regarding the origin of these logs which were harvested well before the start of the SGS contract. SGS was advised by the donor group that they had approved the transportation exercise on condition that it was supervised to try and ensure that no fresh or additional logs could enter the supply chain."¹⁶⁷



Old logs were taken from Tumring and stored in the Kingwood factory compound, February 2005



The same logs were loaded onto barges at the Kingwood factory and sold to sawmills further down the Mekong River, including

4. Anatomy of an Illegal Logging Operation

Thanks to the rubber plantation project and the permits that Chan Sarun provided, Dy Chouch, Seng Keang and Khun Thong managed to establish themselves in the heart of Prey Long, Cambodia's most valuable forest resource. It is unlikely that they could have selected a more suitable location for their activities and Tumring duly became the centre of the largest illegal logging operation in Cambodia. This section summarises the findings of Global Witness investigations into this operation's main components.

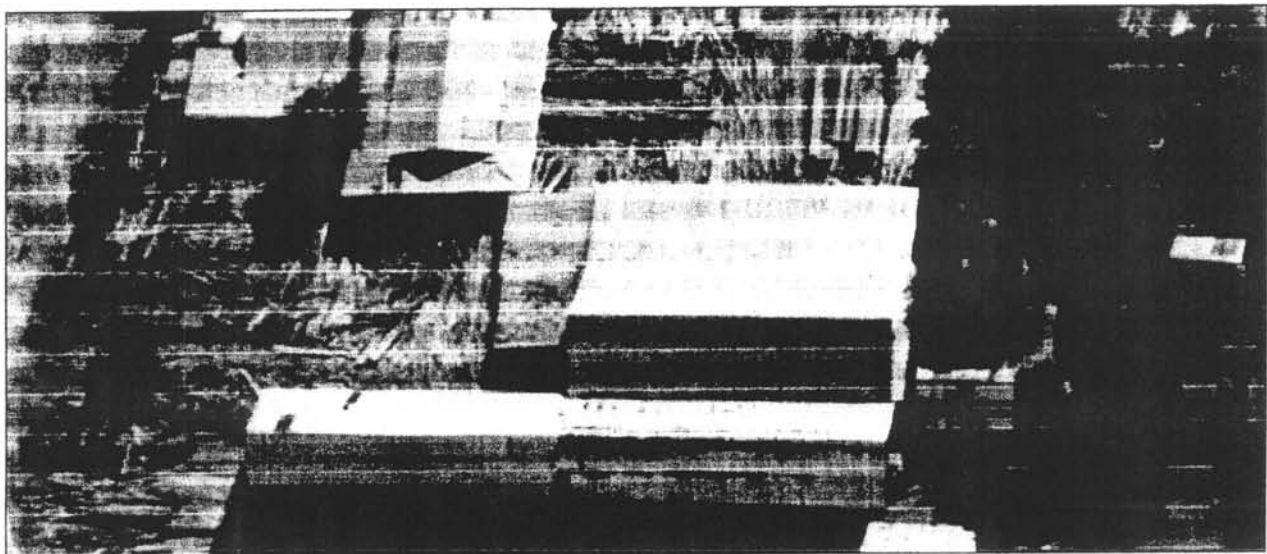
4.1 Processing Capacity

From the time of the new factory's establishment in Khaos village in Tumring in late 2004, the logging syndicate reduced its transportation of logs to the Kingwood factory in Kandal Province. Instead, it began processing logs into veneer sheets at a range of sites, before transporting them to the factory for assembly into plywood.¹⁵⁶ This may have reflected a preference

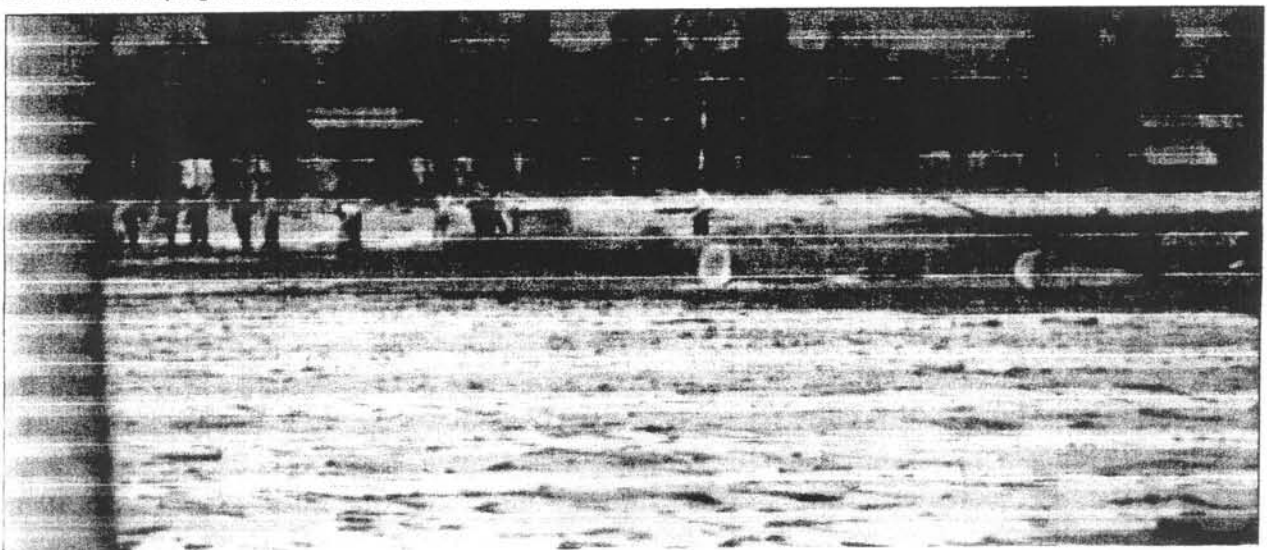
for a less conspicuous alternative to the illegal log transports repeatedly exposed by Global Witness, the UN and others. At the same time the syndicate began placing a greater emphasis on processing and trading sawn timber.¹⁹⁰

While the new factory in Khaos became the centre for these processing activities, the syndicate also made use of additional sites in Kompong Thom and Kompong Cham provinces. In Kompong Thom these included a sawmill near Kompong Thmor which local inhabitants claim Dy Chouch bought for around US\$10,000 in early 2005.¹⁶⁸

The logging syndicate may also have acquired ownership of the El Dara factory nearby. People interviewed at the El Dara site in May 2005 stated that Dy Chouch had taken it over in March that year. El Dara workers informed Global Witness that they were producing veneer for use at the Kingwood plant.¹⁶⁹ Aerial surveys of the site in November 2005 and September 2006 revealed that the factory was continuing to process logs into veneer sheet.



Sawmill near Kompong Thmor reportedly purchased by Dy Chouch, November 2005



In Kompong Cham, the syndicate commissioned the processing of logs into veneer at a mill in Chamkar Andoung District known as Factory Number II. Workers at Factory Number II informed Global Witness in May 2004 that they were processing timber from natural forests into veneer sheet for plywood manufacture at Kingwood.¹⁶⁹

Close to the Kingwood factory itself, Global Witness found the group using an additional two sites for aspects of the plywood production process.¹⁷⁰

Khun Thong's own sawmill on Route 2, meanwhile, remained fully active. Investigators visiting the site in April 2005 found it processing approximately 100 m³ of *beng* (luxury grade, protected species), *chhoeuteal* (resin tree wood) and *phdiek*. All this timber had been transferred from the Kingwood factory via the Mekong and Bassac rivers. The following month investigators observed a Forest Administration official arriving at the

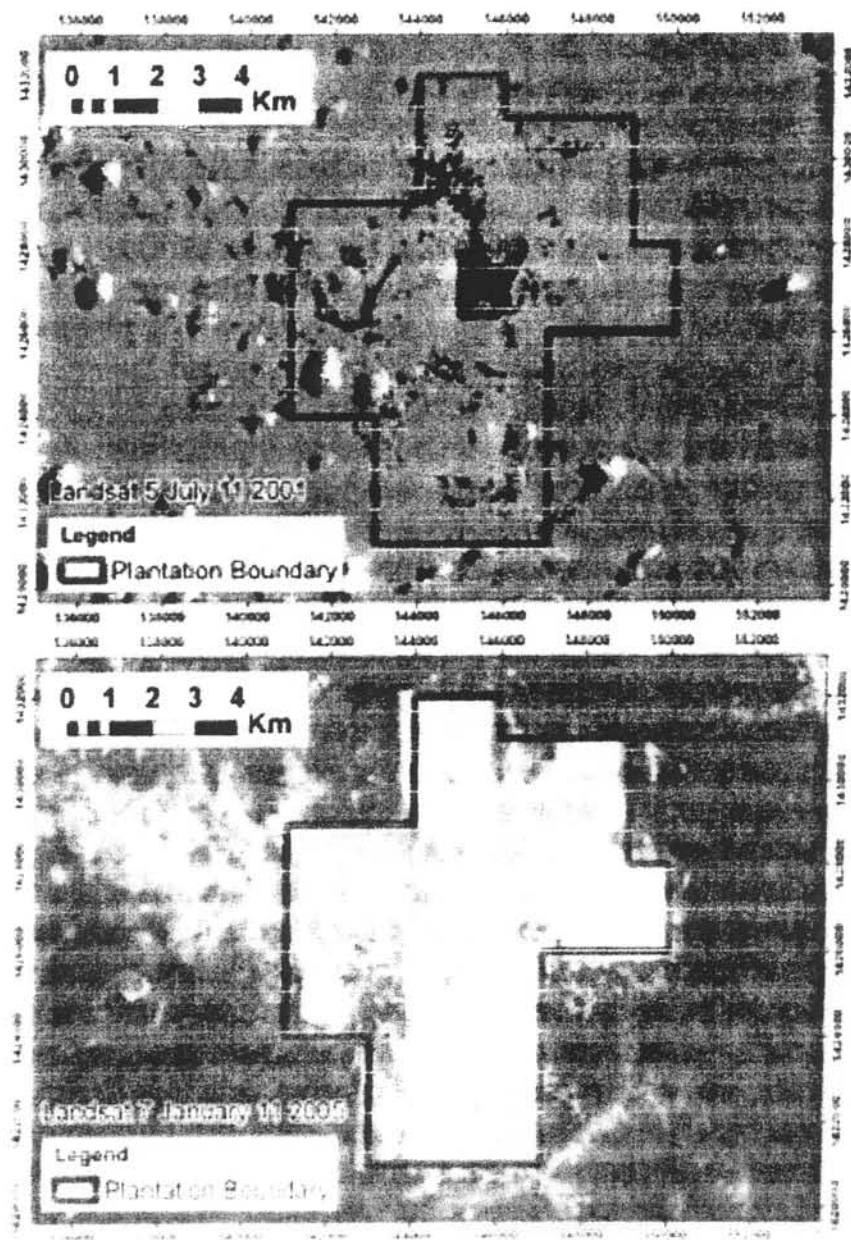
sawmill with a large military style truck loaded with luxury and grade I timber. The wood had been illegally logged in Pursat Province.¹⁷¹

