

THE ILLEGAL LOGGING CRISIS IN HONDURAS



How U.S. and E.U. imports of illegal Honduran wood increase poverty, fuel corruption and devastate forests and communities

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Methodology and Sources:

EIA conducted four field investigations in 2005, which included interviews, some undercover, with people representative of every aspect of the illegal logging trade and the affected communities. From the information we collected, we believe this report gives an accurate picture of the illegal logging crisis in Honduras. EIA investigators were not first-hand witnesses to all of the events detailed in this report. Our team relied on eye-witness accounts, trusted media sources, and discussions and correspondence with people who have intimate knowledge of the timber industry in Honduras. In order to protect sources from possible physical or professional harm, it was necessary that some individuals' identity remain anonymous.

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INTRODUCTION

As this report goes to press, Father Tamayo, and the other leaders of the Environmental Movement of Olancho (MAO) are receiving a barrage of death threats and other physical intimidation intended to silence their heroic opposition to the massive illegal logging that is decimating the forest of Honduras. Although the nation's forests occupy around half of its land cover and about a quarter of Central America's wildlife-rich forests, deforestation is so severe that the country's remaining forest cover is unknown. In 2000 independent estimates put forest cover at 48% while the government claimed 56%. Illegal logging is so extensive that even the Honduran Forest Agency – CODEFHOR – admits it does not know the size of the annual cut.

Mahogany, a prized and increasingly rare hardwood, could be gone in as little as 10-15 years. The unique Río Plátano Biosphere Reserve, a UNESCO World Heritage site, is under imminent threat, its surrounding buffer zone under daily attack from deforestation. The park's "protected" core zone is infested with illegal loggers seeking mahogany and other valuable hardwood.

One of the poorest countries in Latin America, Honduras is losing up to \$18 million a year in lost stumpage fees and other forest-based revenue. Yet this is only the tip of the iceberg of a massive, nationwide, resource rip-off by major timber and wood product producers and their high level political backers. An estimated 80% of mahogany and up to 50% of pine — Honduras' main timber export — is produced in violation of government regulations.

EIA's investigations, documented in this report, have unveiled a far-reaching web of corruption and illegalities involving politicians, the State Forestry Administration, timber companies, sawmills, transporters, loggers, mayors, police and other officials. Illegal timber trade is also used to smuggle narcotics and to launder drug money. Additionally, tax evasion is widespread by companies that fail to declare the total volume or value of their wood exports to evade paying corporate taxes.

The underground timber trade is too powerful and entrenched, corruption and nepotism too rife to be challenged easily, even if the political will existed within the Honduran government. Yet a small group of environmentalists, journalists, enforcement officials and reform-minded citizens are mounting a growing effort to focus attention on the problem and trigger action. The band of reformers have meager resources, and they risk their lives daily to try to stop the illegal timber trade.

In August 2005, I witnessed their bravery firsthand in the town square of Salamá, in the department of Olancho, where supporters of MAO, a rural citizens' group protesting illegal logging, were met by 30 military police dressed in combat gear and carrying automatic weapons. The military was ostensibly there to keep the peace as Father Tamayo, MAO's leader and a 2005 recipient of the prestigious Goldman Environment Award for grassroots activism, met with local forestry officials. The show of force and intimidation was clearly directed against the MAO supporters gathered in front of his church as the soldiers faced them, forming two lines in front of the mayor's office. Two members of Honduras' Committee of Relatives of the Disappeared in Honduras (COFADEH) reported in 2003 that the mayor of Salamá said on four occasions that "the environmental problem in Olancho will be only resolved by ordering the killing of Father Tamayo." In August, Tamayo told me how the military had warned him that he might be kidnapped but that they could not protect him.

U.S. Responsibility to Act

Timber importing countries, primarily the United States and the European Union (E.U.) nations, must take responsibility for the fate of Honduras' forests. EIA undercover investigations during 2005 revealed large volumes of wood products flowing from Honduran companies receiving illegally cut logs or timber to major U.S. retailers, including Home Depot. Mahogany doors were fashioned specially for Donald Trump's wedding at his Mar-a-Lago estate in Miami, and the U.S. Capitol Building is purchasing Honduran mahogany products. Although it may have been unwitting on their parts, this report links the mahogany door producer and exporter to illicit mahogany cut in the Río Plátano Biosphere Reserve, a UNESCO World Heritage Site.

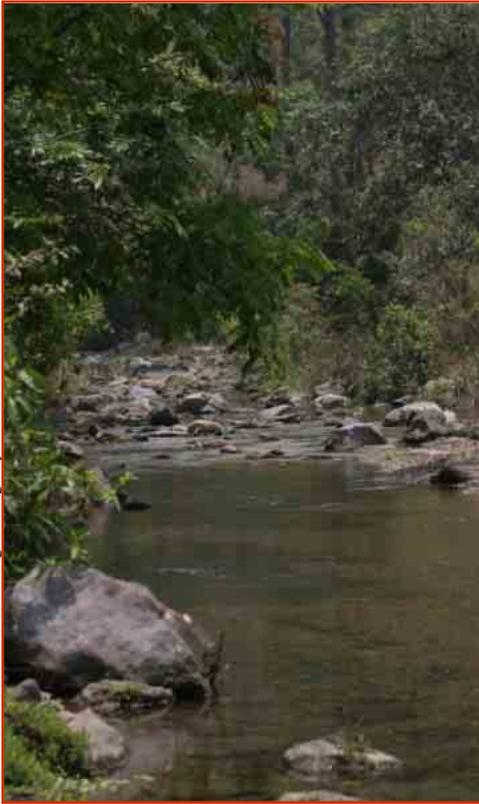
Demand for cheap wooden products — broom and mop handles, tomato stakes, fence posts, sawn timber, doors, windows and even kindling — is driving deforestation across Honduras encouraged by a lack of U.S. and E.U. import controls to identify and exclude illegally logged wood entering the country. Two years ago the Bush administration pledged to combat illegal logging and corruption in developing countries.

International donors, including the U.S., have agreed to write off over \$1.3 billion in debts owed by Honduras. Yet aid to Honduras is undermined every day by the impacts of rapid deforestation. Both the U.S. and E.U. must act to stop the flood of cheap, illegal wood from Honduras by supporting the listing of Honduran Pine on Appendix 3 of CITES with a strict export quota limited to verifiably legal wood.

The U.S. and E.U. must also link debt aid with a requirement that the Honduras Government guarantee its citizens' freedom from the constant death threats intended to undermine civil society demanding accountability from its leaders.

Allan Thornton
President
Environmental Investigation Agency
October 25, 2005

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Above: Environmental leaders in Olancho believe that illegal logging is endangering their water supply, leaving an increasing number of dried-up streambeds.

ILLEGAL LOGGING: THE COSTS TO COMMUNITIES AND WILDLIFE

The Ministry of Agriculture estimated in 2004 that Honduras was losing 100,000 hectares a year – 1.8% of all forest cover in 2000 or half of the largest national park in Honduras.¹ The key culprits are illegal logging, forest fires, and expanding cattle ranching and farming.² The impacts on the natural environment and the four in ten Hondurans who live in forested regions³ are wide-ranging and devastating.

Water Loss, Weather Changes, Landslides

The hardest-hit (and most heavily logged) region is Olancho, where dwindling water supplies, linked directly to illegal deforestation, threaten communities' ability to survive. The Environmental Movement of Olancho (MAO), a community-based movement protesting illegal logging in the department, has documented the loss of about half the water sources in the west Olancho region, and believes that uncontrolled highlands logging and the destruction of natural forest watersheds have dried up water supplies and eroded topsoil, resulting in a drier local climate.⁴

In April 2005, EIA investigators witnessed dried-up streams and riverbeds along the border of La Muralla National Park, near La Unión in Olancho, and filmed a chainsaw gang illegally cutting trees in the park area. A senior MAO representative who lives in the area told EIA that 24 of 46 local water sources had dried up in recent years, which he blamed on extensive pine logging. He added that rainfall had been more plentiful in recent years than in the past when water sources had been protected, suggesting that logging, rather than climate, was to blame. "This river is dry because there is no respect by those who cut the wood," he said. "It has been our

experience that in north Olancho, wherever there has been logging, after two or three years there is no water. These places are totally dry, only rocks and sand."⁵

The communities' concern is supported by leading world and regional scientific studies. The Intergovernmental Panel on Climate Change concludes that "large-scale deforestation is likely to result in increased surface temperatures, decreased evapotranspiration, and reduced precipitation. Forest fragmentation and degradation has led to increased vulnerability of forests to fire."⁵ According to the Pan-American Center for Sanitary Engineering and Environmental Sciences, the decline in Honduran forest cover has contributed to widespread soil loss, decreases in water flow and contamination of water sources.⁶ In 2003, the Latin America office of the UN Environment Programme (UNEP) also reported that deforestation is a major factor affecting water availability in the country.⁷ The Environment Ministry in Honduras has itself documented significant decreases in the water storage capacity of the nation's reservoirs, which have become clogged by soil erosion caused by illegal logging.⁸

In many parts of the country, these localized dry conditions have contributed to the outbreak of hugely destructive forest fires. In the first four months of 2005, the country endured 500 such fires. In the worst incident, in April, a dense cloud of smoke covered 90% of the country, forcing closure of all four international airports.⁹

Many believe that high rates of deforestation have increased this impoverished nation's vulnerability to natural disasters. In 1998 Hurricane Mitch devastated Honduras, killing over 5,000 people and destroying the majority of the country's crops and transportation infrastructure.¹⁰ According to the UN Food and Agriculture Organization (FAO), soil erosion caused by large-scale deforestation and land use change significantly aggravated the hurricane's effects. Although some studies question the ability of forests to protect from massive floods, there is no dispute that lack of forest cover means more rapid runoff from rain fall and increased rates of erosion. Despite concern over vulnerability after Hurricane Mitch, legal and illegal logging and land conversion have risen since the hurricane hit.^{11,12}

National Anti-Corruption Commission 2004

The commission, convened by the Honduran government to combat corruption, reported that while forest management plans "include measures to prevent soil erosion, contamination of water sources, and extraction of genetic material which keeps the forest healthy, there is a lack of compliance with these measures. Logging roads are built contaminating water sources, seedling trees are cut, and logging is carried out in water source areas. This situation has generated a sense of resentment in some communities who see what the timber industries are doing."¹³

Illegal Logging's Impacts on Wildlife

The extraordinary biodiversity of Honduras' forests is concentrated in 107 protected areas, which cover 27,000 square kilometers of land and a wide variety of ecosystems including rain forest, mangrove forest, pine forest, savanna, and swampland.¹⁴ The country boasts 5,680 higher plant species, of which 108 are threatened; 173 mammals, of which 10 are threatened; and 232 breeding birds, of which five species are threatened.¹⁵

Honduras lies at the heart of the Mesoamerican Biological

Corridor, an eight-nation conservation corridor stretching from Mexico to Panama. Donor governments, including the United States, have poured hundreds of millions of dollars into a series of protected reserves that make up this "biological highway between North and South America." This biological corridor is crucial to protecting a range of threatened species such as the jaguar and panther, which could otherwise face extinction.¹⁶ The corridor contains about 7% of the planet's biodiversity, including many other threatened species such as harpy eagles and tapirs,¹⁷ and includes the Río Plátano Biosphere Reserve, Tawakha Indigenous Reserve, and Patuca National Park.

