

DRAFT -

ANNEX TO STATE OF CONFLICT

GREENPEACE

The U.S. Connection to Illegal Logging in the Brazilian Amazon

A Brazilian hardwood dining room table oozes glamour and prestige in the brightly lit showrooms of New York, but in the remote regions of the Amazon rainforest, the quest for high-value hardwood species is fuelled by corruption, violence, slavery and even murder.

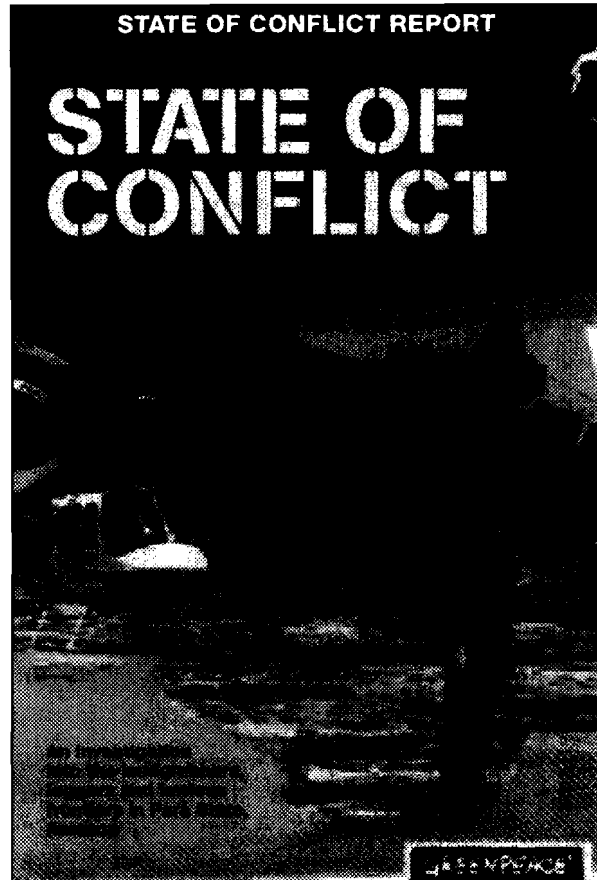
Despite decades in the international spotlight, the Amazon is more than ever under siege from loggers, farmers, and politicians who view it as a modern day El Dorado to be plundered for profit.

Of all of Brazil's Amazon regions, it is Pará State that has suffered the worse impact from logging. The largest timber-exporting region of the entire Amazon, Pará has already lost an area of rainforest slightly larger than the size of Pennsylvania, Virginia and Maryland combined.

In 2002, Pará exported at least \$312 million in timber products with the largest share, 40 percent, destined for the United States.¹ American consumers are unwittingly supporting the shadowy world of illegal logging in Pará State. Behind cabinetry, high-end furniture, plywood, countertops, doors and window frames made from Amazon woods, lurks an illegal and corrupt industry that is destroying the rainforest and putting the lives of traditional forest-dwelling people at risk.

The new report, *State of Conflict*, Greenpeace exposes the disturbing patterns of modern-day slavery, illegal land acquisition, and lethal violence in Brazil's Amazon rainforest. The ongoing lawlessness and violence of the illegal logging industry in the Amazon is fuelled by the infusion of millions of U.S. dollars into the economy, and the continued inaction by the U.S. government to halt imports of this illegally harvested timber.

Three Brazilian companies have had serious allegations of criminal activities levelled against



them including accusations of violence against local communities and the export of wood harvested from protected forest reserves.

Grupo Madenorte, based in Belém, Brazil, is the only one of the three companies that have major customers in the United States. Either unwittingly or with informed consent, U.S. importers buying from Grupo Madenorte, the distributors they sell to and ultimately the American people are fuelling illegal logging and a climate of violence in Pará State that is at the very heart of the destruction of the Amazon rainforest.

DRAFT

PARÁ: STATE OF CONFLICT

Pará's story of forest destruction resonates throughout the Amazon. It tells of a "boom and bust" cycle, whereby loggers exploit the land, strip it of forest cover and abandon it to cattle ranchers or industrial-scale farming ventures. The boom period, fuelled by the extraction of high-value species such as mahogany and cedar, quickly gives way to decline, as lesser species of timber are exhausted in turn and the land is transformed into nutrient-poor grazing or farmland, which provides little economic opportunity for the community.