4.2 Feeding the Factories

Satellite imagery shows that by January 2005 the forest resource within Tumring Rubber Plantation was all but exhausted. Interviews with loggers, officials and local inhabitants, together with surveillance of cutting sites and truck movements, indicate that from late 2004, if not before, logging by the Seng Keang Company focused primarily on forests outside the plantation boundaries.¹⁷² Throughout 2005, Global Witness investigators found evidence of Seng Kok Heang's loggers operating across Sandan and Santuk districts; in other words areas of Prey Long falling within the Colexim, GAT, Mieng Ly Heng and Pheapimex-Fuchan concessions. (Colexim, its track record and its links with the Seng Keang Company are profiled in Box 7.)

As with the Kingwood plant, the Seng Keang Company factory in Khaos processed primarily *chhoeuteal* (resin trees), *phdiek* and other commercial grade species suitable for veneer and construction timber.¹⁷³ It also functioned as a depot for timber that loggers had already cut into planks or *may tap* (square logs) in the forest using chainsaws. This sawn wood included not only commercial grade timber, but also luxury species such as *beng*, *neang nuon* and *thnong*. In early 2005 much of this luxury wood was coming from the forest around Phnom Chi in the Pheapimex-Fuchan concession east of Tumring.¹⁶⁸

Global Witness also uncovered evidence of the logging syndicate casting its net beyond Kompong Thom Province in its efforts to maintain supply to its processing facilities. In May 2004 investigators discovered a large-scale logging operation inside the Timas Resources forest concession at the southern edge of Prey Long in Kompong Cham Province. The loggers said that they were working for Military Region II officers Sath Chantha¹⁸⁸ and Uy Kear¹⁸⁹ and that they were cutting to order for the Kingwood factory.¹⁹⁰ More than two years into a moratorium on cutting in logging concessions



Box 7: Colexim – Cambodia's Model Concession Company

*"The most valuable point is we will be able to be the Model Company ... Colexim can be a best sample company for all concession companies in Cambodia, and then we hope they will try their best to follow Colexim."*¹⁶¹ Extract from a petition sent by Colexim to the Minister of Agriculture, Forestry and Fisheries, Chan Sarun in December, 2003

Colexim controls a 147,187 ha logging concession covering western areas of Prey Long. The company's owners are a Japanese firm called Okada, a Cambodian tycoon named Oknha So Sovann¹⁷⁴ and the Cambodian government.¹⁷⁵ Colexim has a well-documented record of illegal logging and violence against local residents.¹⁷⁶ In 1997 one of its security guards murdered a resin tapper who tried to stop Colexim cutting down villagers' resin trees.¹⁷⁷

Global Witness investigations during 2003 and 2004 found that illegal felling and fires had destroyed at least 1,000 ha of forest around Colexim's Camp 99 logging base in Meanrith Commune. Agricultural businesses were buying the land and planting it with soybean and other crops. Local inhabitants accused Colexim subcontractors Cheng Savath¹⁷⁸ and Svay Savath¹⁷⁹ of orchestrating the logging and land sales with the collusion of FA and commune officials.¹⁸⁰

In June 2005, consultants hired by the World Bank to conduct a review of concessionaires' sustainable forest management plans and environmental and social impact assessments conducted an aerial survey of the same area and made the following observation:

"Land grabbing, forest conversion: virtually all forests, which have been harvested by (Colexim)

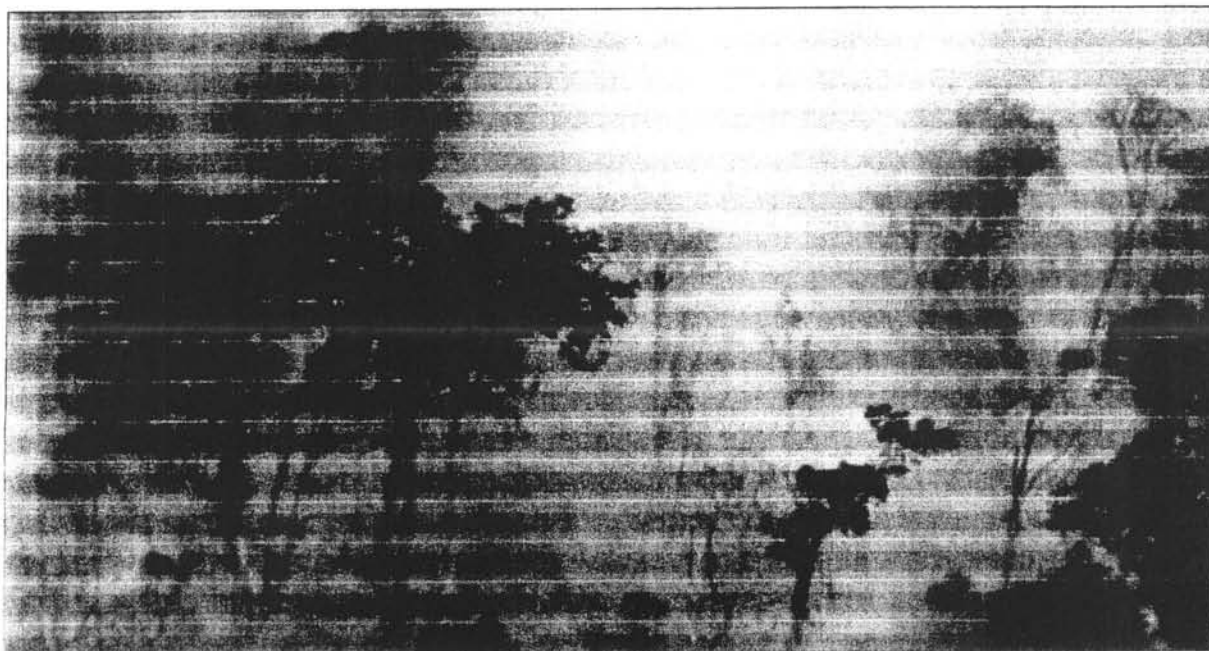
from 1996 to 2000 (some 18,800 ha) are now either irreversibly disturbed, encroached, largely converted already or about to be cleared."¹⁸¹

It is inconceivable that Colexim is not aware of this destruction. If the company is not directly responsible, its negligence alone would be sufficient grounds for cancelling its concession contract.

During 2005 and 2006, Global Witness conducted renewed investigations into illegal logging in the Colexim concession. Local people provided detailed accounts of illegal cutting of resin trees, which they claimed was orchestrated by Colexim subcontractors Svay Savath, Neak Sok Nai¹⁸² and Ngin Vanthai,¹⁸³ together with Seng Kok Heang.¹⁸⁴ They claimed that, once cut, the logs were being transported from the concession to the Seng Keang Company factory in Tumring.¹⁸⁴ Staff at the El Dara plywood mill near Kompong Thmor informed Global Witness in September 2005 that they had also been sourcing logs from Colexim's Camp 99.¹⁸⁵

Global Witness conducted an aerial survey of the Camp 99 area in September 2006, and found that what had once been a small clearing in the forest had sprawled to denuded plain of around 5,000–6,000 ha.¹⁸⁶

In December 2006 Global Witness obtained an internal MAFF memo written for Chan Sarun that concerns debts owed by Colexim to a Cambodian bank and other creditors. This memo refers to a plan by CPP senator and tycoon Ly Yong Phat to buy some of Colexim's land.¹⁸⁷ In February 2007 Global Witness wrote to Ly Yong Phat to ask him if the land concerned was part of Colexim's logging concession in Prey Long. At the time of this report's publication, Ly Yong Phat had not replied.