RÍO PLÁTANO BIOSPHERE RESERVE UNESCO WORLD HERITAGE SITE



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Honduras provides critical habitat for a range of endangered species, including scarlet macaws (above) and jaguars (below right).

The strikingly beautiful and wildlife-rich Río Plátano Biosphere Reserve is one of the jewels in the Central American national park system, and the largest protected area in Honduras. Spanning over 800,000 hectares in the northeast part of the country, it includes mangrove swamps, pine forests, savannas and tropical rain forest ecosystems that house jaguars; pumas; ocelots; white-faced, howler and spider monkeys; two and three toed sloths; giant anteaters; harpy eagles; great green macaws and scarlet macaws.¹⁸

Central America's first Biosphere Reserve, Río Plátano was established in 1980 to protect a crucial section of the Mesoamerican Biological Corridor—a conservation corridor stretching the length of Central America into which donor governments, including the United States, have poured hundred of millions of dollars.¹⁹

Since then, squatters have deforested an estimated 10% of the reserve and commercial logging (both legal and illegal), widespread cattle farming, and slash and burn agriculture in the west and south of the reserve's buffer zone continue to eat away at its forests.²⁰ In 1996, the UNESCO World Heritage Committee listed the Río Plátano Biosphere Reserve as "in danger." IUCN warned that (a) "the rate of deforestation within the reserve's buffer zone is even higher than the national deforestation rate" and (b) "the population of the buffer and cultural zones continues to increase at nearly 4% per year, a rate higher than the national growth rate."²¹

Most of the illegal logging is the work of non-indigenous profit-seekers looking for high-value mahogany and other hardwoods. According to the Honduran Public Prosecutor's office, from 2003-2004, two million board feet of mahogany were illegally harvested in

the Biosphere, a loss in tax revenue to the government of about \$3 million dollars. The main hardwood illegal logging hotspots were around the Patuca River, Sico-Paulaya Valley, and the southern area of the reserve in Olancho.

A 1999 evaluation of illegal logging in the Biosphere, ordered by the Honduran Congress, found that the buffer zone had been completely logged and burned due to lack of vigilance and protection by local authorities.²² During overflights and on-the-ground investigations in April 2005, EIA encountered continuing, widespread clear-cutting and burning in the western and southern areas, including inside the core zone itself (see page 33).

Despite repeated warnings by the World Heritage Committee, and by local and international environmental groups that illegal logging is threatening to overwhelm the reserve, the Honduran government has done little to stem the illicit activity. Only six hard-pressed State Forestry Administration (AFE-COHDEFOR) officials have been designated to manage and monitor logging activity across the entire reserve.²³



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ENVIRONMENTAL PROTESTS IN OLANCHO

Rampant illegal logging and its impacts on local livelihoods have prompted widespread protests in Olancho. Since 2002, the Environmental Movement of Olancho (MAO) has organized annual national marches to highlight the epidemic of illegal logging in their department and to assert Hondurans' right to a healthy environment for present and future generations. When the government failed to respond, MAO stepped up its protests, blocking highways and bridges to logging trucks and taking over city halls in Olancho.²⁴

The Price of Protest: Violence, Intimidation and Death

MAO members have endured harassment by loggers, government officials and church authorities. On one occasion, the government sent COBRAS, its elite counterinsurgency force, to open blocked roads. In 2001, Father José Andrés Tamayo Cortez was pushed off the road at gunpoint and had a hand grenade held against his chest.²⁵ In July 2005, local loggers carrying guns confronted, and barred passage to, an unarmed group of men, women, and children protesting against tree felling in Olancho.²⁶ MAO has also denounced some COHDEFOR employees for intimidating local citizens and threatening them with death when they do not accept bribes from the industry.

Members of MAO have been the target of numerous death threats and assassination attempts. Three members, Carlos Luna, Carlos

Roberto Flores, and Mauricio Hernandez, have been killed since 1996. The assassination of activists has become a common occurrence in Honduras, and perpetrators are rarely punished.

Olancho town council member Carlos Luna was gunned down in 1998 while investigating claims of illegal logging in his municipality. A Special Rapporteur to the UN Commission on Human Rights reports: "It was believed that influential business people in the timber industry, who had previously threatened Mr. Luna, were responsible for his murder."²⁷ Among those implicated in his death was timber magnate Jorge Chávez, who according to the U.S. Department of State, is a former member of the elite Honduran death squad Battalion 3-16.²⁸ According to MAO's spokesman and legal counsel, Marco Ramiro Lobo, five days before Luna's murder, Chávez was arrested on illegal logging charges initiated by Luna—only to be released within three hours by a higher-ranking official. According to Lobo, witnesses alleged that Chávez paid the sum of 100,000 lempiras (\$5,500) for Luna's murder.²⁹ The Center for Justice and International Law, a non-governmental, non-profit organization with consultative status before the Organization of American States (OAS) and the United Nations, concludes that in Honduras "the authorities have not carried out an effective investigation of the murder of Mr. Carlos Antonio Luna Lopez that took place on May 18, 1998, and that in addition, remedies available under domestic law have been ineffective in this case," and it further concluded that "even after more than four and a half years since the death of Mr. Carlos

Antonio Luna Lopez, all those responsible have not been punished."³⁰



Above: For the second year in a row, thousands of Honduran citizens joined Father Tamayo in the "March for Life" in 2004 to demand that President Maduro take action against rampant illegal logging and other environmental problems.

Carlos Roberto Flores, an environmentalist and community leader of the municipality of Gualaco in Olancho, was shot to death in 2001 by guards employed by Energisa—a private company building a dam in Olancho's Sierra de Agalta National Park. When Amnesty International delegates met with community members in Gualaco in 2001, they reported that "eyewitnesses say the ten gunmen who shot Carlos Flores were security guards working for Energisa, the private company building the dam."³¹ Flores had protested against the dam's construction, which was financed by the Central American Economic Integration Bank. *Honduras this Week* reported in 2001 that "Energisa concedes its employees shot Flores but suggests this was the result of an armed confrontation. Witnesses to the crime, however, insist Flores was merely preparing to bathe when he was shot. Physical evidence appears to support the latter party's assertion."³²

Environmental and community activists working for other groups have also lost their lives fighting against illegal logging. Jeannette Kawas, a U.S. citizen and former president of the ecological foundation PROLANSATE, was murdered in 1995 after opposing illegal cutting and the government-sponsored development of African palm plantations in Punta Sal National Park.³³ In July 2003 23-year-old Carlos Arturo Reyes, an environmental activist for the Catholic Church's Pastoral Social, a community group, was murdered at his home in El Rosario, Olancho.

Padre Tamayo: Environmental Leader in Honduras and Latin America

"I saw the trees disappear and the rains diminish, and the peasants began to lose their crops and go hungry. So I decided to raise my voice in their defense." Father José Andrés Tamayo, the Catholic priest in Salamá village, Olancho, is Honduras' most vocal and best-



known environmentalist. As a member of the Environmental Movement of Olancho (MAO), he has engaged in mass protests against the timber industry, leading road blockades against chainsaw operations and organizing national marches. In April 2005 his efforts were recognized by the international community when he was awarded a Goldman Environmental Prize for outstanding grassroots activism. Tamayo has denounced the major illegal loggers in Honduras, whose activities are investigated in this report. "Right now, there are various companies here that take the wood - Noriega, Yodeco, Lamas." During 2005, Tamayo traveled around the U.S. urging the Bush Administration to take action against illegal logging in Honduras. His message was a simple one. "The problem lies with solving corruption and capturing those who rob the country of its resources."

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Amnesty International reported in 2003 that Reyes' murder and the continuing attacks on environmental leaders "are believed to be connected with a list of environmentalists who have been placed under threat of death for their activism." Amnesty International reported that the list appeared after the seven-day "March for Life," held in June 2003 by environmental and religious groups, called for a moratorium on further logging in central Honduras, stating that "the names of Carlos Arturo Reyes, Osmin Flores, and Gilberto Flores all appeared on the death threat list."³⁴

Despite outrage expressed by the environmental and human rights communities, including Amnesty International, only one murder case has resulted in an arrest and conviction.

Illegal Logging, Land Tenure, and Conflict

Problems with land-tenure and property rights are the source of most natural resource conflicts in Honduras. Most private landholders simply lack land titles. Lack of clarity and uncertainty of land tenure and ownership create opportunities for illegal appropriation and expropriation of the land, and facilitate unsustainable logging operations.

The rights of private landowners—small and big—are often challenged by powerful business interests and owners of logging companies who can claim legal rights in local courts. By filing a legal claim and providing witnesses to verify that indeed the claimant has been the owner/user of the land, some logging

companies have obtained supplemental titles, which allow them to acquire logging rights from COHDEFOR.

In addition, Honduras still recognizes land titles that were issued during colonial times. This practice has been a source of numerous disputes and conflicts. Loggers and timber companies claim ownership over land that has already been titled by another government agency, such as the National Agrarian Institute (INA), and sometimes have forged documents to obtain land from the government—removing the inhabitants of forest plots that have sustained families for generations.¹³

In other cases the government auctions off land without informing resident communities. COHDEFOR officials often sell off plots for timber harvesting without considering the presence of current occupants or boundary demarcations. This can result in social conflict, illegal logging and general insecurity.¹³

The "Social Forestry System": Loggers Win, Communities Lose

Although 40% of Hondurans live in forest regions, only a small percentage is currently able to benefit from these resources. The timber industry, local government officials, landowners, intermediaries, and *chemiseros* (those who saw and sell illegal wood) soak up most of the profits made from timber resources.¹³ Laborers are generally brought in from outside instead of the communities. These workers receive extremely low wages and are exposed to unsafe working conditions.

Under current forestry law, communities have very limited opportunities to access the value of their pine forests. Many lack the capacity to organize forest-based economic activities even where permission is granted. As a result, some local villagers are forced to subsist through small-scale illegal logging, selling the wood to intermediaries at low prices.³

In 1974, COHDEFOR created the Social Forestry System. Its goal was to allow communities to manage more forest areas, which in turn would create jobs, generate timber revenue and increase living standards.¹³ In practice, however, the scheme has become a tool for entrenched industry to extract more timber, largely for export. The staggering bureaucracy in the forest sector makes it nearly impossible for under-resourced communities to comply with COHDEFOR social forestry management plan regulations.³⁵ Well-financed timber interests, in contrast, are able to bribe local community leaders and bend the rules to secure timber that is illegally sourced or meant for community use for the lucrative international market.

A leader of a struggling community cooperative in the Northeast department of Gracias a Dios explained to EIA his cooperative's continuing battle to obtain a management plan: "We had to spend much money, much time, and much work, all of it. In order for the cooperative to get the documents, it costs much money. But this government helps them [the large industries] and we have gained nothing."