The Amazon has one of the world's highest absolute rates of forest destruction, currently averaging around 18,000 km² a year, or an area larger than the size of Connecticut. In addition to being the largest producer and exporter of wood products in the Brazilian Amazon, Pará State accounts for more than one-third of total Amazon deforestation in Brazil.

Market demand for high-value ancient forest timber plays a critical part in this destruction. Exports from the Amazon include high-grade tropical hardwoods, with a very high market value. Mahogany or "green gold," for example, is worth \$1,600 USD per cubic meter. The hunt for these trees drives timber traders deep into the most remote regions of untouched forest, where they sometimes bulldoze illegal access roads to gain access to a single mahogany tree.

Corruption in the timber trade means that very little of the profits ever reach the impoverished communities in the regions. A tree bought from a community for \$30 USD in Brazil can have a retail value of \$250,000 USD as finished products. The revenue from these trees pays for the illegal roads that will later be used to extract less valuable trees.

The consequences for the communities living in the forest are often more severe than the loss of forest resources.

Traditional forest dwellers are often forced off their land by a variety of methods of land title falsification, known as *grilagem*ⁱⁱ, that enables loggers and others to take advantage of the legal quagmire that characterizes land ownership in the Brazilian Amazon. With little capacity for oversight by government land authorities, loggers exploit the

legal and bureaucratic vacuum to seize land using a mixture of *grilagem* and physical force.

As local residents who depend on the forest for hunting, fishing and small-scale farming are forced away from their territory, the gulf between rich and poor widens.

If communities can not be expelled or intimidated into leaving their lands, they are sometimes simply killed. Pará State has the highest rate of assassinations associated with land conflicts in Brazil – murders that are rarely, if ever, investigated. So far in 2003, in an area known as Sao Felix do Xingu in the heart of Pará State, 30 people have been murdered over land and mahogany conflicts.ⁱⁱⁱ

Additionally, in remote, hard-to-police areas of the forest, deforestation is frequently driven by modern-day slavery. Workers are lured into forest areas with promises of well-paid farm work, and become trapped in debt bondage, working under often dangerous and inhumane conditions. Those who try to escape are sometimes killed. Many slavery cases have been documented, some involving children. In 2002, the Brazilian government uncovered 147 cases involving 5,559 workers. The Brazilian Ministry of Labor estimates that for every enslaved worker who is freed, four remain in a state of servitude.

Greenpeace has investigated and documented many cases of illegal and predatory behavior by logging interests. Yet the landholders who have already devastated large swaths of the forest are now demanding that the government authorize new areas of exploitation, arguing that they create jobs and contribute to the economic development of the regions like Pará. Under pressure from these powerful interests, the federal and state governments are discussing a new system of concessions.

Greenpeace believes that the real long-term future of Pará lies in a new social and economic model of sustainable use of the forests combined with areas of protection. Logging companies committed to truly legal, sustainable and certified operations have a place in this future, but the main effort must be concentrated on bringing governance and environmental and social justice to the Amazon.

U.S. GOVERNMENT WATCHES WHILE THE AMAZON FALLS

There is now growing international recognition that many of the Earth's most important ancient forest regions are falling victim to illegal logging activities driven largely by international market demand.

Recognizing the seriousness of the crisis Secretary of State Colin Powell announced a new presidential initiative to combat illegal logging in July 2003 stating: "This initiative reaffirms America's leadership, and President Bush's leadership, in fighting environmental crime and promoting democratic principles. This is the right initiative at the right time."^{iv}

Powell said that monitoring forest product markets is another aspect of the initiative. He stated that the United States will also provide remote sensing technology to poor countries so these countries can monitor forest activity, and assist in the implementation community-based forest management programs.

The World Bank estimates that governments lose between \$10 billion and \$15 billion USD in revenue each year because of illegal logging.^v Powell stated that these resources could contribute to such efforts as education, healthcare and environmental protection but instead are going into the pockets of a corrupt elite. Powell further added that illegal logging profits are also being used to finance regional conflicts. The U.S. initiative will initially focus on the Congo Basin, Amazon Basin, Central America and South and Southeast Asia.

Although the development of the initiative was met with optimism and support by much of the environmental community, the end product falls far short of realistically addressing the issue.