4.3 The Suppliers

"In response to the claim of large-scale illegal logging 5-10 kilometres outside the rubber plantation area: in this case, according to the local Forest Administration, which fights forest crime, small-scale violations (secret cutting, wood-sawing and transportation by ox cart or horse cart) may sometimes arise in the forest area. These violations are carried out by the people living in and adjacent to the forest to support their livelihoods, especially during drought and in order to use timber products for necessary local public construction. Meanwhile, competent officials from the local Forest Administration have strengthened law enforcement to prevent and continuously combat forest crimes."

MAFF Minister Chan Sarun, 2006

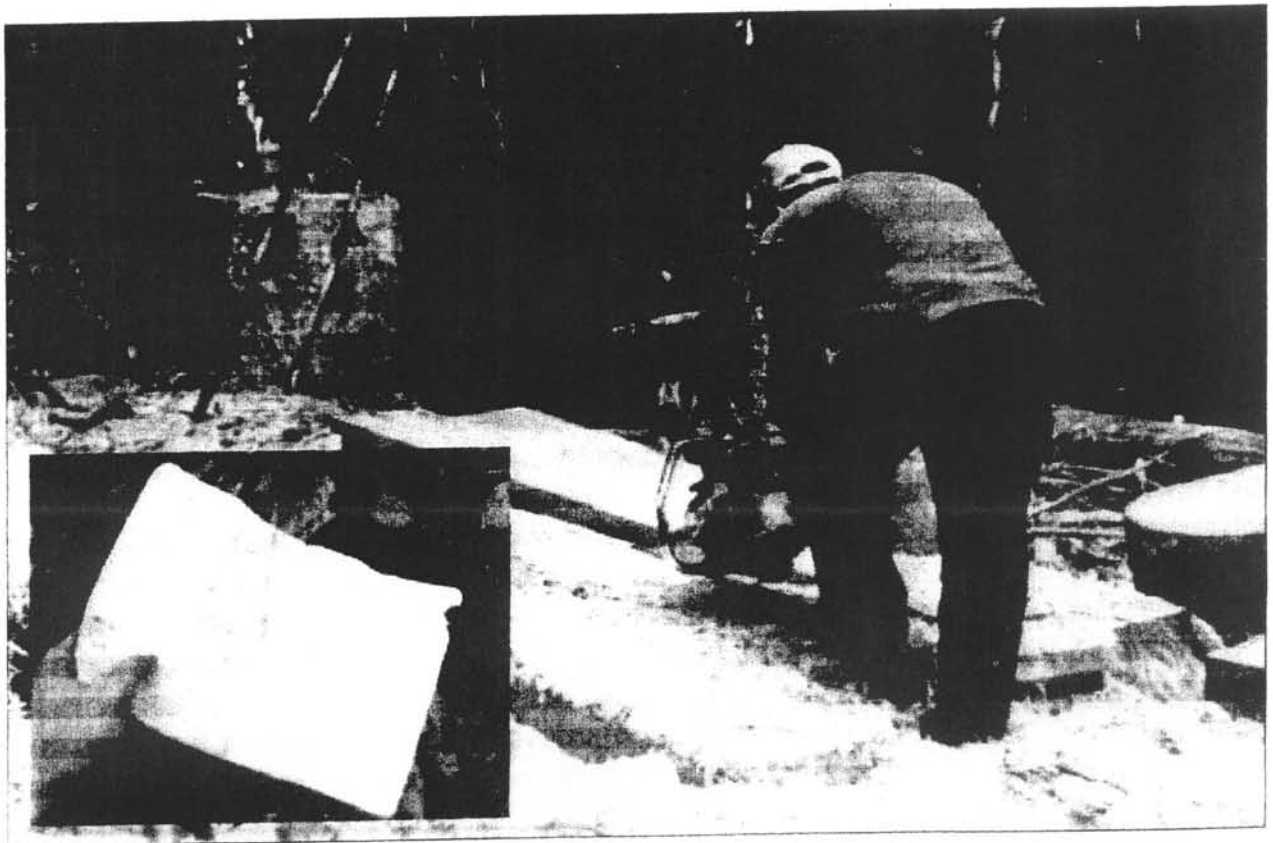
The suppliers of timber to the Seng Keang Company operation in Tumring comprised three main groups:

1. A small group of salaried employees working for Seng Kok Heang who supervised logging operations. Each of these staff received basic pay of up to US\$220 per month.¹⁹¹
2. Full-time logging crews paid US\$15-US\$25 for each cubic metre cut. Seng Kok Heang provided these workers with equipment and protection and sent his own vehicles to collect the logs from the cutting sites. In 2005 he was using around five bush trucks for this purpose.¹⁹¹
3. Timber traders supplying the factory on a freelance basis. These traders took responsibility

for finding their own equipment and paying off corrupt officials. They could not necessarily count on Seng Kok Heang's support if they encountered difficulties. On the other hand, Seng Keang Company paid them more per cubic metre of processed timber delivered to the factory. In 2005 Seng Kok Heang paid such suppliers around US\$150 per cubic metre of grade I timber and US\$75-US\$100 for grade II. These timber traders typically used either small Korean trucks or hired ox carts (each able to carry 1-1.25 m³) to transport wood to the factory.¹⁹¹

Labourers working for the timber traders sat at the bottom of this pecking order. Most came as migrant workers from other areas, sometimes living in the forest for weeks at a time during logging operations. Loggers interviewed by Global Witness in November 2005 stated that their employer, a military policeman supplying Seng Kok Heang, paid them US\$30-US\$50 each per month depending on the volume of wood they had cut and processed.¹⁹²

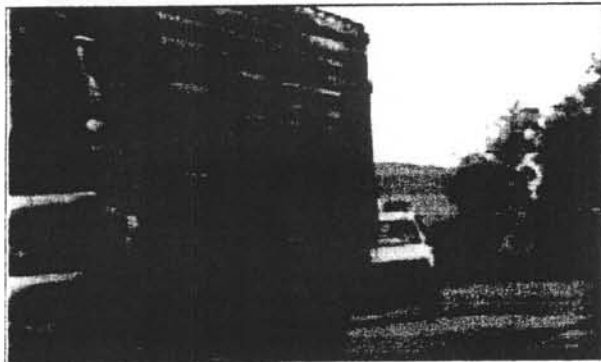
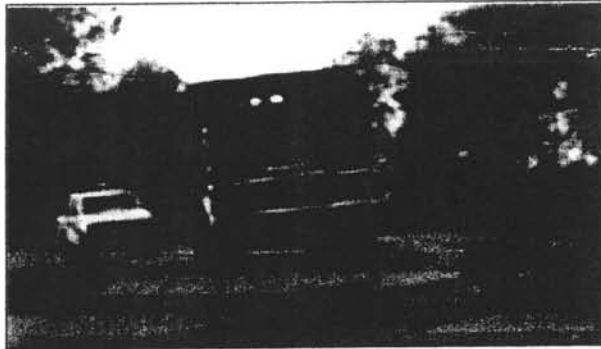
The exact number of people and machines involved is hard to estimate; however in mid 2005 a resident of Tumring with close connections to the Seng Keang Company informed Global Witness that there were 52 chainsaws in Tumring Commune alone.¹⁹³ In the same year community forestry activists recorded 131 chainsaws and 12 mobile sawmills across all communes of Sandan District.¹⁹⁴



4.4 Transportation

A Seng Keang Company employee describing himself as the firm's transportation manager informed Global Witness in November 2005 that the company was using a fleet of five trucks and transporting 3-4 truckloads of timber out of Tumring each day.¹⁹⁵ This statement tallies with Global Witness' own observations of activity around the Seng Keang sawmill in Tumring.

Many of the trucks used by Seng Keang Company belonged to Brigade 70, the elite military unit in which Seng Kok Heang is an officer.¹⁹⁶ Brigade 70's timber transportation service is a nationwide operation which is described in detail in Chapter IV. Its 10-wheeled military green trucks typically bear Royal Cambodian Armed Forces licence plates and some display a '70' plaque against the windscreen. Global Witness investigators have tracked these trucks from Prey Long to the Kingwood factory and have gathered accounts of the unit's collaboration with Seng Keang Company from Brigade 70 soldiers, timber traders and local people.¹⁹⁷



4.5 The Markets

Seng Keang Company supplies some of the commercial and luxury grade wood that it illegally logs in Prey Long to Cambodia's domestic market. Global Witness has gathered information from various sources suggesting that a significant proportion may be consumed outside the country however:

- Supplies of logs from Prey Long have enabled continued industrial-scale production of plywood at the Kingwood factory. As outlined in Box 8, there are strong indications that much of this product is being exported to China.
- As detailed in Chapter IV, Brigade 70 is heavily implicated in the trafficking of timber to Vietnam.¹⁹⁸ The unit may well have been transporting wood logged by Seng Keang Company in Prey Long across Cambodia's eastern border.
- Well-placed sources have informed Global Witness that Dy Chouch is involved in the illegal export of luxury grade timber in shipping containers via ports on Cambodia's south coast.¹⁹⁹ Global Witness wrote to Dy Chouch in February 2007 to ask for his comment on this allegation but has not received a reply.



Box 8: Cambodia's Invisible Timber Exports

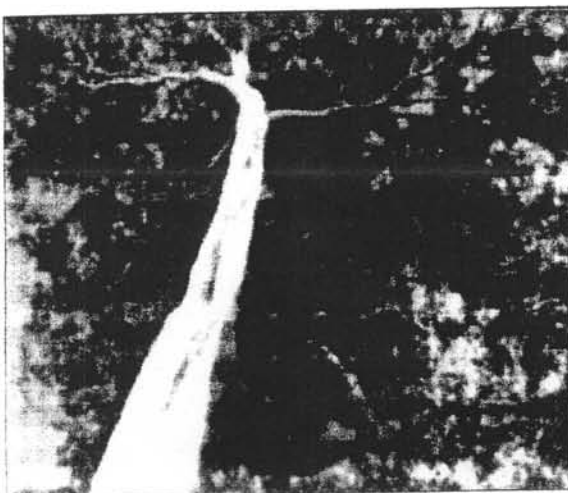
After the 2002 moratoria on logging in concessions and transporting logs, the Kingwood factory was the only one that continued to operate.