ILLEGAL LOGGING CASES



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DOCUMENTED IN THIS REPORT



ILLEGAL TRANSPORT
Transporting timber illegally after dark, bribes at police checkpoints and falsified transport permits.



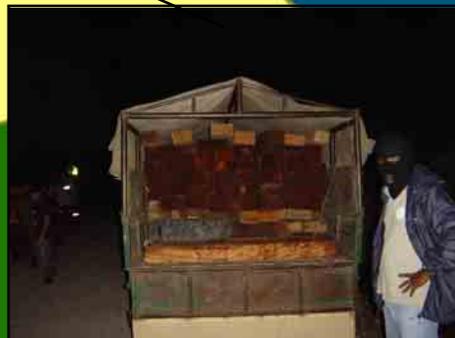
MAHOGANY TRAFFICKING
EIA tracked the illicit mahogany trade from source through manufacturing facilities to major U.S. retailers.



DEVASTATION IN RÍO PLÁTANO BIOSPHERE RESERVE
EIA documented extensive degradation of the United Nations protected reserve, including massive illegal clear-cuts and human-induced forest fires.



NÁJERA
EIA investigators discovered over 300 illegally cut logs. Nájera supplies to Lamas whose wood ends up on the shelves of Home Depot, among other U.S. retailers.



TIMBER SMUGGLING
The increasingly lawless and dangerous environment in the Mosquito region leaves the national park in peril.

 Mahogany illegal logging

 Pine illegal logging



Above and right: Valuable mahogany cants (squared logs) are often hidden underneath less profitable pine timber to avoid detection during transport

“There is no control over illegal logging. The losses are great but we don’t have exact figures as to how much.”

-Gustavo Morales, former Director of COHDEFOR

THE ILLEGAL LOGGING INDUSTRY IN HONDURAS

Illegal logging and the international trade in illegal timber is a worldwide problem. It is destroying forests and their unique biodiversity, breeding corruption and violence, and hampering development in numerous poor countries in Asia, Africa and Latin America. Perhaps nowhere in the world, however, is this malign industry and its devastating effects as deeply rooted as in the small and impoverished Central American country of Honduras. EIA's investigations, together with the work of other international NGOs and Honduran organizations, have uncovered a nationwide web of underground activity in which the methods of illegal logging and associated transport, trade, manufacturing and export of timber and wood products appear unlimited, constrained only by the imagination of the perpetrators.

In the spring of 2005, EIA carried out three investigations into Honduran illegal logging and timber trade, and made undercover contacts with those involved. EIA met with large and small timber producers, local community timber producers (also known as cooperatives), state forestry officials, government experts on illegal logging, representatives of major donor countries, NGOs, local environmentalists, and other experts on the forest sector. Some of our Honduran sources are not identified in this report to protect them from intimidation and violence. To follow the illegal logging trail to its final destination, EIA also carried out in the summer of 2005 an investigation in Miami, into several of the main U.S. importers of Honduran timber.¹

Abusing the System

Illegal activity permeates every aspect of Honduran timber production. From the direct sale of logging rights, to the auctioning of timber and its eventual transport, manufacture and ultimate export to the U.S., the Caribbean, and Europe, illegal activities occur unchallenged by any meaningful enforcement

authority. Where such enforcement does occur, penalties are generally so low that they amount to a minor administrative expense for the cost of doing business. Corruption within the government fosters the illegal industry's success via the appointment of congressional representatives, ministers, and civil servants who influence the granting of logging rights and other timber extraction decisions.²

While the forestry and timber production regulatory process in Honduras provides a façade of regulation, it is easily circumvented, except by a few unlucky small fry. The country's former top-ranking forestry management official, Gustavo Morales, has conceded that while Honduran law permits the extraction of 1.2 million cubic meters of lumber each year, the true volume is much higher “because there is no control over illegal logging. The losses are great but we don’t have exact figures as to how much.”³

Honduran regulations and institutions governing the forestry sector are complex and confusing, discouraging sustainable management and creating vulnerabilities to corruption and illegal activity. The forestry sector is governed by 24 different, often contradictory and overlapping laws. The main Forest Law of 1972 is administered and applied by the State Forestry Administration—Honduran Corporation for Forest Development, known as COHDEFOR. This is a semi-autonomous agency under the direction of the Secretary of Agriculture. Administration of protected areas, however, is overseen by a separate ministerial-level body, the Secretary of Environment and Natural Resources (SERNA), providing further complications and overlap.²

COHDEFOR also has legal responsibility for enforcing policies and regulations governing logging operations in Honduras. Logging in private, community and national/public forests is supposed to take place in strict accordance with management and operational plans approved by COHDEFOR officials.⁴ These legally required plans specify areas to be logged and time periods when trees are to be cut. They also include environmental provisions, such as the prohibition of logging within 150 meters of water sources, prohibition of logging on steep hillsides, and required erosion control measures.²

Illegal logging operations systematically circumvent these official processes and regulations in a wide variety of ways, which EIA has investigated and which we document in this report. No area containing valuable timber—including national parks and remote, inaccessible regions—is immune from illegal deforestation. Trees are cut without legal permits or authority for logging rights; permits are gained from corrupt officials to cut trees in protected areas or to cut more trees than originally authorized; and illegally cut logs are transported clandestinely to exporters, where they enter the legal timber flow.⁵ Up to thousands of poorly paid workers are involved in cutting illegally around the country and leaving the cut logs on the roads to be picked up and fed into the production chain.

Ironically, smaller forest owners who want to log their forests legally by applying for management plans often face great bureaucratic difficulties in obtaining permission to log. As a result small producers are often forced to operate illegally to be profitable.²

Targeted Regions and Timber Species

A peer-reviewed study in 2003 estimated that 80% of mahogany trees and up to 50% of pine extracted in Honduras is illegally cut.⁶ Between 1990 and 2000, Honduras lost an estimated 10% of its diverse forest cover, which includes pine and broadleaf forests and mangroves. About 5.4 million hectares of forest cover remained in

2000.⁷ The most exploited species is pine, which accounts for over 96% of logging and a majority of timber exports.⁸ The most valuable is mahogany which is used to make luxury hardwood furniture, that is popular in the U.S. Most of Honduras' remaining mahogany stands are found in reserves, which are being systematically plundered despite their protected status.

Most illegal logging occurs in the department of Olancho, which contains half the country's remaining forests—including both pine and tropical hardwoods.² According to the Environmental Movement of Olancho (MAO), municipalities suffering the most illegal timber extraction are Jano, La Unión, Esquipulas del Norte, Silca, Dulce Nombre de Culmí, Patuca, and Guayape.⁹ In Olancho, EIA investigated logging operations in Jano, La Unión, Dulce Nombre de Culmí, Gualaco, San Estéban, and Salamá.

Illegal logging of precious hardwoods, mainly mahogany and cedar, occurs most commonly in the Río Plátano Biosphere Reserve which straddles three departments.¹⁰ (See pages 33-36 for results of investigation.)

Most timber extraction and export is conducted by a small number of large, powerful and well-connected companies. EIA has investigated the activities of these key players: 10 companies – José Lamas S. de R.L., Comercial Maderera Noriega, Caoba de Honduras, Milworks International, Yodeco, Sansone, Serma, Derimasa, Tracoma, and Industrial Forestal Abigail—feature as case studies in this report.

While a small fraction of forest extraction is ostensibly carried out by local cooperatives in community forests, who are supposed to benefit from local sustainable logging,¹¹ EIA and others have documented how these operations are widely influenced, directed and/or co-opted by the large national timber businesses.²



Left: Contracted illegal loggers in Olancho process hundreds, possibly thousands of illegal pine logs each day. Cants (squared logs) are left by the side of the road to await pickup.



“The whole thing is rigged! It’s rigged.”

Owner of Honduran lumber company regarding timber auctions

Left:
EIA investigators attended a COHDEFOR auction in Spring of 2005 where they witnessed sawmill owner Fredy Nájera win logging rights to a lot for only one lempira over base price.

METHODS OF MALPRACTICE “Rigged” Timber Auctions

Timber auctions are frequently held by COHDEFOR around Honduras, with the aim of selling logging rights in national forests on an equitable and competitive basis. The system was also designed to generate maximum revenue from forest resources and to help fund COHDEFOR,² which is severely under-resourced.¹² A wide range of actors in the forest sector participate in the auctions—from major timber exporters to smaller sawmills.

However, these auctions are often “fixed” by the large players, defrauding COHDEFOR of income. Approached by EIA investigators posing as potential timber investors, a well-connected industry source, the owner of FAMA Lumber, described in detail how buyers hold secret, pre-auction meetings at which they negotiate who will win which lots and at what prices—thus undercutting the market price. He described auctions where the base price was 300 Honduran lempiras and the winning bids were coming in only 1 lempira (about five cents U.S.) higher. “I tell you, look, I know this because when I was working for my uncle he would sometimes send me to these meetings. Everyone knew who was going to win that auction before anyone shows up—it’s a simple formality afterward. Everybody knew that Yodeco Honduras was going to win that auction nearby La Unión because everyone gets together ahead of time, 10 days before and you do a negotiation. How many meters are up for sale, and then another industry says hey, I’m interested in that and another will say, look come down on that one and you’ll get priority on the next one. The whole thing is rigged! It’s rigged.”

When an undercover EIA team attended a COHDEFOR auction in February 2005 it witnessed a lot up for sale in the Yoro and Olancho departments being won by sawmill owner Fredy Nájera for only one lempira over the minimum bid. A few months later, independent monitors from Global Witness documented Nájera’s illegal activities in this same lot (see page 23).

Cutting Without Management or Operational Plans

To be legal, logging operations must be carried out under the terms of an agreed-upon management plan prepared and authorized by COHDEFOR. These plans determine how much wood is to be harvested and renewed every 40 years. A second legally required document is an operational plan, which indicates specific areas to be cut over a five-year period.¹³ There is no central COHDEFOR depository for either document; each district office is in charge of maintaining the plans and does so with varying degrees of efficiency and honesty. Lacking supervision and enforcement, the management plan system has been widely abused.²

Cutting trees illegally without a management plan is a common practice—particularly in valuable hardwood plots—according to no less an authority than Meletina Martínez, administrative director of the Honduran Timber Producer Association, AMAHDO, and the Honduran Furniture Manufacturer’s association, ANETRAMA. Interviewed by undercover EIA investigators posing as potential timber investors, Martínez stated that “the reality is that there is bad management of the hardwoods, as our government does not have money. COHDEFOR, for example, does not have money to operate in the parts of hardwood forest or broadleaf forests.” “[In many cases] there is no management plan or operational plan. If you can buy these [hardwoods] at a good price, then you can see there is no management plan.”