Even with increased forest monitoring activity, the Brazilian government does not have the resources to combat the illegal activity on the ground. There is often little financial support for the federal or state law enforcement agencies: What support there was, has now been almost entirely withdrawn by cuts in the government's annual budget as a consequence of the Brazilian agreement with International Monetary Fund, which granted international financial aid on the condition of reduced public expenditures.

Brazil would be better able to monitor the destruction of the Amazon, but remains ill-equipped to take action to stop it.

In reality the U.S. Presidential initiative is nothing new. It is merely 19 previously existing projects, with no new resource allocations, repackaged as "a presidential initiative." The initiative focuses exclusively on producer countries, specifically the developing world, and fails to address the role of the timber trade and the responsibilities of importing countries whose markets finance the illegal trade.

Currently no country, including the U.S. - the largest consumer of wood products in the world - has established any laws prohibiting the importation of forest products illegally produced in other countries.



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THE FLOW OF ILLEGAL WOOD TO THE U.S. MARKETPLACE

The U.S. has long been a major customer of illegal wood from the Amazon. Up until last year, the U.S. was the largest importer of Brazilian mahogany, importing over \$20 million USD in 2000, 70 percent of the Brazilian exports.^{vi} But in October 2001, Greenpeace released the investigative report 'Partners in Mahogany Crime,' which, for the first time documented the major players behind the illegal mahogany trade and their links to export companies that supply markets in the U.S., European Union and Japan. The report, supported by international pressure on the mahogany market, led to the decision by the president of the Brazilian Environment Agency, IBAMA, in December 2001, to suspend all harvest, trade and transport of Brazilian mahogany, except from legal and certified sources, pending investigations into the allegations.

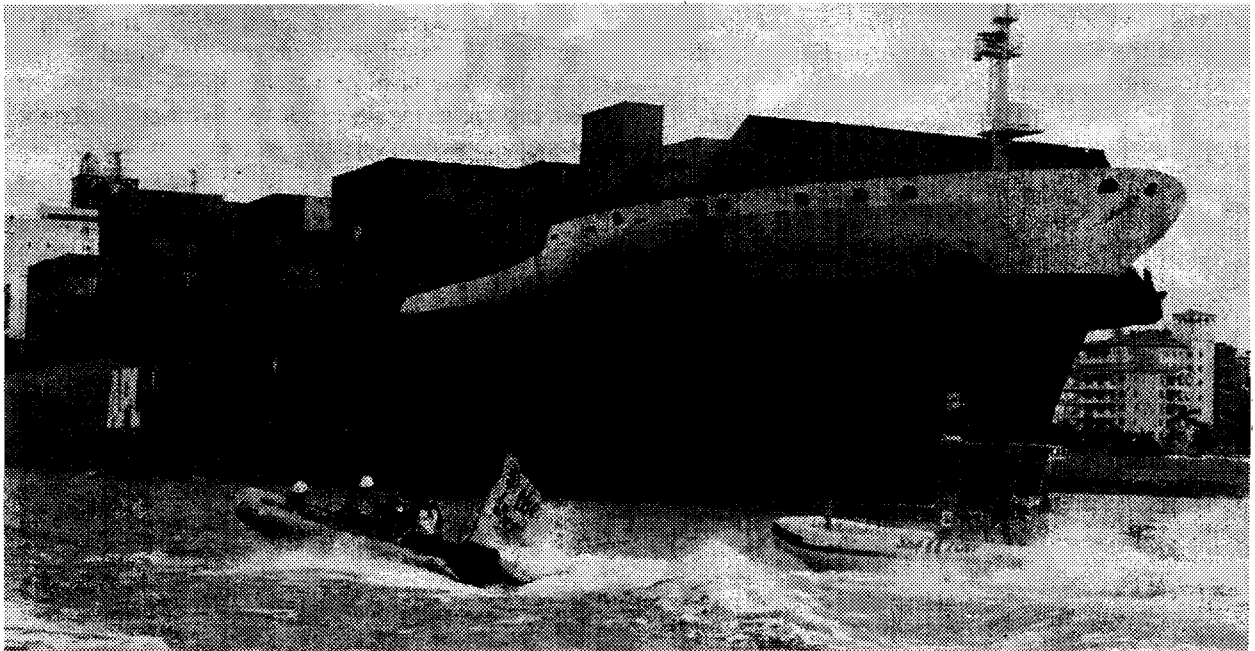
In November 2002, after extensive campaigning by Greenpeace, the Convention on International Trade in Endangered Species (CITES) agreed that mahogany would be officially placed on Appendix II in November 2003. This provides much stricter international regulation of the trade in mahogany and will seriously hamstring Brazil's illegal mahogany export industry.