From 2001 Kingwood's factory started making a new type of plywood using a mix of timber from natural forest and wood from old rubber trees grown in plantations.²⁰⁰ This production line continued following the company's takeover in August 2002 by Dy Chouch, Seng Keang and Khun Thong.²⁰¹ From 2004 the Seng Keang Company also began manufacturing veneer sheets at various sites around Prey Long and transporting them to the Kingwood factory for assembly into finished plywood.

Investigations by Global Witness between 2002 and 2006 found that the Seng Keang Company was the only firm in Cambodia manufacturing plywood or veneer on an industrial scale. The company also became a leading producer of sawn timber over the same period.

The government promoted exports of Kingwood-manufactured plywood ...

In April 2004, the Ministry of Agriculture, Forestry and Fisheries staged a trade exhibition to promote the export of Cambodian products. The exhibits included samples of three different types of plywood, all of which carried the label "made from rubber wood". In separate interviews, two MAFF officials informed Global Witness that this plywood came from "Hun Chouch's factory in Muk Kampoul District on Route 6", i.e. the Kingwood plant. One of the MAFF officials stated that plywood was made from 100% rubber wood, while the other described it as a rubber wood-timber mix.²⁰² Certainly, the grain and texture of the veneer used in the plywood



samples resembled that of commercial grade timber rather than rubber tree wood.

... but no exports of plywood and sawn wood were recorded in official government statistics.

Following the moratorium on logging in concessions from 2002, official Cambodian government figures suggest that timber exports nose-dived. Statistics published by the Forest Administration show no plywood exports in the years 2003 and 2004.²⁰³ The trade in sawn wood appears to have stopped earlier, with no exports recorded between 2000 and 2004.²⁰³ The Cambodian government has not published any timber export statistics for the years 2005 and 2006. Global Witness has written to the Forest Administration to request these sets of figures but has not received a reply.

However imports of Cambodian timber products continued to be registered by other countries ...

International trade figures paint a rather different picture of Cambodian timber exports.²⁰⁴ These figures show that, between 2003 and the end of 2006, China imported from Cambodia a total of approximately 28,000 m³ of plywood worth US\$16 million. They also show that, from 2003 to 2005, Cambodia exported plywood in much smaller quantities to Australia, Singapore, Taiwan and elsewhere.

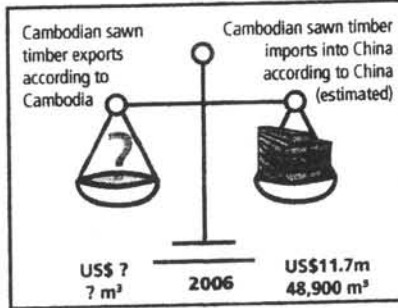
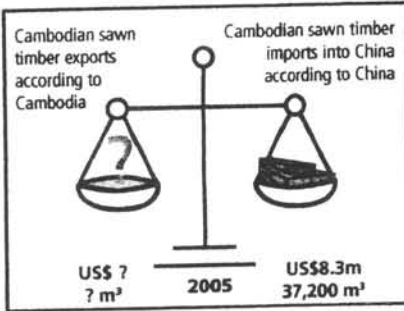
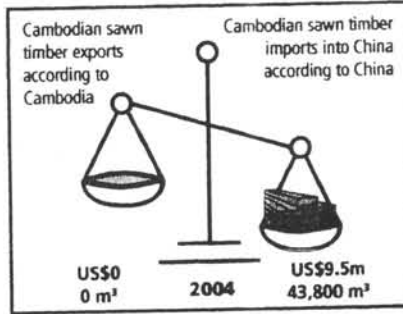
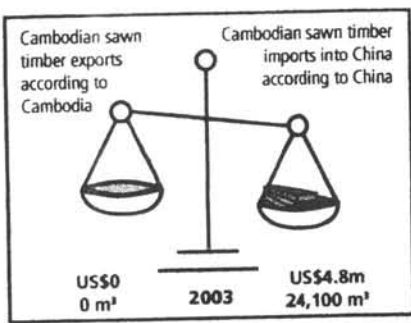
Figures for sawn wood are much higher – 150,000 m³ exported from Cambodia to China between 2003 and 2007 at an approximate import value of US\$34 million.²⁰⁴

... with worrying implications for the Cambodian treasury.

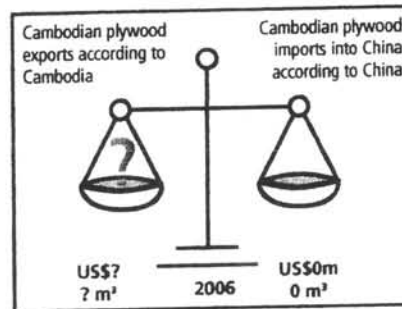
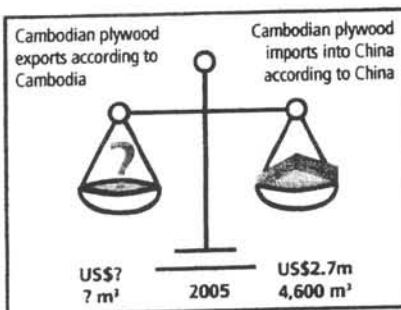
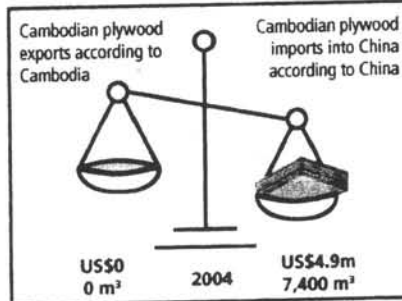
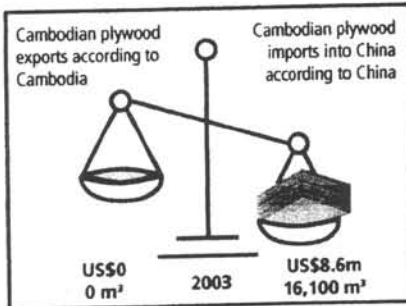
Both plywood and sawn timber exports from Cambodia are taxed at 10% of their value and the total loss to the Cambodian government on untaxed plywood shipments to China between 2003 and 2006 may have amounted to US\$1.5 million.²⁰⁵ Losses on unregistered sawn timber appear to be double that figure.

Global Witness is unable to say with certainty what percentage of these exports involved the Seng Keang Company. However, as the only known industrial-scale producer of plywood and veneer active in Cambodia at the time, it is highly likely that the firm played a significant role in the multi-million dollar trade in plywood. As perhaps the largest sawmill operator in the country, there is a strong possibility that it accounted for a sizeable share of the sawn wood trade as well.

a) Sawn wood

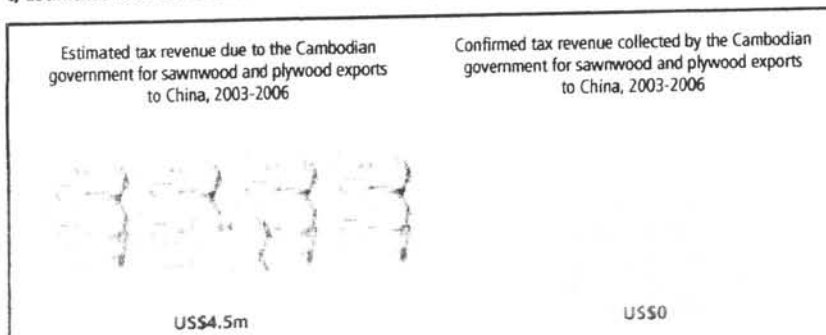


b) Plywood



Dipterocarp tree

c) Estimated lost tax revenue for the Cambodian government: 2003 - 2006



Note 1: the products shown in this figure account for the overwhelming majority of China's declared timber imports from Cambodia

Note 2: 2006 data are estimated here by multiplying the sum for the first eleven months of 2006 by 12/11

Note 3: Sawn wood commodity was calculated using HS Codes for sawn wood and for sawn wood n.e.s. (not elsewhere specified). Sawn wood n.e.s. describes non-coniferous wood and could include tropical sawn wood

Note 4: Based on other bilateral trade flows, it is reasonable to assume that the unit value of timber in Cambodia would be approximately 10% less than the value of the same timber in China. The tax revenue due to the Cambodian government has been estimated using the conservative figure of 90% of the import

4.6 Outputs and Financial Returns

Because of the illegal nature of Seng Keang Company's activities, there are no credible official statistics on the amount of timber the firm has cut in Prey Long. Global Witness has, however, compiled data on the group's operation that permit estimates of output covering the period since it established its factory in Khaos village at the end of 2004.

What volumes of timber have the Seng Keang Company processed at its factory in Tumring?