A different problem is commonplace in the department of Yoro, northwest of Olancho, where in May 2004 journalists from Honduran newspaper *La Prensa* found that pine loggers failed to renew their management plans and were operating illegally with expired authorizations. Leaders of several municipalities in Yoro collectively expressed their concern to *La Prensa* over the high rate of illegal logging in the region and its impacts on their impoverished citizens. “As members of the boards of the following communities, we are profoundly worried about the uncontrolled logging of the forests adjacent to our communities,” they stated to *La Prensa*.¹⁴

Cutting Outside Legal Boundaries

Operational plans specify areas to be cut, with individual trees marked by COHDEFOR engineers with a blue paint spot. The presence of unmarked logs in a sawmill therefore proves that they have been cut without authorization. In February 2005, EIA investigators documented stockpiles of several hundred pine logs at the Nájera Sawmill in San Estéban, Olancho, that were not marked with blue paint. COHDEFOR’s chief official in Juticalpa, the capital of Olancho, told EIA that such violations by loggers were a commonplace occurrence. “When conducting site inspections, the number one problem we see is cutting trees outside of the limits.”

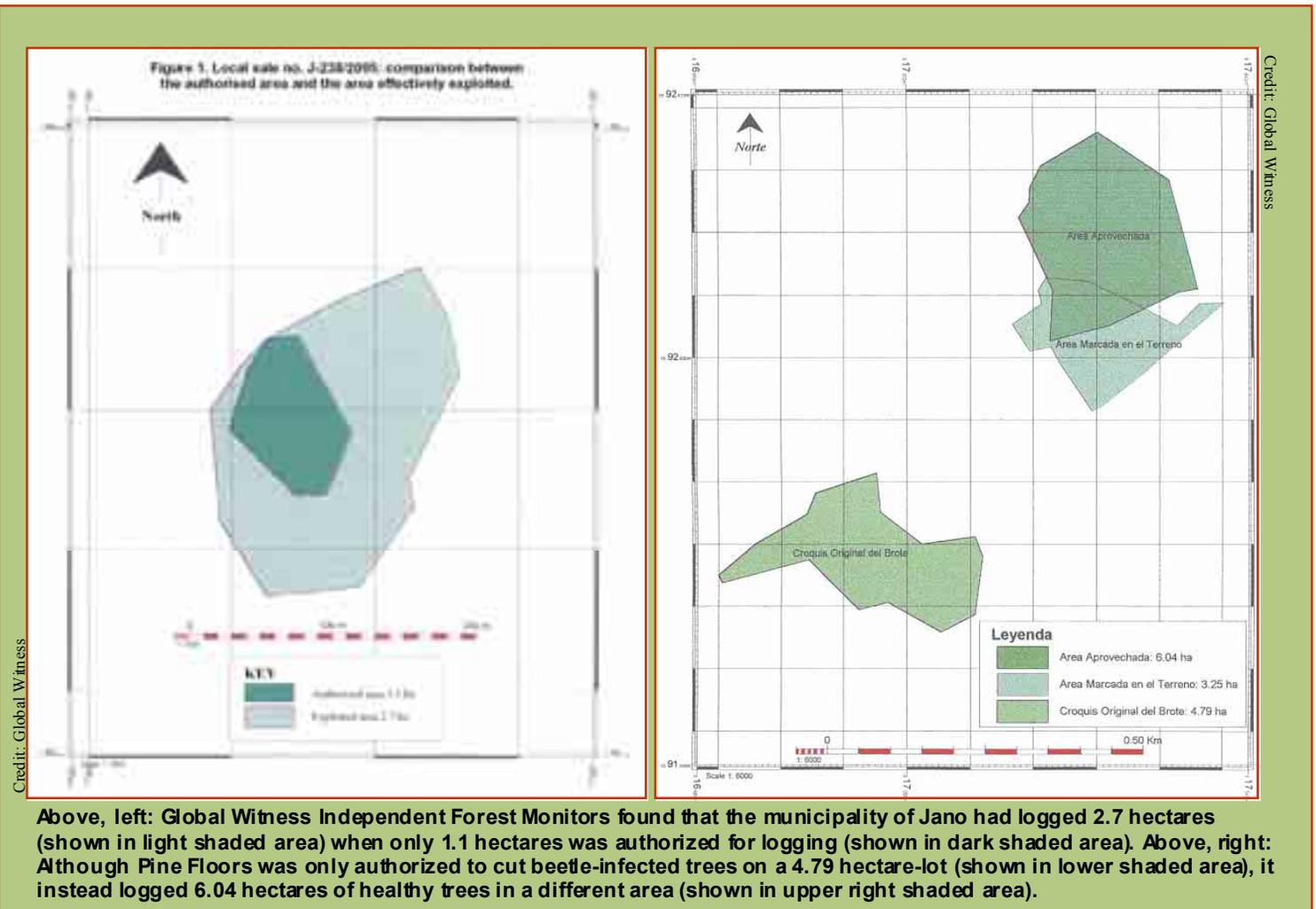
Gross violations of illegal tree cutting outside authorized areas has also been recorded by Global Witness, an independent non-profit organization conducting a forest monitoring pilot program in Honduras.¹⁵ In three independent audits in Olancho, Global Witness documented flagrant violations of agreed boundaries. In one case, a company called Pine Floors was authorized to cut only 4.79 hectares, but 6.04 hectares had been extracted.¹⁶ In another, the Jano municipality obtained approval to cut trees on 1.1 hectares of municipal land, but the actual area deforested covered 2.7 hectares.¹⁷ In the third case, Juan Carlos Batis—owner of Industria Forestal Abigail (IFA), as well as a former COHDEFOR chief official and well-known timber businessman—had been approved to cut 5.5 hectares in one concession, but instead

exploited 14.66 hectares. He had been approved to cut 8.56 hectares in another concession, but exploited 14.16 hectares.¹⁸

Manipulated Stock Assessments

The current process of supposedly independent assessments by COHDEFOR lends itself to manipulations and irregularities. Often the scam is completed before cutting begins: the “appropriate” amount of lumber that can be extracted from a certain plot is overestimated during the initial assessment, allowing the resulting management plans to become cover for unsustainable levels of cutting. Multiple sources within the industry told EIA investigators this was a common practice that is very difficult to document as it is often achieved with the complicity of COHDEFOR officials doing the assessments in the field.

Although not admitting directly to manipulations, Gilma Noriega (export manager of Comercial Maderera Noriega) described the process of coming to their assessment of 60,000 cubic meters stock as follows: “Don’t ask me this stuff, because in Olancho, you know, because he (Owner Guillermo Noriega) has got good relations with the owners and he can mark his logs and then COHDEFOR comes by...they set up everything.”



Logging in National Parks

Honduras' diverse and species-rich forests are storehouses of unique biodiversity. In recognition of this natural wealth, a quarter of the country's forests lie within 107 designated protected areas, totaling 27,000 square km.¹⁹ Three of these parks form a crucial link in the Mesoamerican Biological Corridor, along the border with Nicaragua.²⁰ The crown jewel is the Río Plátano Biosphere Reserve, a UNESCO World Heritage site. The Biosphere is divided into three distinct areas: the cultural zone, which contains diverse indigenous and other communities; the buffer zone, where limited logging with permits is allowed; and the core zone, which is off-limits to loggers.²¹

Unfortunately, enforcement of these rules is grossly inadequate, with only six COHDEFOR officials detailed to cover the entire reserve. As a result, not only is the buffer zone virtually logged out, but loggers are penetrating the core zone at will. Government enforcement sources confirmed to EIA that timber is frequently extracted in the core zone and floated down rivers to the buffer zone. It is then categorized as originating from the buffer zone, where some logging is allowed.

During over-flights of the reserve, EIA documented large clear-cut areas deep into the forest, wiped out by uncontrolled illegal logging. EIA recorded dozens of clearings—some still burning, others full of charred, smoldering stumps. GPS readings confirm that these areas were located within both the core and buffer zones.

In February 2005, the Public Prosecutor's office estimated that 2 million board feet (11,000 cubic meters) of mahogany had been illegally extracted in the Biosphere between 2003 and 2004, representing losses of more than \$3 million.²²

While the Río Plátano is the worst-hit of Honduras' protected forests due to its prized mahogany stocks, others are also being plundered. In La Muralla National Park in Olancho, EIA investigators captured a clandestine team of chainsaw operators on film in April 2005. Working on foot, they were illegally cutting pine trees and sawing and removing the trunks. When they discovered they were under observation, the loggers advanced toward EIA's video operator with threats.

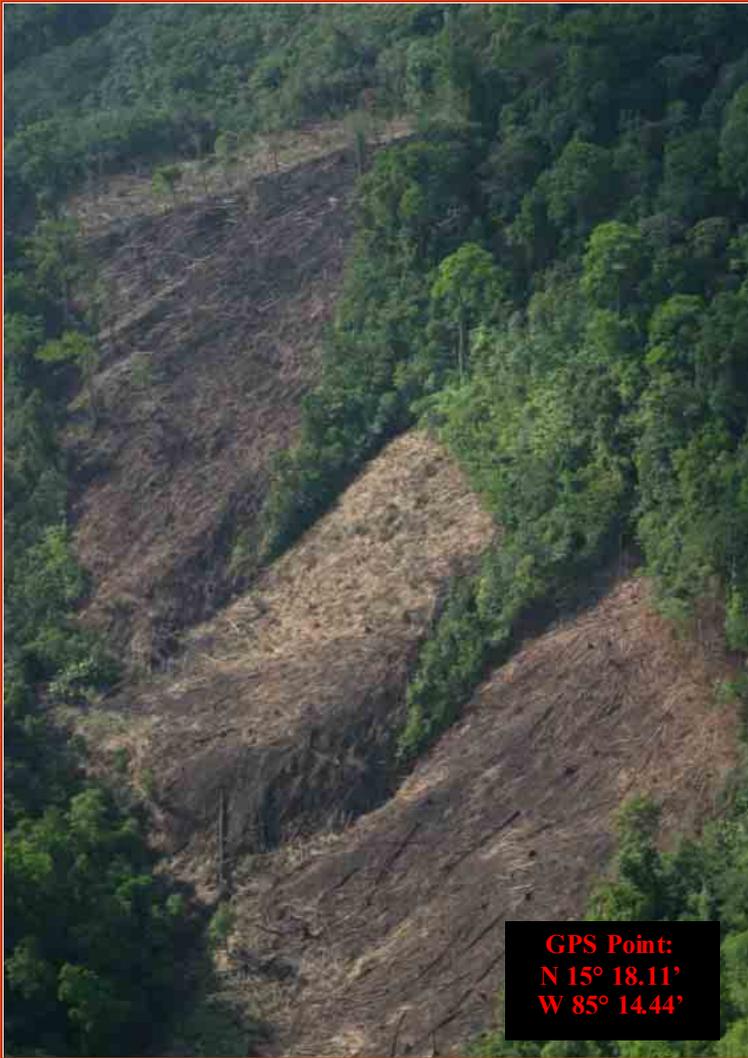
An employee at La Unión's COHDEFOR office confirmed to the EIA team that illegal logging was common in the core zone of La Muralla park and indicated on a map the areas where wood is extracted. He then showed them a large pile of confiscated wood, which he said would be sold by COHDEFOR if the loggers from whom it was taken did not pay their fine. "The [wood] blocks are bought by sawmills and then it goes to Tegucigalpa [the capital]. All of it is contraband, cut from all around here." Asked whether his job is dangerous, he concurred. "Yes, oh yes. A truck came here. They wore masks over their faces and they had guns. They came to hijack their confiscated truck and wood because they didn't want to pay the fine." EIA also documented forest fires and bare, recently cleared hillsides, in Olancho's Sierra de Agalta National Park in April 2005.