Since the report was released, several U.S. ports have seized mahogany shipments. In July 2003, a shipment of illegal mahogany was returned to Brazil following an order from the U.S. government. IBAMA apprehended a container with more than 45,000 square meters of illegal mahogany veneer, enough to pave an area of seven football fields. The receiving company, which had exported the timber to the U.S., was fined for trading without IBAMA's authorization, i.e., illegally.

Even after the closure of the illegal mahogany market, the U.S. remains Pará's single largest customer, importing more than \$100 million USD worth of timber and timber products in 2002.^{vi}

There is evidence of widespread illegal activities throughout Pará's logging sector. While there are responsible and reputable forest products companies in Brazil, and throughout the world, there are also a multitude of companies who clearly operate outside the law causing social disruption, environmental destruction and economic loss.

Pará is the source of more than 70 percent of all Amazonian wood imports to the United States. Currently the U.S. has no system in place that can help distinguish between those companies that operate within the law, and those that do not.^{viii}



© Johnathon Dann/Greenpeace

THE MAJOR PLAYER

Grupo Madenorte is one of the most important players operating in an area of Pará State that has been proposed as the site for a future extractive reserve by the communities of Porto de Moz and Prainha.^{ix}

Extractive reserves act as roadblocks for the advancing wave of destruction by protecting large areas of forest and preserving the cultures and traditional lifestyles that depend on them. They are the legacy of Chico Mendes, the rural activist assassinated in 1985 and are granted by the federal government to be cooperatively managed by the local communities for low-impact activities such as rubber tapping, vegetable oil extraction, and small-scale logging. They are required to include fully protected areas guarded by the communities and industrial-scale activities are prohibited.

The communities living in Porto de Moz and Prainha regions want to preserve the forest and the rivers and all the life that depends upon it.

María Luisa Barbosa, 65, has lived in the Porto de Moz region all her life. "We used to live from our hunting and fishing. We only used to take the milk out of Massaranduba tree to make some money to survive. In summer, we used to get manioc flour from our plantations and sell it and, in the winter, Massaranduba milk. We didn't plant beans, rice, anything, only manioc and there was abundance of fish and game. But now, everything has changed. I get very sad when I start remembering how it was and how it is now. There wasn't greed, everybody used to live on the land, and everything belonged to everyone."

Their traditional lives changed when loggers and local authorities began invading public and community lands in the region, exploiting timber illegally and in a predatory manner, and aggressively attempting to displace the local rural populations.

Grupo Madenorte is one of the companies operating illegally within the proposed Porto de Moz



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extractive reserve.

Controlled by Mr. José Severino Filho, Grupo Madenorte produces sawn timber and plywood, 90 percent of which is destined for export, mainly to the U.S. (55%), Europe (30%) and Asia (10%).^x

Publicly Madenorte advertises that it holds 200,000 hectares of forests in the four municipalities of Breves, Portel, Prainha and Porto de Moz.^{xi} However, under its government approved Forest Management Plan (FMP)^{xii}, the company is supposed to hold a total area of only 144,700 hectares in three of these municipalities (Portel, Prainha and Porto de Moz).^{xiii}

Furthermore, documents obtained by Madenorte from the Institute of Lands of Pará (ITERPA)^{xiv} and the Institute of Colonization and Agrarian Reform (INCRA)^{xv}, which were then submitted by Madenorte to the Brazilian Institute of the Environment and Renewable Natural Resources (IBAMA)^{xvi} in order to request a permit to log in Prainha show that the company is not the owner of the land in question. More research uncovered that in fact, 31 individuals – who incidentally did not own the land either – were listed as leasing the area to Madenorte.