People living beside the road leading out of Tumring whom Global Witness interviewed in 2005 and 2006, stated that over a 24 hour period they usually saw or heard two to three loaded trucks leaving the plantation.¹⁸⁴ Seng Keang Company's transportation manager informed Global Witness in November 2005 that it was transporting on average three to four truckloads of sawn timber each day.¹⁹⁵ Each of the Seng Keang Company vehicles carried at least 60 m³ of processed wood.¹⁵⁶

These estimates of between two and four truckloads of timber per day correspond with Global Witness' observations of truck movements over the same period. Assuming that the company was using an average of three trucks per day, this would suggest output of 180 m³ of sawn timber per day, 4,680 m³ per month and over 56,000 m³ per year.^{vi}

What does this equate to in terms of volumes of logs consumed?

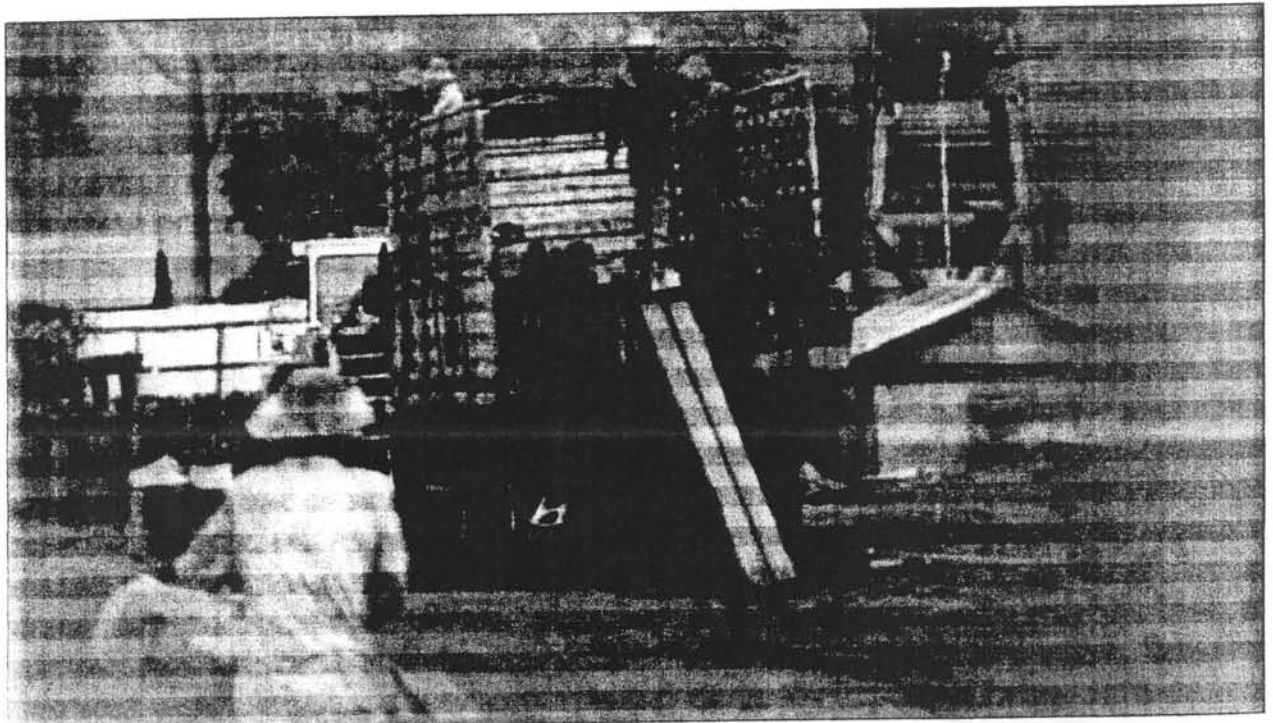
A standard international conversion rate for round wood (logs) processed into sawn timber is 1.8; in other words it takes 1.8 m³ of logs to produce one cubic metre of sawn timber.²⁰⁶ In reality, significant amounts of the Seng Keang Company's timber were processed in the forest using chainsaws and therefore converted much less efficiently. Using the 1.8 conversion rate, however, one can conservatively estimate the syndicate's consumption of logs as approximately 324 m³ of round wood per day; 8,424 m³ per month and over 100,000 m³ per year.^{vi}

It is worth noting that such volumes are far in excess of what logging concessionaires were permitted to cut. Dy Chouch, Seng Keang and Khun Thong's erstwhile employers Kingwood, for example, were entitled to harvest a maximum of 35,000 m³ per year.⁸⁰

In March 2006 Chan Sarun offered MAFF's assessment of Seng Keang Company's logging activities in the area:

"Up to late 2005, Seng Keang Company collected forest and by-products from the cleared Tumring Rubber Plantation to a total amount of 12,204.696 m³ of round and mixed types of logs and 2,023 stere^{vii} of saplings and firewood."¹⁴⁴

While admirably precise, these figures are extremely low, bearing in mind that Seng Keang Company officially commenced operations in Tumring in October 2002. Chan Sarun's calculation of the total log volume the company extracted in over three years is equivalent to the amount of logs that its factory in Tumring was processing every 38 working days.



Workers loading timber inside the Seng Keang Company factory, September 2005

What were the financial returns to Seng Keang Company and the state?

Global Witness has gathered a range of data about the costs to the Seng Keang Company of logging, transporting timber, paying workers and bribing officials, but has no figure for the syndicate's overall outgoings and profit margin. Nonetheless it is clear that the returns on its logging and timber processing operation have been considerable. Calculated at the 2006 Phnom Penh price for sawn grade II wood of US\$235 per cubic metre, Seng Keang Company's yearly output of processed timber from Tumring would be worth over US\$13 million.²⁰⁷

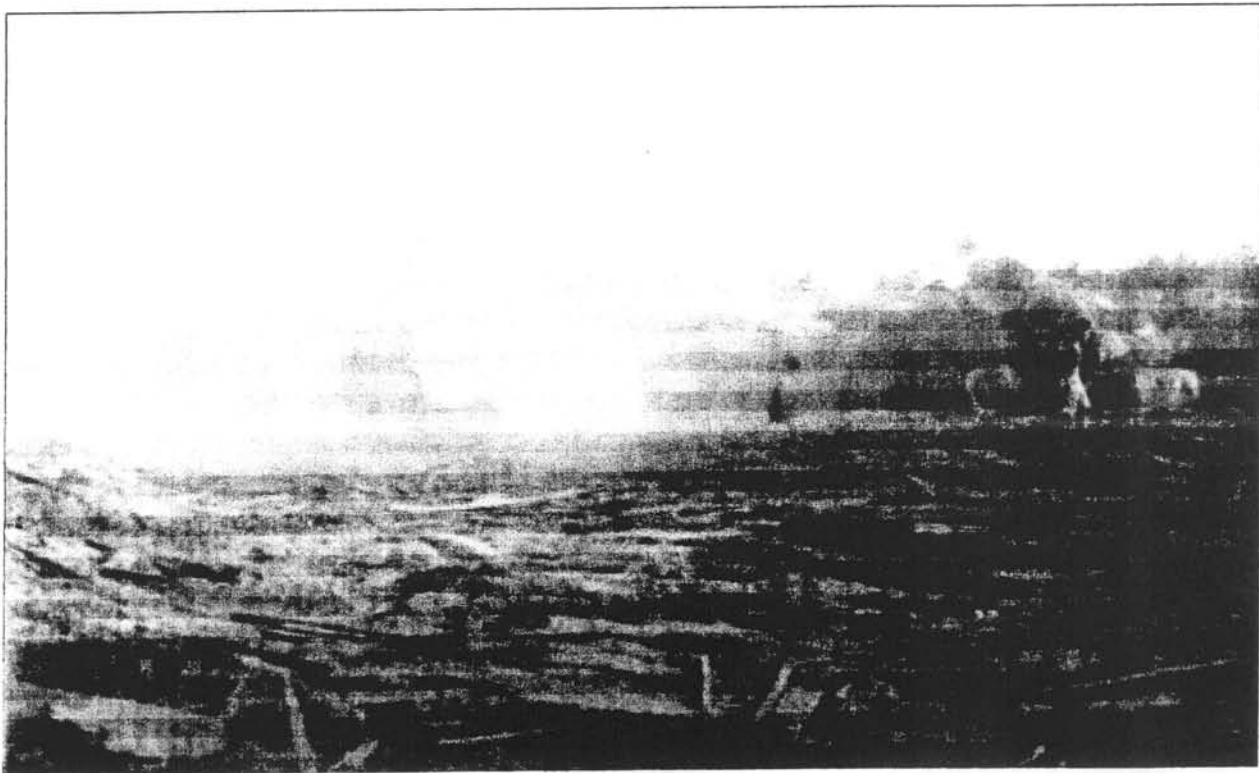
This figure does not account for the substantial quantities of logs the Seng Keang Company was converting into veneer and plywood, which is worth more than sawn wood. It also ignores the more valuable grade I and luxury woods the syndicate cut and sold, as well as the higher returns it would have received on any timber products it exported.