"The [wood] blocks are bought by sawmills and then it goes to Tegucigalpa [the capital]. All of it is contraband, cut from all around here."

COHDEFOR employee in La Unión

Above: EIA investigators documented these illegal loggers on the move in La Muralla National Park, Olancho. Above right: The wood is typically left on the side of the road to be picked up by trucks and eventually laundered to become "legal" timber at Honduras' larger exporting sawmills.



later, this loophole is still being exploited by loggers who use the permits to cut live mahogany trees.²⁵

Honduran enforcement officials informed EIA of one such incident under investigation. Reinaldo Miranda, a timber distributor, set up cooperatives in the Sico Valley adjacent to the Río Plátano Biosphere Reserve from 1999-2002 to extract 1,000 cubic meters of timber using “fallen timber” permits. He then proceeded to extract live trees illegally, from inside the Biosphere. To add insult to injury, he paid local community loggers a mere four lempiras per board foot (21 cents) and then sold the timber for more than 30 lempiras per board foot (\$1.60) in the town of San Pedro Sula. EIA was also informed by an NGO investigating illegal logging in Honduras that Miranda was previously head of timber exporter “Exportadora de Madera Procesada S. de R.L.” (EXMAPRO). However, he was arrested in 2004 for heading an armed band that had been robbing timber trucks all around Honduras.

The huge scale of these scams has been well documented. In a 2004 analysis of illegal logging in Honduras, the International Tropical Timber Organization (ITTO) identified widespread harvesting of both fallen and live trees, based on permits for fallen trees only.⁵

A year earlier, the Network for Honduran Broadleaf Forest Management found dramatic evidence of such activity in the Paulaya River valley bordering the Río Plátano Reserve. Their study, financed by the UK and Canadian governments and the World Bank, revealed that permits for 8,053 cubic meters were handed out in 2000 and 2001 for fallen timber and for only 200 cubic meters of standing timber; yet, between 6,000 and 7,000 cubic meters of the so-called “fallen timber” had actually been extracted from live trees.²⁶

Another major and widespread scam employed by Honduras’ timber and logging interests in circumventing the authorities involves their manipulation of recent pine beetle or “weevil” outbreaks. In many areas, COHDEFOR has granted emergency “weevil” permits, which suspend normal operation plans so that loggers can control the outbreak by cutting infested trees. However, according to government, NGO and industry sources, declaring areas infested when they are not has become common practice, enabling the laundering of large volumes of healthy timber into the chain of production.²

In several areas of Olancho visited by EIA, pine logging under management and operational plans had been severely curtailed or completely suspended to facilitate logging under emergency beetle control plans. Yet there are no monitoring or accountability mechanisms in place to document how much logging had been authorized and carried out.

In two locations, EIA investigators documented piles of “weevil” logs that did not possess the required COHDEFOR blue marks: the Industrias Josué sawmill in San Esteban owned by prominent timber businessman Fredy Nájera and the other, a sawmill in Gualaco owned by a company named IOMA. Both these Olancho sawmills sell sawn wood to Honduras’ biggest timber company José Lamas S. de R.L.

Above: EIA documented widespread illegal clearings in the Río Plátano Biosphere Reserve in the Spring of 2005.

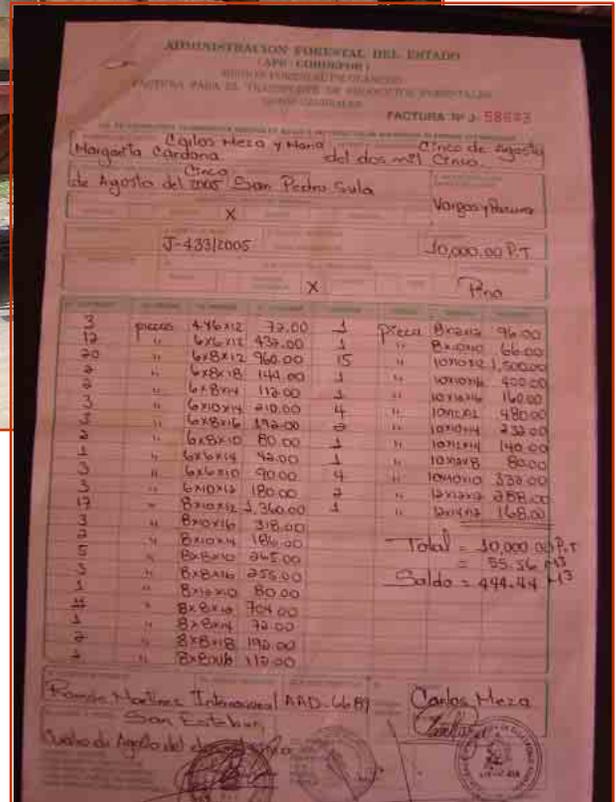
Cutting Inside Water Source Buffer Zones

National forestry law prohibits tree cutting within 150 meters of a stream or other water source, but this appears to be regularly abused, especially in Olancho. EIA teams documented pine logging boundaries that had been marked by forest technicians as close as 20 feet to streams in Gualaco, as well as stumps of pine trees that had been cut within the 150 meter buffer in El Limón.

Similar violations were recorded in May 2005 by a Global Witness independent monitoring team that used GPS technology to pinpoint the affected area and found various cutting zones within 50 meters of a water source. Both the COHDEFOR technician and the timber company involved, Industrias Josué—owned by Fredy Nájera—claimed there had been an error during the preparation of official documents for the lot when it was auctioned. The auction was recorded by an EIA team and was won for only one lempira over the base price. Global Witness notes that “one should not exclude the possibility that there was an alteration of the limits marked on land subsequent to the preparation of the documents.”²³

Use of Fallen Trees and Pine Beetle Infestation Permits

In the aftermath of Hurricane Mitch, which struck Honduras in November 1998, forest regulations were amended to allow use of fallen trees to reconstruct and repair local homes.²⁴ Seven years



Above and Right: Transport permits required by COHDEFOR are frequently copied and altered to legalize clandestine timber. In August 2005, the invoice at right was fraudulently reused to transport the illegal high-quality pine cants logged in Olancho pictured above.

Fraudulent Use of Local Permits

COHDEFOR awards non-commercial permits to local people for the extraction of posts, firewood, and timber for rural construction. These are, however, often used by intermediaries and big companies for the commercial exploitation of timber.²⁶ In Olancho, the Public Prosecutor's office has discovered commercial timber shipments accompanied by photocopied invoices indicating use for local sales only. Officials have also unmasked cooperatives operating in the Río Plátano Biosphere Reserve using local use permits to feed timber into commercial supply.²⁶ As one senior government source told EIA: "The big players press the municipalities for licenses and also press the poor people to get licenses. They [villagers] go to the mayor and ask to cut for domestic purposes and get a license. There are many, many, many who do this kind of cutting."

Abuse of Transport Permits

Criminal logging activity is enabled and perpetuated by widespread lack of enforcement of transport regulations. Honduran truck drivers are required to carry permits and invoices, subject to inspection at police points; yet illegal timber traffickers appear to evade these requirements with ease.

Multiple well-placed industry and government sources informed EIA that trucks frequently travel without permits or with expired or falsified permits. Blank, undated transport permits are issued by some COHDEFOR officials, clandestinely passed to timber traffickers who can then use them multiple times.²²

Such corruption is not confined to forestry officials. Asked about transporting timber without the required papers, the COHDEFOR chief in Juticalpa told undercover EIA investigators that most timber transported illegally in the region passes through police checkpoints with impunity. "The penalty is zero. Our police are corrupt. Not generally, but the majority can pass [by] the [police] post."

Monitors for Global Witness also discovered illegalities. In one case, the independent monitors discovered seven loaded trucks in San Estéban, Olancho, registered to Fredy Nájera—all operating with permits that had expired on the same date.²⁷ Two of the permits presented additional irregularities, and the monitors noted that "these multiple irregularities clearly suggest the possibility of fraudulent use of these two transport permits."

"The penalty is zero. Our police are corrupt."

-COHDEFOR Chief, Juticalpa, Olancho, Spring 2005

Bribery of Police at Check Points and Curfew Violations

Both industry and government sources informed EIA that bribery of police at roadside checkpoints was commonplace. In June 2004, Honduran newspaper *El Heraldo* reported the seizure of 500 board feet of mahogany from timber trafficker Juan Miguel Soto, following the discovery of a notebook inside his car indicating suspected bribes totaling more than 16,000 lempiras (\$850). The article also noted that he was a fugitive of the law and had previously been investigated for timber crimes and suspected homicide.²⁸

In 2004, in an effort to curb rampant illegal logging activity, President Maduro of Honduras banned the transport of logs between 6 p.m. and 6 a.m. His intent was to reduce traffickers' ability to move logs clandestinely, under cover of darkness. However, timber businesses openly flout the curfew and Maduro failed to provide political support, funding or enforcement personnel to effectively enforce the measure.²⁹

EIA investigators filmed fully loaded trucks transporting pine logs after dark along the Gualaco to Juticalpa highway in February 2005, and from San Esteban to Gualaco in April 2005. *El Heraldo* has also documented truck drivers giving bribes at police posts and reported that trucks move along highways at night in plain view of COHDEFOR officials at police posts.²⁹

Undercover EIA investigators were told by an industry source: "Another simple way [to transport illegal timber] is to just pay off the police. They pay them off all the time."

Illegal Mobile Sawmills

Processing timber inside the forests enables illegal loggers to operate swiftly and secretly. Crews of mobile chainsaw operators assemble quickly and move in and out of areas in "cut and run" operations. Many hundreds and likely thousands of these illegal loggers cut trees every day. Portable sawmills are often preferred as they can be easily abandoned or moved upon discovery. These mobile operations are carried out without authorization from COHDEFOR and without the required management and operational plans.

EIA investigative teams witnessed and photographed several illegal mobile sawmills in Olancho, one of which was still operating. According to local environmentalists, these mills had received illegal timber at night and were constantly on the move. Local inhabitants informed EIA that small sawmills in Olancho frequently shut down when they catch word that public prosecutors or journalists are investigating in the area. They then resume operating a few days later.

The Environmental Movement of Olancho (MAO) estimates that approximately three illegal sawmills operate in each municipality in Olancho, working under the cover of dense vegetation to saw illegal timber that they then pass off as legal. MAO members explained that "this sawn timber passes easily through the checkpoints since the police are told only to investigate logs." Timber companies that take the sawn logs then re-use invoices previously issued by COHDEFOR to legalize the illegally cut timber.³⁰



Left: Timber is often illegally transported at night in violation of the President's timber transport curfew from 6pm-6am.

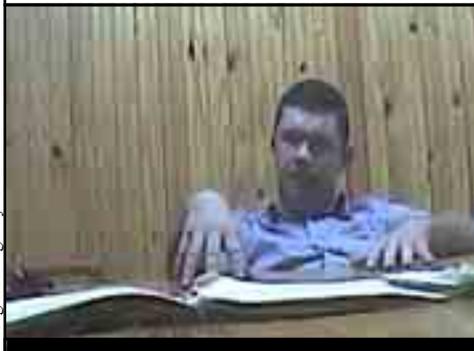
Karla Zelaya, Manager of Tracoma



“With our country... there is a lot of corruption ... that is why there is so much deforestation going on in our country.”