The shell game of government paperwork and false land titles is further illustrated by numerous declarations of ownership and/or lease for land that Madenorte provided the state land agency ITERPA between 2001 and 2002.^{xvii} Curiously, none of the individuals listed as owner actually live in the region. In fact, all have declared that they live in Breves, the town where Madenorte's mill is located. The profession of "industry worker" and four of the people are listed as having identical ID and CPF tax number and address.^{xviii} Two stated that they were born in 1977 and declared to INCRA that they had begun their land stewardship in October 1988 – when one was 10 years old and the other 11.

Additionally, Greenpeace checked the names of each person to see if any appeared on the list of more than 2,500 members of the Rural Workers Union of Porto de Moz. However, none of them were found to live in the area.

Between October 1999 and November 2002,

IBAMA issued numerous fines to Madenorte totalling approximately \$300,000 USD for activities associated with illegal logging.^{xix} The various fines received by the group are proof that Grupo Madenorte has been involved in systemic illegal logging.

Grupo Madenorte exported more than 6,600 cubic meters (2.8 million board feet) from Pará State to the U.S. marketplace from January through August of 2003. Due to log supply problems in Brazil, Madenorte is currently only exporting white virola plywood to the United States. At the moment, all of this is sold to Ihlo Sales in Center, Texas.

Ultimately, this tainted Amazon wood is sold to at least 16 distributors and wholesalers throughout the U.S. who in turn sell to a variety of retailers where American consumers help fund Amazon forest destruction and social injustice.

STOPPING THE CYCLE OF DESTRUCTION

While the Brazilian federal and state governments must take action to preserve the biological diversity of the Amazon and guarantee the physical integrity and security of communities fighting for the forest in the Porto de Moz region, importing countries must also take responsibility for their role in the destruction of the Amazon.

The timber sector must stop buying timber and timber products from companies exploiting the forests of Porto de Moz and Prainha until the extractive reserves are agreed and implemented.

THE U.S. CONNECTION

Madenorte has shipped more than 2.7 million board feet of white virola plywood (also known as mescla) to United States customers between January and August of 2003.^{xx}

The customer breakdown is as follows:

Company	Approx. Imports from Madenorte, Jan-Aug 2003
Ihlo Sales	2,183,600 board feet
Columbia Forest Products	424,000 board feet
Robinson Lumber	76,320 board feet
Sabra International	42,400 board feet
John S. Connor, Inc	33,920 board feet
McCausey Lumber	29,680 board feet
Argo Fine Imports	21,200 board feet
Dantzler	8,480 board feet
DLH Nordisk	8,480 board feet

MAJOR IMPORTERS

Due to unspecified log supply problems in Brazil, Madenorte is currently only exporting white virola plywood to the United States. At the moment, all of this is sold to Ihlo Sales in Center, Texas.

Ihlo Sales & Import Company

**P.O. Box 2138
Center, TX 75935
Tel (936) 598-2491
Fax (936) 598-8146
www.ihlo.com**

Ihlo Sales is a family-run business that has been importing timber for over 30 years. It focuses on tropical rainforest wood, including from Indonesia and Brazil. In fact, it is possibly the largest U.S. importer of wood from Indonesia's tropical forests.

Ihlo is Madenorte's primary importer in the United States, accounting for anywhere from 75 to 100 percent of Madenorte's North American sales. The two companies have been in business together for over ten years, and Madenorte wood currently accounts for 10 to 20 percent of Ihlo's volumes.

Ihlo supplies Madenorte plywood to Dixie Plywood, Diamond Hill Plywood, Tech Products, Central Wholesale Supply Corporation, Acadian Cypress & Hardwoods, and Boom, Inc.

U.S. Distributors of Madenorte plywood

**Dixie Plywood
204 Old West Lathrop Ave.
P.O. Box 2328
Savannah, GA 31402-2328
Tel (912) 447-7000
Fax (912) 447-7039
www.dixieply.com
Georgia - Texas - Virginia - Florida**

Dixie Plywood is one of the largest independent distributors of building materials in the country. It has 10 distribution centers located throughout the

Southeast and Southwest. A full list of its suppliers can be found at www.dixieply.com/vendors.htm

Dixie Plywood is one of Ihlo's main clients for Madenorte plywood.