According to Chan Sarun, between the point at which it officially commenced operations in Tumring and the end of 2005, "the [Seng Keang] Company also paid US\$594,987.92 and 8,496,600 riel in taxes to the state"; in other words just short of US\$600,000.¹⁴⁴ In a sense questions regarding the amount Seng Keang Company paid in taxes are academic, given that the vast numbers of trees it cut illegally should not have been felled in the first place. Nevertheless, it is indicative of the overall loss to Cambodia, if only in financial terms, when one considers that taxing the syndicate's 100,000 m³ annual round log consumption

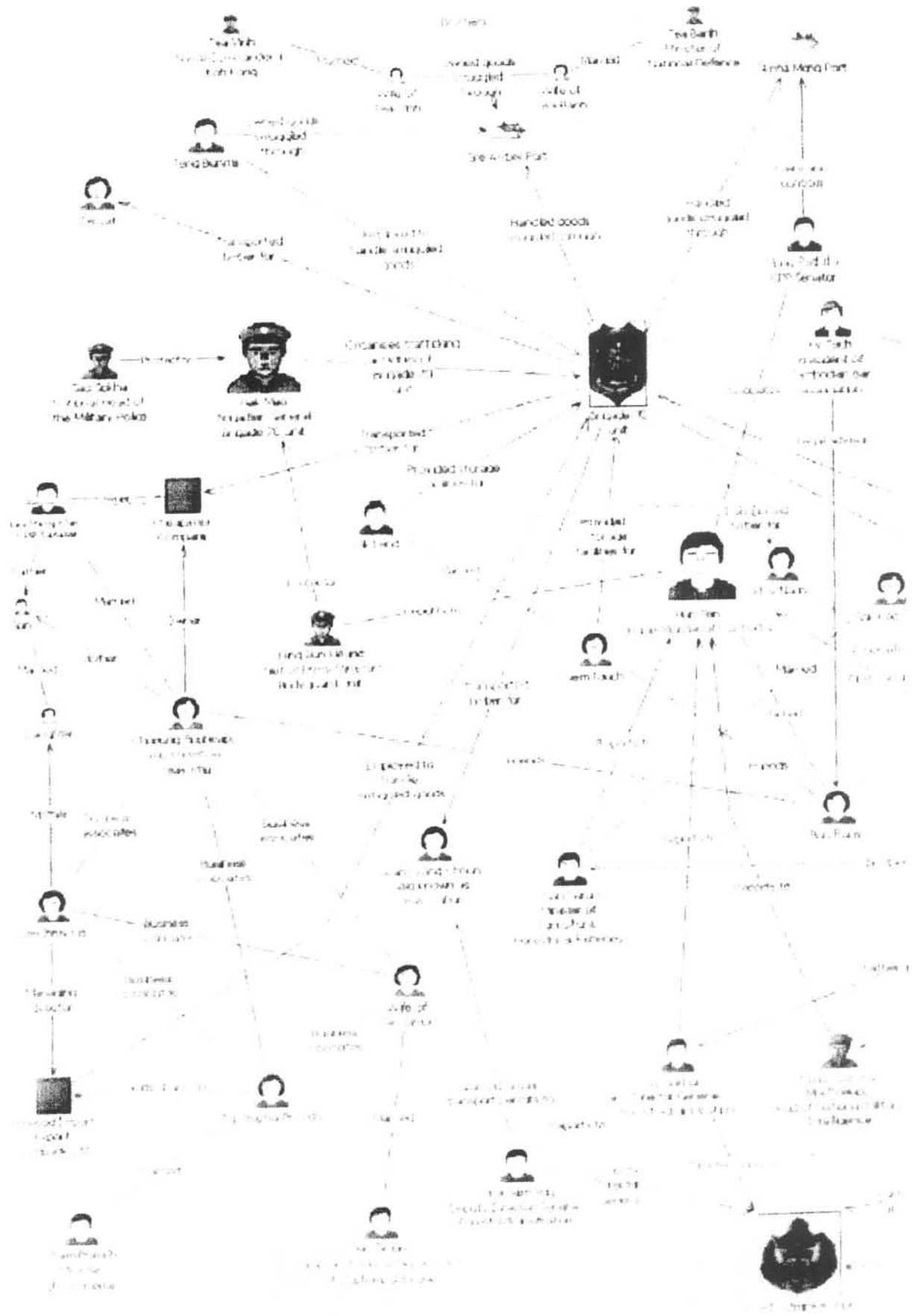
at the royalty levels applied to grade II wood – US\$54 per cubic metre – would have netted the treasury US\$5.4 million per year.



Truck loading up next to Seng Keang Company compound, March 2006



Forest Destruction and Institutional Corruption in Cambodia



5. A Rural Gangland

The Seng Keang Company's representative in Tumring, Seng Kok Heang, used a combination of familial connections, bribery, threats and acts of violence to establish a personal fiefdom in the area. Local people interviewed by Global Witness invariably knew him as "Hun Sen's relative" and saw this connection with the prime minister as a source of great power.¹⁸⁴ Police and military police provided accounts of him buying influence through monthly payments to officials.²⁰⁸ In addition, Seng Kok Heang employed a group of twenty to thirty armed men, several of them drawn from the ranks of the Royal Cambodian Armed Forces.²⁰⁹ This private militia helped him to keep tabs on local opponents and outsiders visiting Tumring.²¹⁰

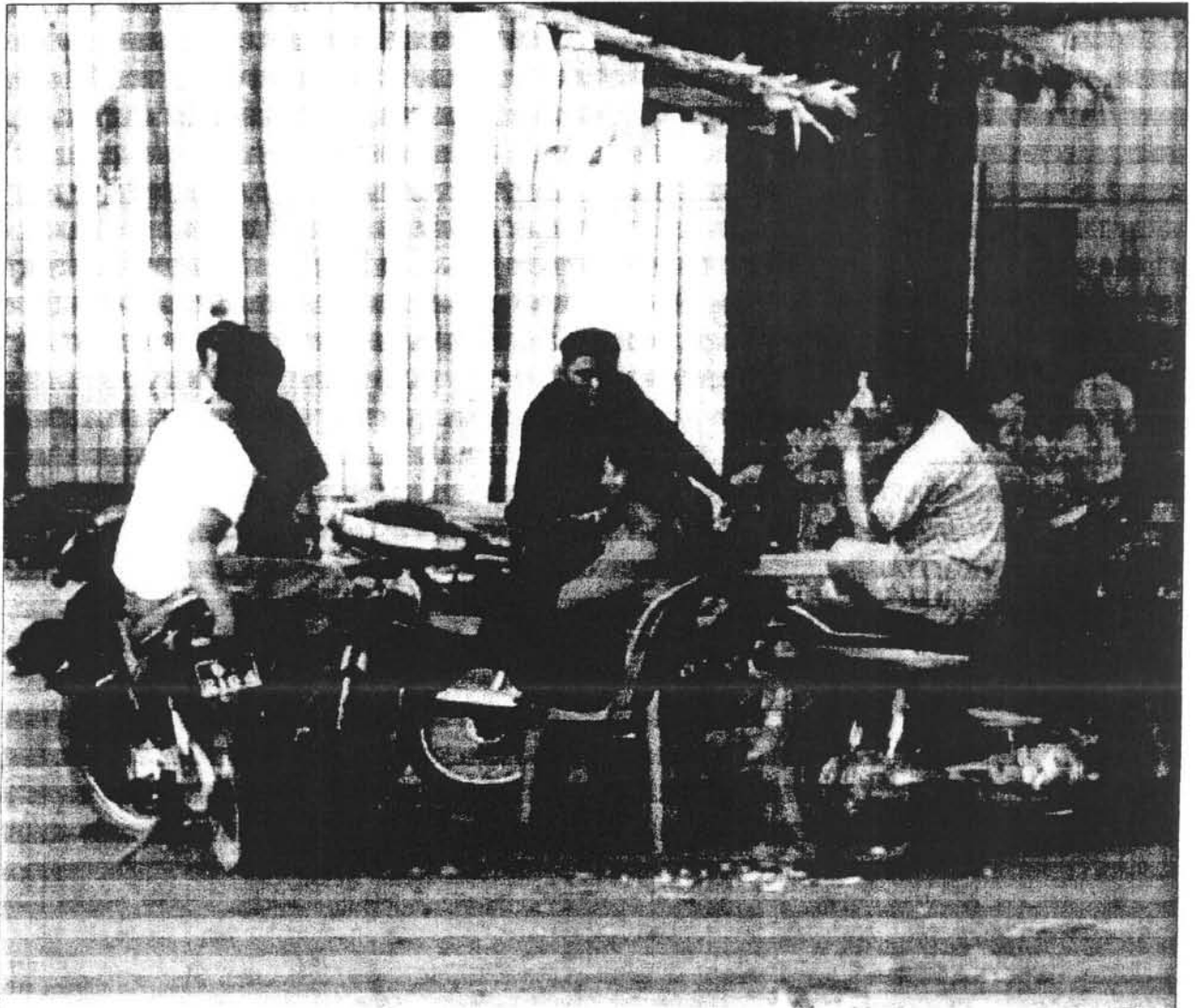
5.1 Resin Tree Theft

Interviews with loggers and visits to cutting sites in Prey Long suggest that resin-producing *chhoeuteal* trees accounted for at least 50% of the wood processed in the Seng Keang Company factory in Khaos village.²¹¹

Having exhausted the supply of resin trees and other

timber within the plantation, Seng Kok Heang focused on the surrounding forests. At the end of 2005, Global Witness found teams of his loggers cutting up to eight kilometres from the plantation perimeter. As a result, resin tappers continued to lose their trees and the income these provided.²¹² Resin tappers in Tum Ar village on the edge of the plantation, told Global Witness in 2006 that in the past all of the 100 families living there had owned 200-300 resin trees each. Now only 5-6 families had any trees left at all.²¹³ In Rumchek village in Sokchet Commune villagers reported losing 800 resin trees to Seng Kok Heang's loggers in mid 2005 alone.¹⁶⁸

According to resin tappers, Seng Keang Company would sometimes pay them compensation for cutting their trees. The sums involved were derisory however, – US\$1.25-US\$12.5 for a tree whose timber might sell for as much as US\$1,000 in Phnom Penh.²¹⁴ Seng Kok Heang and those working for him offered these payments on a 'take it or leave it' basis. As one villager put it: "Mr. 95 [Seng Kok Heang] is the most powerful because he threatens the resin tappers, saying to them 'I will cut your trees, whether you sell them to me or not' ... only Mr. 95 would dare to say this."²¹⁵



5.2 Dealing with Dissent

From the early stages of the Tumring plantation project, local people trying to protect the forest met with threats from the loggers. A report on plantations published in November 2004 by the UN Office of the High Commissioner for Human Rights made a clear link between this intimidation and the presence in Tumring of Seng Kok Heang, alias Mr. 95.