© Environmental Investigation Agency/CIP

Levy Cooper, owner of Pine Floors



“A great percentage of the wood that is dealt in this country, both in pine or any product, is done illegally.”

© Environmental Investigation Agency/CIP

Meletina Martínez, Administrative Director, AMADHO & ANETRAMA



“The Río Plátano Biosphere... where illegal trafficking of wood is incredible. There is a mafia, especially with the mahogany.”

© Environmental Investigation Agency/CIP

Above: The industry insiders agree: corruption and illegal logging are systemic in Honduras. The above quotes were made to EIA investigators posing as timber businessmen.

A BROKEN SYSTEM: CORRUPTION AND BAD GOVERNANCE

A Climate of Corruption

Illegal logging in Honduras thrives on corruption and lack of good governance. Corruption is one of the most serious problems facing Honduras as a whole and is particularly rife within the forestry sector, which is made up of an extensive chain of bribery, conflicts of interest, abuse of authority, fraudulent activity and lack of enforcement. The resulting epidemic of illegal logging is robbing the country of natural resources and defrauding its government and people of much-needed income.

Transparency International ranked Honduras 114th of 145 countries evaluated for its 2004 Corruption Perception Index,¹ and a 2002 World Bank Institute study concluded that “corruption and mis-governance are regarded as the most serious problem in Honduras.”² Government agencies, civil servants, industry executives, and even the director of the timber trade association, AMADHO, readily admit that corruption overwhelms the forest sector.

The manner in which Honduras’ State Forestry Administration, COHDEFOR, carried out an illegal logging audit in 2004 illustrates how deeply corruption has permeated the institution, blocking any effective action against illegal timber operations.

An audit commission was set up by an Executive Decree of the Honduran government in October 2004 to examine irregularities in COHDEFOR’s operations, following complaints of rampant corruption. The commission reviewed management plans and visited 13 timber warehouses, sawmills, and processing facilities.

COHDEFOR spent more than U.S. \$75,000 on the investigations. However, as reported by Honduran newspaper *El Libertador*, large timber businesses were not investigated because José Flores Rodas, an audit commission member, insisted on limiting investigations to small sawmills. As a result, the larger timber companies, which purchase the vast majority of all timber that is cut and have close links to COHDEFOR, fell outside the investigation’s scope.

Made up of three members, Joaquin Aguero, José Flores Rodas, and Luis Eveline, the audit commission was disbanded when Aguero disagreed with the exclusion of the major timber industries in their final report.³ As a result, no concrete information or action came out of the audit or investigation. In a separate report that he compiled alone, Aguero claimed that COHDEFOR was responsible for the loss of 117 billion lempiras (\$6.5 billion) in forestry revenue from 1998-2003. According to his account Honduras lost a sum six times higher than the country’s total spending budget in 2004.⁴

Narcotics and Timber

Governance of the forest sector in Honduras is further hobbled by an increasingly powerful and destructive narcotics presence. Representatives of several western embassies based in Honduras have expressed concern to EIA at the burgeoning drug trade within and through the country in recent years, which continues despite record seizures.⁵



Above: In February 2005 Honduran newspaper *El Heraldo* published a feature story on the links between timber and drug trafficking in Honduras.

The more remote and inaccessible areas of eastern Honduras have become attractive places for criminal endeavors above and beyond the illegal timber trade. The government's presence is practically non-existent, and an increasing number of criminal groups involved in drug and arms trafficking have infiltrated these areas. According to the U.S. Drug Enforcement Agency (DEA),⁶ Honduras serves as a transit country for approximately 100 tons of cocaine from South America en route to the United States every year. Embassy sources told EIA that they have concerns about the suspected participation of politicians in the drug trade in Honduras, and the Public Prosecutor's Organized Crime Division has identified rebel groups, such as the Colombian-based FARC, trading drugs for arms in Honduras.⁷

Both government and industry sources told an EIA team that illegal timber extraction has become a convenient side-business for the cartels and can serve to launder drug money. A public prosecutor specializing in organized crime stated in the newspaper *El Heraldo* that identifying narcotics traffickers is complicated by their tactic of hiding drugs inside timber shipments.⁸

The director of the Government Office Against Drug Trafficking told the same newspaper that many narco-traffickers buy large portions of land to launder illicit funds and that the agency has various ongoing investigations of narco-traffickers that smuggle timber.⁹ The Public Prosecutor's office has documented cases of cocaine smuggled within timber shipments, hidden between logs or sawn timber in trucks. Prosecution of such powerful, organized criminals is hobbled by their influence over judges and lawyers. Newspaper *El Libertador* reported in February 2005 that "the economic power of the 'narcos' allows them to tempt any government worker. A previous public prosecutor in the Organized Crime Division received offers of millions of lempiras on various occasions (1 million lempiras= \$55,000)." ¹⁰

The destructive impact of narcotics trafficking attacks governance on every level: from the highest national officials to local communities in remote areas. EIA investigators interviewed community members in small villages surrounding the Río Plátano Biosphere. Village leaders decried the changes brought by the drug dealers, including violence and new problems of drug-addiction, which are eroding their long-standing community institutions. Their hopes for establishing cooperatives for responsible timber harvesting have been dashed by violent timber gangs financed with drug money, who sell the wood at unsustainably low prices.

Political Power of the Timber Industry

Forest sector reform is difficult when the main political parties in Honduras depend on funds from the timber industry. In return for financing political campaigns, timber businesses are able to install allies in key government positions and thus further their own interests. A report for the National Anti-Corruption Council observed that "within COHDEFOR, political and economic interests have a large influence on the hiring and promotion of employees and forest policies."¹¹ These employees can wield influence over the preparation of timber management plans and other key activities.

EIA investigations have documented the connections between Guillermo Noriega and the Honduran President of Congress, Porfirio "Pepe" Lobo Sosa, who is running for President in the

Honduran national election in November 2005 (see page 27).

Local authorities have also been involved in illegal logging. Mayors managing municipal forests have been known to engage in outright theft of trees that belong to their constituencies. In the words of the National Anti-Corruption Council, "mayors have been bought by sawmills" in some communities in North Olancho. The Council reported that as a result, forest technicians were able to charge municipalities four times the actual cost of drawing up management plans. It further reported that sawmills had accessed forest areas indiscriminately, extracted extra timber via collusion with forest technicians, and undervalued timber stands to increase their profits.¹¹

During the course of EIA undercover investigations, representatives from Comercial Maderera Noriega timber company (based in San Pedro Sula) and two pine sawmills, Tracoma and Río Dulce Comercial (based in Talanga in the department of Francisco Morazán) confirmed the need to either pay off local officials or provide unofficial contributions to communities in order to log in the area. Noriega managers cited the importance of paying off mayors to be able to log in their municipality. The production manager at Tracoma declared that "In addition to paying stumpage from a COHDEFOR auction, a company needed to be prepared to deal with a local community." Owner Remo Memoli of Río Dulce noted that "social costs" are 10 lempiras for each cubic meter. "If this social cost isn't paid, there can be problems with free movement of the trucks."

While such negotiations can elicit limited "contributions" to community members, these are sporadic, inequitable, and not conducive to long-term community forestry management.



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Above: Porfirio "Pepe" Lobo Sosa, current Honduran President of Congress and Presidential candidate, was previously director of COHDEFOR.

Sawmill owner Guillermo Noriega (see page 28) has revealed his close connections with Lobo, stating, "Pepe will be the savior."

Corruption within COHDEFOR

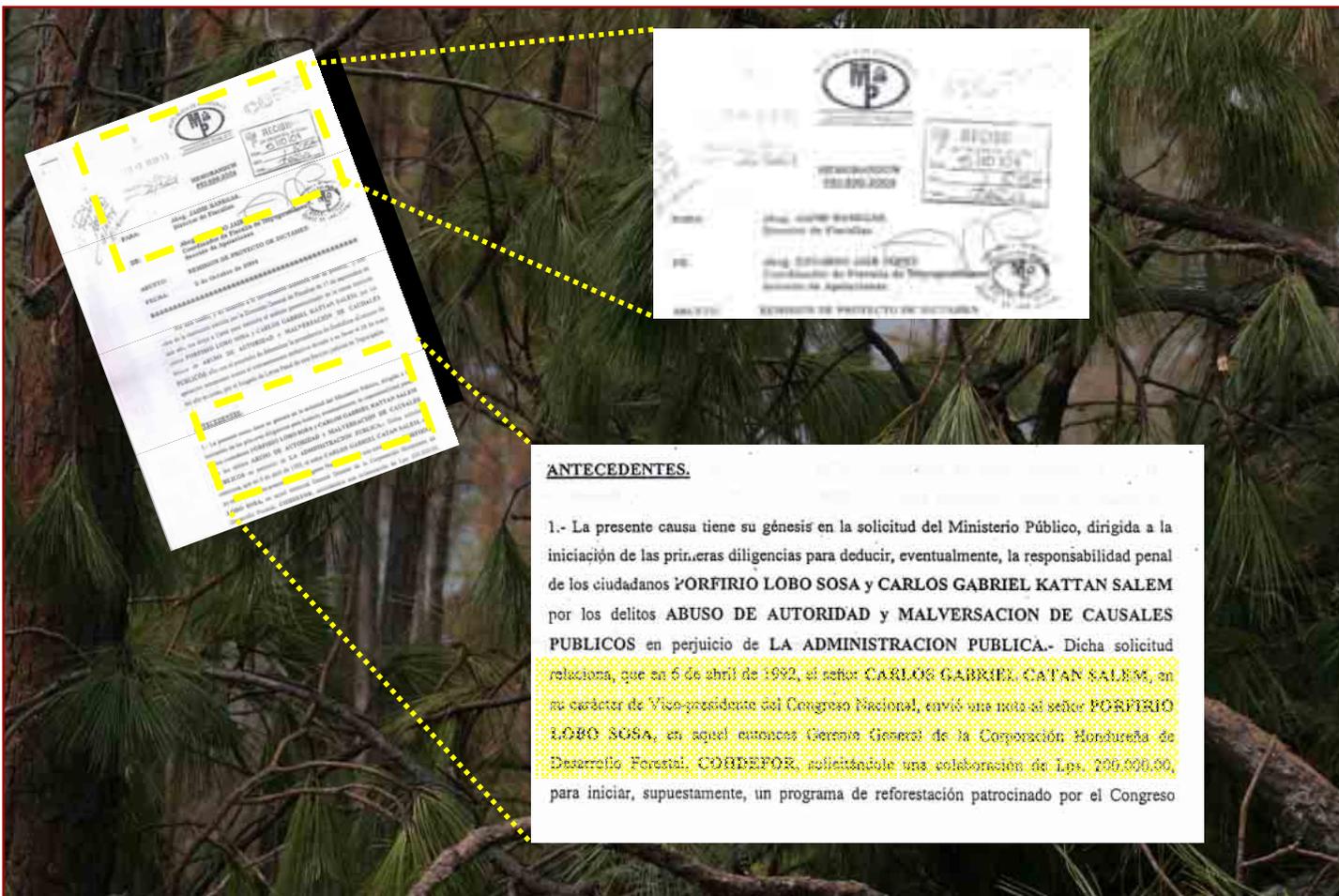
A variety of corrupt activities by COHDEFOR employees enable the illegal trafficking of wood to flourish. Low salaries and lack of incentives have made many forestry officials susceptible to receiving bribes to supplement their earnings, which are half of what they would make in the private sector.¹¹ Some COHDEFOR officials accepted “honorariums” for work in the field, or acting as “consultants,” which essentially puts them on the payroll of timber companies. As a result, fraudulent activities such as manipulation of forest inventories, false classification of trees and falsification of documents are common practice.