**Diamond Hill Plywood
1455 Ebenezer Rd.
Darlington, SC 29532
Tel (843) 393-4036, (800) 737-7126
Fax (800) 672-9625
www.diamondhillplywood.com
Georgia - Virginia - Tennessee -
North Carolina - South Carolina**

Diamond Hill Plywood is a major wholesale distributor of building material and construction products to the retail and industrial market segments. It has 10 sales and distribution centers, one reload center and a fleet of 55 tractors and trailers, serving a customer base in 11 Southeastern states.

Diamond Hill Plywood is one of Ihlo's main clients for Madenorte plywood.

**Tech Products
Corporate Headquarters
3551 NW 116th St.
Miami, FL 33167
Tel (305) 685-5993
Fax (305) 687-8753
www.techprod.com
Florida - Georgia - Mississippi - North
Carolina - Tennessee**

Tech Products has more than 22 warehouses located in the Southeastern U.S. plus Puerto Rico. It is the largest wholesale distributors of cabinet supplies in the region.

Central Wholesale Supply Corporation

Corporate Office

1532 Ingleside Rd.

Norfolk, VA 23502

Tel (800) 969-9944, (757) 855-3131

Fax (757) 855-4140

www.central-wholesale.com

**Virginia – North Carolina – West Virginia –
Kentucky – Ohio**

Founded in 1958, Central Wholesale is one of the largest independently owned wholesale suppliers to the custom cabinet, counter top, and millwork industry in its region. It has three warehouses, all in Virginia.

Central Wholesale Supply is one of Itho's clients from its Tampa branch office for Madenorte plywood.

Wholesalers

Columbia Forest Products

222 SW Columbia

Suite 1575

Portland, OR 97201

Tel (800) 547-4261

Fax (503) 224-5294

www.columbiaforestproducts.com

Columbia Forest Products is North America's largest manufacturer of hardwood veneer, hardwood plywood and laminated products purchasing product from Asia, South America and Eastern Europe. The wholesaler currently manufactures products in 20 facilities throughout the United States and Canada selling to major retailers such as The Home Depot and Lowe's. To find lists of its other dealers, go to www.columbiaforestproducts.com/support/dealers

Although Columbia is not currently purchasing from Madenorte, it has been Madenorte's second largest customer in the U.S. in the past, a purchased

product as recently as mid-2003. Once log supply becomes available in Brazil, Columbia Forest Products is expected to once again become a major importer.

Robinson Lumber

4000 Tchoupitoulas Street

New Orleans, Louisiana 70115

Tel (504) 895-6377

Fax (504) 897-0820

www.roblumco.com

**Louisiana – Alabama – South Carolina –
Indiana – California**

Robinson Lumber is a large player in the lumber import business with 14 locations in five countries including offices near key ports in Breves and Belém (Brazil) and offices near the key ports of Savannah and Mobile (U.S.). Robinson is among the top importers of wood from the Amazon into the U.S., importing various Amazon woods such as virola, ipê, jatoba, cedro, cumaru and others.

Robinson Lumber is not a major client of Madenorte. However it has bought from Madenorte in the past.

Acadian Cypress & Hardwoods

Cor Hwy 51 & Industrial Park Blvd

Ponchatoula, LA 70454

Tel (985) 386-6079

Fax (985) 386-5887

www.acadianhardwoods.com

Acadian Hardwoods specializes in hardwood lumber, domestic and import plywood, architectural moulding, Fullerer Drawer Slides and adhesives. It purchases Madenorte plywood from Itho Sales.

Boom, Inc
348 Echo Valley Lane
Newtown Square, PA 19073
Tel (610) 356-7110

Boom, Inc is a small Pennsylvania-based company that supplies the Northeast market. It purchases Madenorte plywood from Ihlo Sales.

Dantzler
7975 Northwest 154th St, Suite 240
Miami Lakes, FL 33016
Tel (305) 828-9666
Fax (305) 828-2501

Dantzler has large quantities of Madenorte virola plywood in stock. Annual sales are estimated at \$10 million USD.^{xvi}

McCausey Lumber Company
32205 Little Mack Ave.
Roseville, MI 48066
Tel (586) 294-9663
Fax (586) 294-1505
www.mccauseylumber.com

McCausey Lumber Company stocks a wide variety of imported and domestically produced, specialty plywoods. It is primarily a wholesale distributor of engineered wood products and specialty plywood to the building construction industry.