"A man who goes by the name of 'Ta Kao Pram' [meaning 95 in Khmer; his radio call sign is 95] heads the security guards of Mieng Ly Heng Company, and has a particularly brutal reputation. He is the brother of Seng Keang, the director of Seng Keang Company, the main subcontractor of Mieng Ly Heng. In Roniem village, people reported that they have been frequently threatened with death for their attempts to block illegal logging and illegal transport."¹³⁹

Persistent intimidation of this sort gave way to outright violence on 10 July 2005, when Seng Kok Heang is reported to have tried to kill two local men who had played a leading role in protecting villagers' resin trees.



Global Witness interviewed eyewitnesses to the attacks on the two men the day after they occurred and conducted follow-up investigations in Tumring in September and November 2005. The UN Office of the High Commissioner for Human Rights investigated the case from July to October 2005. Two other NGOs also went to Tumring to gather information about what happened. The description of events in Box 9 is based on the findings of the investigations by Global Witness, the UN Office of the High Commissioner for Human Rights (UNOHCHR) and the two NGOs.

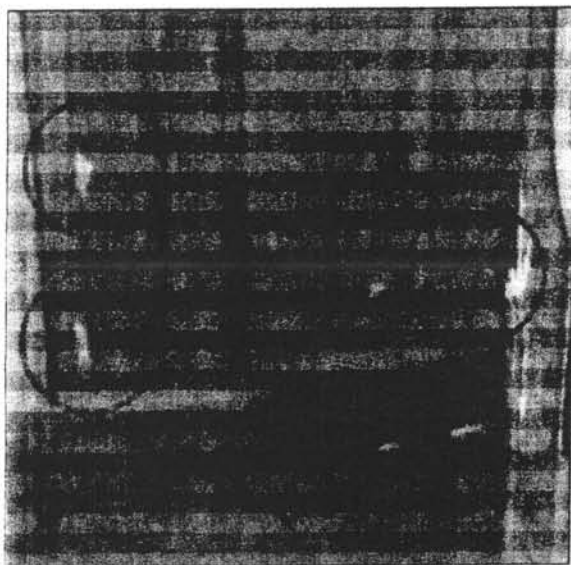


Box 9: Account of the Shootings of 10 July 2005

On 9 July 2005, the community forestry group based in Tum Ar village in Tumring organised a meeting to hear the complaints of families whose resin trees had recently been cut. In all, 19 families complained of losing trees since the beginning of May. One villager said that they had lost 38 trees since the beginning of June. Another had lost 96 over the same period. All had been felled outside the rubber plantation boundary and taken to the Seng Keang Company factory.²¹⁶

On the morning of 10 July the community forest group sent a team of eight people to four locations in the forest near Tum Ar to check for illegal logging. At one site near Trapeang Boeung, they discovered a group of six loggers cutting up a resin tree. The loggers refused to surrender their chainsaws for confiscation so the community forest team proceeded to the *sangkat* (Triage) Forest Administration office in Khaos village to report the incident. Leaving one of their members at the FA office, the community forest team, along with two FA staff and three soldiers, then returned to the forest to apprehend the loggers. As the group approached the logging site, gunmen within the forest fired shots in their direction and then fled the scene leaving behind one chainsaw.²¹⁶

While they were in the forest, Seng Kok Heang came to the FA office in Khaos village. Finding a community forester there, Seng Kok Heang threatened the man, telling him that he wished to kill him.²¹⁷ Seng Kok Heang left shortly afterwards, but returned at around 3pm accompanied by five armed men wearing military uniform and bearing assault rifles. Seng Kok Heang himself carried a pistol. Others in the FA office at this point included three FA officials, a representative of official independent



Bullet holes in wall and bedstead inside the house of the first

forest monitor SGS and seven or eight individuals associated with the timber business.²¹⁸

According to eyewitnesses, Seng Kok Heang again stated his intention to kill the community forester and tore up the reports that the community forest group had written about their attempt to intercept loggers earlier in the day.²¹⁹ He also threatened the FA staff, saying that if any of them helped the community intercept his loggers again, he would kill them.²¹⁷ At around 7pm Seng Kok Heang and his companions left the FA office saying they were going to Tum Ar village. Before departing, Seng Kok Heang told the community forester that he should not try to leave the FA office as he had already blocked all the roads out of the area.²¹⁷

First shooting

At around 7pm a group of six men arrived on motorbikes at the house of another member of the Tum Ar community forest group. According to eyewitnesses, five of the men were dressed in military fatigues, while the sixth wore camouflage trousers and a white t-shirt – the same combination that Seng Kok Heang had been wearing in the FA office shortly beforehand.²¹⁸ One of the men called to the community forester to come out of his house. When he did not reply, the man wearing the white t-shirt fired seven shots from a pistol.²¹⁸ Some of the bullets passed through the wall and narrowly missed the villager and his family who were sheltering inside.²²⁰

Approximately five minutes after the shooting a military police officer named Chea Kapoul²²¹ came and recovered six of the seven cartridge cases left on the ground outside the house.²¹⁸ Chea Kapoul is known to work closely with Seng Kok Heang in the coordination of timber transportation out of Tumring.²²²

Second Shooting

At around 7:30pm, Seng Kok Heang and two bodyguards returned to the FA office in Khaos village.²²³ By this stage those present consisted of the community forest activist, two FA officers, the three soldiers who had gone to the forest with the community forest team that morning and the representative of SGS.²¹⁷

According to eyewitnesses, Seng Kok Heang took out a pistol and rammed it into the chest of the community forester, pulling the trigger as he did so.²²⁴ The impact of the gun muzzle caused the man to stumble and the bullet grazed the side of his body rather than hitting him directly.²²⁴ One of the bodyguards then knocked the gun from the hand of Seng Kok Heang, who proceeded to leap on the victim, bite him and pull his hair before being restrained by his companions.²²⁵ Seng Kok Heang then left the FA office.²¹⁸

Following the attacks it took the two victims more than 24 hours to escape from Tumring. Taxi drivers refused to take them for fear of an ambush by Seng Kok Heang's paramilitaries on the road through the forest.¹⁶⁸

In the aftermath, some officials privately expressed a desire to take action against Seng Kok Heang and his entourage but said they were unable to do so because of his high-level connections.²²⁶ Meanwhile the Forest Administration, in whose office one of the attacks occurred, proved reluctant to provide information on what had happened and the two FA staff present on 10 July signed statements saying they had not seen the shooting.

SGS, whose representative was in the FA office in Khaos on the afternoon and evening of 10 July, made no comment on the incident in any of their reports. This omission contrasts with SGS' coverage of an incident in Preah Vihear Province the previous year in which a gunman fired shots at an FA office.²²⁷

In February 2007 Global Witness wrote to SGS to ask why it did not report the shooting. SGS responded that "to the best of our knowledge SGS had a staff member staying in the Khaos village at that time who verbally reported on his return to base, that a drunken policeman or soldier apparently fired his gun. We understand that he did not actually witness the event and deemed it prudent to keep out of the way. This incident was not seen to be an issue of forest crime but probably one of drunken violence which in our experience was not uncommon in Cambodia. Hence there was no official SGS report on this incident."¹⁶⁷

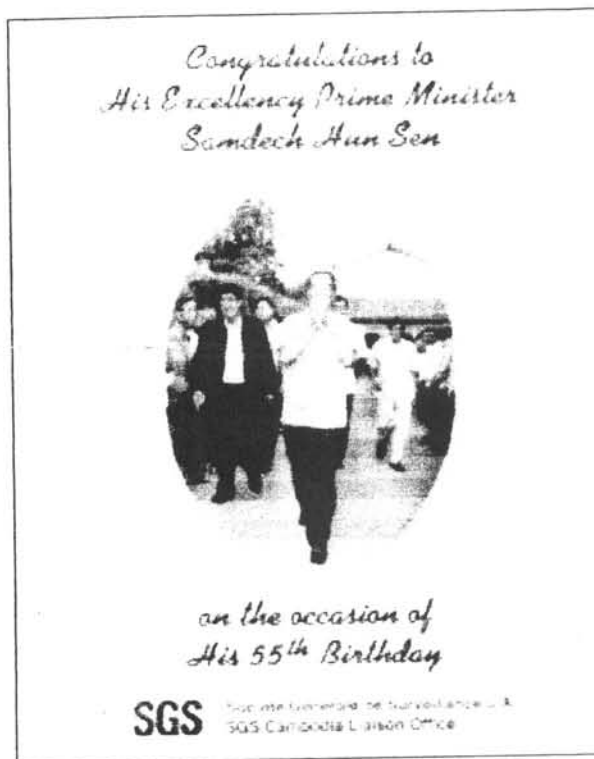
The Special Representative of the Secretary General on Human Rights in Cambodia, Yash Ghai highlighted the attacks in a published report however, noting that:

"The strongest and most infamous security guard group [in Tumring] is commanded by Kok Heang, brother of the director of the Seng Keang Company. His group is reliably reported to have been involved in bribery, coercion, harassment, threats and actual shooting incidents, including of two forestry community activists in July 2005. The provincial authorities say they are concerned, but need help from the national authorities to disarm and investigate Kok Heang and his group, and to improve the security situation in Tumring. The problem has been brought to the attention of the Ministry of the Interior and the Special Representative hopes that its intervention will be effective. As previously recommended, criminal offences committed by company security guards and militia on concessions and rubber plantations must be investigated and prosecuted; and they should be disarmed, in compliance with existing law."²²⁸

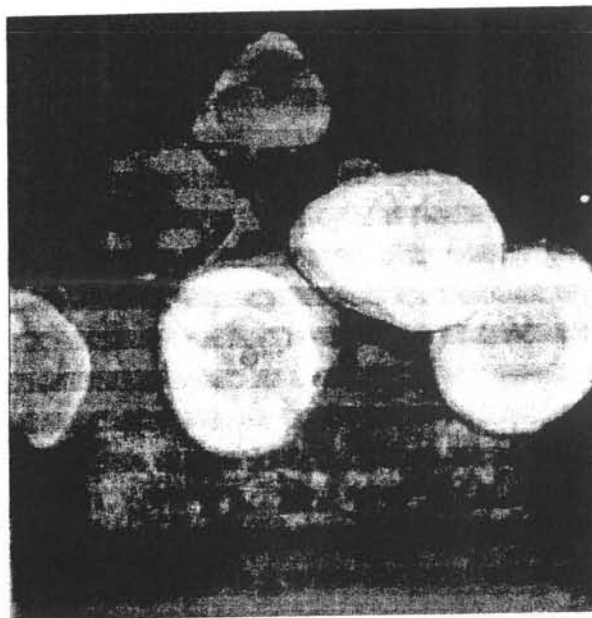
As this report went to press, the authorities had taken no action to apprehend Seng Kok Heng or to prosecute him. The victims, together with their families, remain in hiding.

From the perspective of the logging syndicate, the

Witness and other NGOs visiting Tumring in the months following the attacks found local inhabitants more afraid of Seng Kok Heang than ever. The community forest group that previously advocated for local people's rights appeared moribund. As one villager put it "We don't dare go to the forest alone so much as before. If we do go alone, we go with fear".²²⁹ Another family told Global Witness that because of the threat posed by the loggers, they actually had to spend more time away from home living in the forest, because it was the only way they could hope to protect their resin trees.



Newspaper advertisement placed by SGS, the independent forest monitor, April 2006



Box 10: In Search of Mr. 95

On field visits to Tumring in September and November 2005 Global Witness sought a meeting with Seng Kok Heang to get his comment on the allegations made against him.

In September, Global Witness staff visited the Seng Keang Company factory and were informed by workers that Seng Kok Heang was at his house on the other side of the road. A group of guards playing table tennis in the yard outside the house told Global Witness that they did not know where Seng Kok Heang was, did not have his phone number and could not suggest any means of contacting him.

During a follow-up visit in November, Global Witness staff accompanied by a newspaper reporter asked Forest Administration staff in Khaos village where Seng Kok Heang could be found and what he looked like. Following the directions given by the FA officers, Global Witness and the journalist went to a restaurant in Khaos and came across the same table-tennis playing guards encountered at Seng Kok Heang's house a few weeks before. One member of this group closely matched the FA staff's description of Seng Kok Heang and the newspaper reporter approached the man to ask if he could interview him. Their brief conversation ran as follows:

Journalist: "We've been told you're Mr. 95"
Man (*agitated*): "I'm not 95, you can ask anyone ...
(*to companion*) ... They think I'm 95!"
Companion: "Yes, but you are 96"

Journalist: "What is your name?"

Man: "Kimchheng"

Journalist: "What do you do here?"

Man: "I sell things"

The man then left the restaurant in a hurry and went into Seng Kok Heang's house on the other side of the road.

Global Witness filmed the interview and later played back the footage to the FA staff, asking if they could help identify Mr Kimchheng/Mr 96. The foresters explained that the man's full name was Huor Kimchheng,²³⁰ and that he was the deputy chief of their office. They did not say, however, why Huor Kimchheng seemed to be

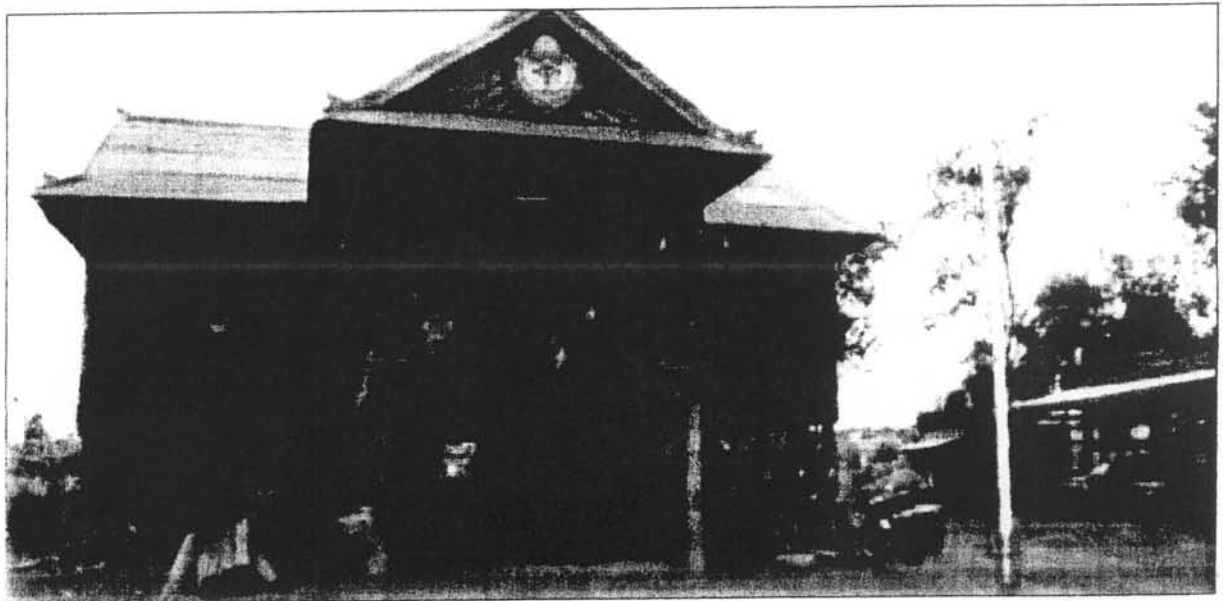
so friendly with Seng Kok Heang's entourage or why he might have a radio call sign '96' in the same numerical sequence as other members of the group.

While the apparently cosy relations between Huor Kimchheng and Seng Kok Heang's group are not proof of wrong-doing, they do fit with a wider pattern of FA complicity in the Seng Keang Company's illegal logging activities. The extent of

this complicity is examined in more detail in Chapter III.

In addition to the efforts to meet Seng Kok Heang in person, Global Witness has also written him a letter to ask him for his comment on the shootings of 10 July 2005. At the time this report was published Seng Kok Heang had not replied to this letter, however.

Forest Administration account of the shooting in the FA office in Khaos, signed by Huor Kimchheng



6. Crackdown or Pause?

In March 2006 MAFF Minister Chan Sarun issued a *prakas* revoking his earlier authorisations for Seng Keang Company operations. The *prakas* stated that the company could no longer collect timber in Tumring and called for the removal of the factory in Khaos village with immediate effect.

While the factory did not close immediately, by September 2006 practically all traces of the Seng Keang Company operation were gone. Local inhabitants informed Global Witness that the syndicate had stopped cutting and transporting timber from the area earlier that same month. Resin tappers reported that illegal logging in the area had ceased almost completely.

Chan Sarun has not commented publicly on his signing of the *prakas*; however one Forest Administration official told Global Witness in September 2006 that Seng Keang Company simply left the area at the point that it finished cutting the trees within the plantation perimeter. Given that the syndicate's logging had largely focused on forest outside the plantation boundaries since the end of 2004 if not earlier, this explanation can be discounted; indeed Seng Keang Company had every reason to maintain

its presence in Prey Long. It appears more likely that the shootings by Seng Kok Heang and the subsequent investigations by the UNOHCHR and NGOs played a decisive role in persuading the government to act. In the absence of an official explanation, however, the precise rationale remains unclear.

Unfortunately, the removal of the Seng Keang Company factory from Tumring has not yet been matched by moves to hold members of the logging syndicate accountable before the law. In the absence of credible legal action against the group, there are worrying signs that it may simply re-establish itself in another area. Box 11 summarises the group's efforts to acquire new economic land concessions within or close to valuable forests.

In addition, information received by Global Witness in March 2007 indicates that the syndicate has resumed its illegal logging operations in Prey Long. According to a well-placed source working in Kompong Thom, Seng Kok Heang is using a fleet of Seng Keang Company trucks to transport illegally-felled wood from the Tumring area on a daily basis. This source informed Global Witness that Seng Kok Heang was processing the timber in a factory 5 km from the Kingwood plant in Kandal Province.²³¹