Government, industry, and NGO sources reported a variety of common abuses to EIA. While COHDEFOR employees are supposed to check areas to approve management plans and inspect logging sites, they regularly lack funds for travel expenses. Instead, their trips are often funded by the very same logging companies whose plan they are supposed to be inspecting. Engineers and technicians frequently accept bribes to mark more trees than officially reported—facilitating illegal logging outside of management plans—and field based officials regularly tip off companies to impending inspections. COHDEFOR’s regional manager in Olancho admitted to problems with irregular and duplicated invoices in his own office: “They have detected such problems in the institution...in the case of my office, there has only been one incident, and we have taken action against the people involved.”¹²

One of the area’s worst hit by illegal activity, aided and abetted by COHDEFOR corruption, is the unique and supposedly protected Río Plátano Biosphere Reserve. In January 2005, Environment Public Prosecutors investigating illegal logging in the Biosphere reported that “they had found that employees of the state entity [COHDEFOR] had engaged in criminal activity by allowing logging in reserves and other cuts without management plans.”¹³

In February 2005, Honduran newspaper *El Herald* reported that “the Honduran Public Ministry realized the possible implication of COHDEFOR employees in the Río Plátano Biosphere because they had found permits meant for local sales, in the name of the cooperatives in the Biosphere, that had been duplicated.” The regional director of the Río Plátano COHDEFOR office, Medardo Caballero, stated simply, “there are COHDEFOR employees that have legalized illegal timber trafficking operations.”¹⁴

Corruption in the agency can reach to the highest levels. In February 2005, the Honduran newspaper *El Libertador* reported that Olancho’s regional COHDEFOR director, Ruben Castro Lobo, a relative of Pepe Lobo, was dismissed during an effort to eradicate corruption in COHDEFOR. He had allegedly turned a blind eye to illegal logging of hardwoods in the department of Gracias a Dios for many years, favoring businesses in San Pedro Sula that were purchasing valuable hardwoods at a mere 17 cents per board foot.¹⁵



Above and right: A memorandum from the Public Ministry details charges against Pepe Lobo while he was Director of COHDEFOR. Lobo was accused of abusing his authority and misusing 200,000 lempiras of public funds in 1992 (see page 30 for details).

Left: Illegal logs easily pass through official checkpoints by bribing police.



Right: EIA obtained the records of payments of over \$500 made at specific police posts in Honduras by timber transporter Juan Miguel Soto.

Cargada L.P.S 750	
Posta de Culmi L.P.S 2000	2,000
Posta de Riosinto L.P.S 3000	3,000
Posta de Sepaguan L.P.S 1000	1,000
	2,000
	500
	200
Posta Limon L.P.S 2000	2,000
Posta de Talanga L.P.S 500	500
Posta Amahatica L.P.S 200	200
Posta Comayagua L.P.S 100	100
	8,800
	4,000
	12,800
	750
	13,550
Combustible del Camion L.P.S 4000	4,000
	950
	4,950
	13,550

Corrupt Police

According to the World Bank Institute, the Honduran national police and the judiciary are two of the three agencies considered most corrupt by citizens, enterprises, and public officials.² Corrupt police form a crucial link in the illegal timber chain by enabling trucks to haul large volumes of timber with forged papers and/or paperwork illegally used for multiple shipments (see page 14).

In March 2005, COHDEFOR's director in Olancho publicly denounced the police's role in illegal timber trafficking in the department and their complicity in the destruction of Olancho's forests. He declared that loggers pass freely at night through various posts in the departments of Olancho and Yoro in exchange for a "fee," transporting a minimum of 8,000 board feet of pine and mahogany a day through just one checkpoint in Olancho. Government investigations in 2004 and 2005 confirmed that police in Olancho had systematically accepted bribes from loggers. There have been no criminal convictions or any other signs of accountability.¹²

The Public Prosecutor's office also has evidence of possible police participation in the million-dollar trafficking of illegal hardwood cut in the Río Plátano Biosphere Reserve. Corrupt police receive bribes from transporters, allowing timber trucks to pass through their posts en route to storage centers. In February 2005, Public Prosecutors traced bribes of more than \$500 for a single journey of one mahogany trafficker¹⁴ (see above).

Corrupt Judicial System

Without successful prosecutions, forest criminals face little cost in continuing their profitable business. Government reports on corruption state that attorneys frequently dole out bribes to win over judges. Although numerous charges are made on a weekly basis against judges and magistrates for corruption, most are never investigated. Wide-ranging accusations against judges have included fabricated charges against innocent individuals and the use of paid or fictitious witnesses in court.¹⁶

The Public Ministry, which investigates complaints of illegal logging activity, is emblematic of this problem. In early 2005, former Attorney General Ovidio Navarro dismissed a group of public prosecutors for opposing his orders to throw out 12 cases of corruption, seven of which were against former President Rafael Leonardo Callejas. Navarro was forced to resign in June 2005 for this abuse of authority and other corruption allegations.¹⁷



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Lack of an Enforcement Threat

Corruption combined with a lack of enforcement capacity results in drastically insufficient deterrents against forest crimes in Honduras. Due to COHDEFOR's acute lack of manpower and resources, there is very little monitoring or inspection of forest activities, and the chance that violations will be investigated is extremely low.¹⁸ The agency receives no funding from the federal government, and depends on selling the rights to log in public forests to generate revenue. To manage and protect its 107 national parks and reserves,¹⁹ Honduras fielded a total staff of 98 in 1999.²⁰

When a logging violation is investigated, prosecution is likely to be dropped due to corruption, lack of resources or mishandling of the information. Even when apparently concerted enforcement efforts are made, procedural failures or lack of follow through often hinder effective outcomes. Investigations in the Sico-Paulaya river valley in July 2003 and August 2004 resulted in the seizure of over 193,000 board feet of timber worth \$187,000. However, only \$85,000 worth was actually recovered due to failures in the enforcement process. A report by the Public Prosecutor's office stated that either the confiscated timber was not transported to COHDEFOR offices, COHDEFOR did not follow through with the administrative sanctions, or the Public Prosecutor was not able to present enough evidence.²¹

If, against all odds, a penalty is imposed, it usually is not commensurate with the crime committed. According to the National Anti-Corruption Council, "fines and sanctions are not adequate and it is usually cheaper for the law breakers to pay the fines than comply with legal requirements."¹¹ Thus, fines simply become a cost of doing business, far outweighed by the large benefits of operating illegally. In 2004, the Public Prosecutor's office reported that 12 timber distributors were operating in San Pedro Sula without a license. They were fined with no discernable effect. In early January 2005, COHDEFOR did shut down a clandestine mahogany distributor for operating without a permit, but the business was up and running by the end of the month.¹³

Lack of Transparency

Lack of public access to information, such as forest management plans, has compounded vulnerabilities to corruption. Although general information on the forest sector is supposed to be public, it is highly fragmented and in many cases only available to industry, cooperatives and technicians. Access to management plans is often determined by forestry managers or lawyers who may restrict information, fuelling the potential for corruption. Today Honduran

society and even investigating officials inquiring about logging areas are simply not able to obtain this information.

Honduran civil society groups have complained that, in many cases, only the officials in charge of implementing such plans are privy to its details. Vital information, such as which areas are being logged and by which companies, remains undisclosed to communities that will be directly affected by timber extraction. Currently, no legal mechanisms exist to allow citizens or even local governments to access this information.

Government Failure to Respond to Illegal Logging Crisis

As timber companies encroach on community and national lands and disregard management plan conditions by logging near water sources and extracting seedling trees, they have generated a growing tide of resentment in affected communities. Poor rural citizens bear daily witness to the damages caused by rampant timber extraction, and see no response from their government.¹¹ The March for Life movement, started by the Environmental Movement of Olancho, has been raising nationwide awareness of and generating support against, illegal logging. After widespread March for Life protests in 2004, President Maduro responded weakly by instituting a national law prohibiting the transport of timber at night. In early 2005, representatives from 16 government institutions admitted that they had failed to follow through on the President's order.²²

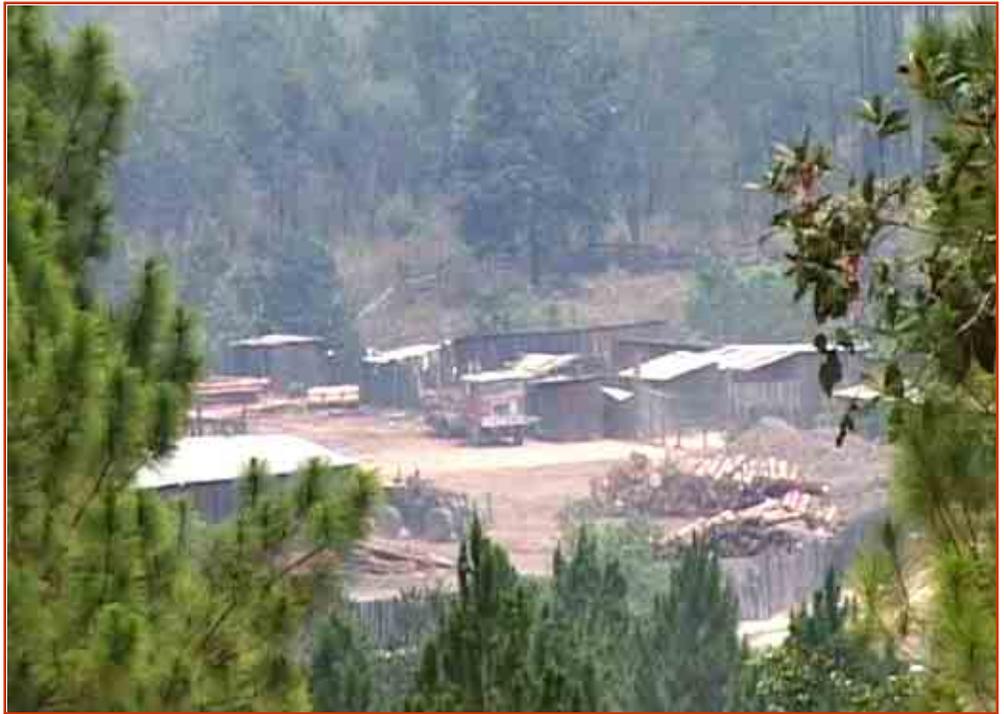
In spite of warnings issued by UNESCO to Honduras since 1995, including threats to strip the Río Plátano Biosphere Reserve of its World Heritage Status, the government has not responded with any sense of urgency or significant action. In 2003, only six COHDEFOR guards managed all 829,775 hectares of the Biosphere.²³ While the German Development Agency, GTZ, has helped to manage the Biosphere since 1995, it seems increasingly clear that without increased Honduran government participation, the park will lose its unique biodiversity and its World Heritage title.