Sabra International
300 - 71 St, Suite 430
Miami Beach, FL 33141-3038
Tel (305) 868-3663
Fax (305) 868-5447
www.sabrainternational.com

Sabra International is a lumber importer and exporter specializing in forest products from South America.

Sabra is not a major client of Madenorte, but has bought from them in the past.

John S. Connor, Inc.
Corporate Headquarters
401 East Pratt Street, Suite 700
Baltimore, MD 21202
Tel (410) 863-0211
Fax (410) 547-6865
www.jsconnor.com

John S. Connor is a customs broker and freight forwarder that has imported small quantities of Madenorte product.

Georgia Pacific
133 Peachtree Street, N.E.
Atlanta, GA 30303
Tel (404) 652-4000
www.gp.com

Georgia Pacific is known to have bought one small shipment from Madenorte in 2003.

DLH Nordisk
2307 West Cone Boulevard, Suite 200
Greensboro, NC 27408
Tel (336) 852-8341
Fax (336) 852-1933
www.dlh-nordisk.com

DLH Nordisk A/S is one of the world's largest independent timber trading companies, since its merger with EAC Timber. DLH Nordisk is part of the DLH group, headquartered in Denmark. It has offices in 28 countries worldwide with over 1,500 employees.

The company has been implicated before by Greenpeace and others environmental groups for egregious practices throughout the world. In the 2001 Greenpeace report, *Partners in Crime*, as well as the report's U.S. markets annex DLH was named

as one of the largest buyers of Brazilian mahogany in the world. Mahogany has since been listed under Appendix II of the UN Convention on International Trade in Endangered Species (CITES).

DLH Nordisk's North Carolina based U.S. operation has bought Madenorte product as recently as 2003.

ENDNOTES

ⁱ Secretaria de Comércio Exterior (SECEX), Exportação Brasileira, Ministério do Desenvolvimento, Indústria e Comércio Exterior

ⁱⁱ Grilagem: The variety of methods of land title falsification that enable loggers and others to lay claim to the rainforest. page 11, *State of Conflict*.

ⁱⁱⁱ "Onde a lei nada vale e a morte custa R\$100", in *O Estado de S. Paulo*, 21 September, 2003]

^{iv} U.S. Secretary of State, Colin Powell, announced a new Initiative Against Illegal Logging July 28, 2003, at the State Department <http://usinfo.state.gov/gi/Archive/2003/Jul/29-932950.html>

^v *ibid*.

^{vi} IBAMA 2001. Exports to all countries 2000.

^{vii} Secretaria de Comércio Exterior (SECEX), Exportação Brasileira, Ministério do Desenvolvimento, Indústria e Comércio Exterior.

^{viii} *ibid*.

^{ix} Madenorte Group started as an exporting company in 1973 (Norte Madeiras Importação and Exportação Limitada). In 1976 they established a sawmill in Breves. Ten years later they diversified by creating a plywood factory named Madenorte Laminados e Compensados, in the same town, to produce 40,000m³/year of plywood and veneer. By that time, they had already established their own customhouse in their port in Breves. Madenorte has 1,300 employees and created a Foundation (Fundação J. Severino) "to give assistance to Madenorte staff." The Foundation participated of the creation of an entity "to promote citizenship in Breves." Concib - Conselho de Cidadania de Breves (Breves Citizenship Council).

^x Scientific Certification Systems. 2002; Madenorte S.A. 2002.

^{xi} Madenorte advertisement appeared on page 12 of *O Liberal*, 28 August 2003.

^{xii} Madenorte FMP No. 02018.007643/03

^{xiii} The forest area to be managed is 130,000 hectares.

^{xiv} ITERPA is an agency of the Brazilian government that aids in certifying forest management plans and also has jurisdiction over some lands in Pará.

^{xv} INCRA is the agency in charge of regulating tenure on federally held land in Brazil.

^{xvi} IBAMA is the Brazilian counterpart to the United States Environmental Protection Agency and has the sole authority to issue CITES permits.

^{xvii} Areas larger than 2,500 ha must be approved by the Brazilian Congress.

^{xviii} CPF is the Brazilian tax number.

^{xix} R\$1,110,133.20

^{xx} Port Import Export Reporting Service.

^{xxi} Dunn and Bradstreet Million Dollar Disc, First Quarter 2003.