In many instances the government has turned to finger pointing instead of much-needed action against illegal logging. Pine producers claim that illegal logging is only a problem in the hardwood industry; large sawmills assert that only the smaller industries are logging illegally; and smaller players like transporters are often punished, providing very little solution to the problem. When COHDEFOR's regional manager in Olancho admitted to one case of irregular and duplicated invoices that had come from his own office, for example, he went on to emphasize the culpability of police in the illegal timber trafficking.¹²

In failing to act decisively against illegal logging the Honduran government is enabling the illegal timber industry to drain the National Treasury and deprive its impoverished citizens of much-needed public spending. EIA was informed by sources close to the industry of widespread tax evasion at the federal and municipal levels by logging companies. The commercial extraction of any forest product must be registered at the Municipal Forest Office, but the reported volumes rarely conform to those estimated in management plans. In several reported cases, the volumes of registered timber have been 50% lower than those estimated in the plan.²⁴ **EIA's undercover investigations suggest that the top Honduran companies are also exporting at least 50% more than they are reporting (see page 38).**

Right: Clandestine sawmills located in remote locations in Olancho supply timber to larger exporting sawmills in Honduras. IOMA, pictured right, supplies timber to José Lamas S. de R.L. and SERMA

Below: “José, the weevil of the Honduran forests.” An article in El Libertador accuses Lamas of the destruction of Honduras’ forests.



© Environmental Investigation Agency/CIP



Credit: El Libertador

JOSÉ LAMAS S. de R.L.

Major Supplier of Wood to Home Depot

José Lamas is the most powerful timber businessman in Honduras and reputedly the richest man in the nation.¹ His timber-based empire is centered in Honduras, but stretches south to Chile and across the Caribbean to Miami—the heart of his global timber trading operations.²

A Cuban native, he arrived in Honduras in 1963 after fleeing the Cuban revolution. As a result of his experience in the timber industry in Cuba, he began working for fellow Cuban Francisco Lima’s timber business in Guaimaca, to later take it over as his own.³ The National Anti-Corruption Council’s report on the forest sector in Honduras states that at this time he began logging without restraint, disregarding logging standards and management techniques.⁴

Today his Honduran company José Lamas S. de R.L (“Lamas”) purchases thousands of cubic meters of pine daily⁵ and is the largest exporter of Honduran timber products to the United States. José Lamas is also CEO of the Aljoma Lumber Company—the largest U.S. importer of Honduran timber products—receiving 7 million pounds of Honduran wood products annually.⁶ Based near Miami, Florida, Aljoma’s management told EIA undercover investigators that they supply timber to more than 100 Home Depot stores across the state. During EIA investigations into Aljoma’s dealings, a company representative described Home Depot as “the cash cow of Aljoma. The whole operation is set up to provide for Home Depot.”

The company owns three of the largest sawmills and drying facilities in Honduras—in Tegucigalpa, Guaimaca, and Danlí—which have the capacity to store 12 million board feet of timber. Lamas’ main sawmill in Guaimaca operates around the clock when enough logs are available. Industry sources reported that 25

trucks full of 10,000 board feet enter Lamas’ main sawmill each day, seven days a week—equivalent to 7.5 million board feet a month. According to official statistics from COHDEFOR, Lamas’ Guaimaca sawmill alone produced 26.4 million board feet (62,297 cubic meters) in 2003, the second largest production in Honduras.⁷ High-level managers at Aljoma in Miami told EIA undercover investigators that their production for export is 6 million board feet per month (70 million per year) and that this amounts to approximately 60% of total Honduran production.



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Above: Pine logs at IOMA sawmill en route to Lamas’ sawmill in Guaimaca.

Links to Illegal and Unsustainable Logging in Honduras

U.S. government seized over \$2 million worth of Mahogany.

Neither the Lamas timber industry operations in Honduras, nor Aljoma in the United States have been sustainable or in full compliance with the law.

In 2002, the U.S. Fish and Wildlife Service (working with the U.S. Animal and Plant Health Inspection Service) seized over \$2 million worth of illegal Brazilian mahogany that Aljoma had attempted to import in three separate shipments. None of the mahogany had valid permits as required by the UN Convention on International Trade in Endangered Species (CITES) (see page 25). Nevertheless, Aljoma has made repeated, unsuccessful legal efforts to challenge the U.S. seizure, which was upheld in a U.S. Federal Appellate Court hearing in late 2004.⁸ Brazil's government has also confirmed the illegality of the shipments. A court document filed by the Brazilian Institute of the Environment and Renewable Natural Resources (IBAMA) in November 2004 states that it "does not recognize the legality of the lumber in question." All three shipments are still being held by the U.S. The court suspended Aljoma's case, pending the outcome of a legal challenge that the exporter brought in Brazil.

EIA's investigations demonstrate that Lamas suppliers have been involved in cutting timber illegally in Honduras and in the buying and/or transporting of illegal logs or sawn timber. This timber directly and indirectly makes its way into Lamas operations.

According to interviews with community members in San Esteban and Gualaco, both large timber-producing areas in north Olancho, Lamas receives the majority of the timber from the region. (Lamas also has large-scale sourcing in western Olancho). While medium-sized sawmills used to operate somewhat independently in this area, Lamas' influence over the mills has continued to grow. According to local community representatives, loggers throughout this region illegally fell trees in the highlands, then transport the timber to smaller sawmills under cover of night. There it is processed and then mixed with legal timber to provide a façade of legality before being transported to timber exporters.⁹

EIA and others have identified illegally cut logs and other illicit activities at several mills in Olancho that supply Lamas. On two visits in the Spring of 2005, representatives of IOMA, a sawmill in Gualaco owned by Nery Murillo with a branch called Maderas de Olancho in Tegucigalpa, informed EIA undercover investigators posing as timber businessmen that they regularly supply timber to Lamas. They revealed that IOMA processes large old-growth trees in Olancho and that log trucks routinely arrive at their mill past the legal deadline of 6pm. The mill also failed to display, as required by law, a registration number and details of its legally authorized logging areas. Local environmentalists in Gualaco also named IOMA as a "sawmill logging illegally outside authorized cutting areas and receiving illegal timber at night."



Lamas has also purchased timber from Maderas Tucan, an American-owned sawmill in Olancho implicated in a corruption scandal in the Honduran Attorney General's office in July 2005 that resulted in the forced resignation of both the Attorney General and Assistant Attorney General. (See Page 29). Honduras' Assistant Attorney General, Yuri Melara, was forced to resign after he blocked investigations by the Public Prosecutor's office into illegal logging by Tucan, as well as the extradition of Tucan's owner, Richard Nolan Thomas, to the U.S. Thomas had also reportedly deposited \$26,000 into Melara's Bank of America account.¹⁰

The investigations were part of a Honduran presidential crackdown against illegal logging, with Maderas Tucan identified as operating without a license and receiving illegal timber into its facilities at night.¹¹ After Tucan's owner finally returned to the U.S., the mill was bought and renamed Floor Direct Pine.

In 2005, Global Witness, a leading non-governmental investigative organization, reported that Floor Direct Pine had illegally logged outside its authorized cutting area for trees infected with bark beetle.¹² EIA investigators documented continued business transactions between Floor Direct Pine and Lamas in the spring of 2005.

The COHDEFOR chief in San Esteban stated that Lamas also regularly buys timber from a sawmill owned by Fredy Nájera in San Estéban, Olancho. EIA undercover investigators visited the mill in early 2005 and inspected and recorded several hundred unmarked, and therefore illegal logs. In the spring of 2005, EIA investigators observed Nájera winning logging rights for a site in San Estéban for 11empira (5 U.S. cents) over the minimum bid price at a COHDEFOR auction as described on page 10. Global

Witness later documented a variety of illegal activities by Nájera at this same newly acquired site, reporting that he failed to pay COHDEFOR on time for the logging rights to the land, logged prohibited areas within 150 meters from water sources, and failed to enact legally required erosion control procedures.¹³

As reported on page 13, one commonly deployed illegal tree-cutting practice is to log in areas that are falsely declared as infected by pine beetles. The healthy timber cut with pine beetle permits is then laundered into the chain of production, making it impossible to discern in the large sawmills. EIA investigators documented a logging crew extracting timber for Lamas in Guaimaca from a beetle-infected site. The investigators were informed by a Guaimaca-based COHDEFOR official that much of Lamas' timber is sourced from beetle-infested areas in the Gualaco and San Estéban regions of Olancho. When visiting these regions, the EIA team found that pine logging under management and operational plans had been severely curtailed or completely suspended to facilitate logging under emergency beetle control plans, but the relevant COHDEFOR office was not able to produce any systematic accounting of these activities.

Below: Hundreds of illegal unmarked logs at the Nájera sawmill in San Estéban, Olancho. Nájera is one of Lamas' many suppliers.



Command and Control of the Honduran Timber Market

In Honduras, the Lamas company's financial and political powers combine to make it the dominant player on many levels of the timber sector. An industry source told EIA undercover investigators posing as investors that a lot of logging tracts that should go on auction are direct sales to Lamas. "I can tell you right now that Lamas is working from 13 different tracts of land, some might be private, and some might be government. Lamas has got that enormous economic power. Most of the mills here might be working from one tract of land, and once that's over, then they have to wait and start wining and dining other people to see if they're gonna sell their land." While Lamas accesses timber in a variety of ways, including purchasing land, documents of active operational plans obtained by EIA indicate that the bulk of its supply is obtained from other landowners.¹⁴

In order to undertake logging in a particular area, management and operational plans must be obtained and paid for. Lamas is able to secure suppliers by forwarding such funds to private loggers, municipalities, and/or sawmills. His company pays local inhabitants of the municipalities to research the forest situation and the status of landowners in their communities for use in subsequent negotiations.¹⁵ The chief of COHDEFOR in Guaimaca told EIA undercover investigators that Lamas takes in about 95% of log production directly or indirectly in Guaimaca through his strong political and economic connections with the mayor's office and relationships with various private landowners. Here Lamas purchases logging rights for only 60 lempiras (\$3.15) per cubic meter of timber, and makes payments to the municipality of 40 lempiras (\$2.10) per cubic meter. Forestry officials in Guaimaca likened Lamas' mill to "a mine" and that it had "bad intentions."

An industry source described the situation as follows: "They buy so much wood that they set the price for buying logs. Other mills have gone out of business due to the high prices they have to pay." Regarding the pre-auction meetings held by timber companies to fix prices of timber lots, he described what would occur if he were to put in an independent bid: "They tell people who haul logs for them, that if you haul for anyone else, you will

"You question how some industries like Lamas, you know, they get all the lumber... and it's not just an economic power, it's that they've got a lot of influence."

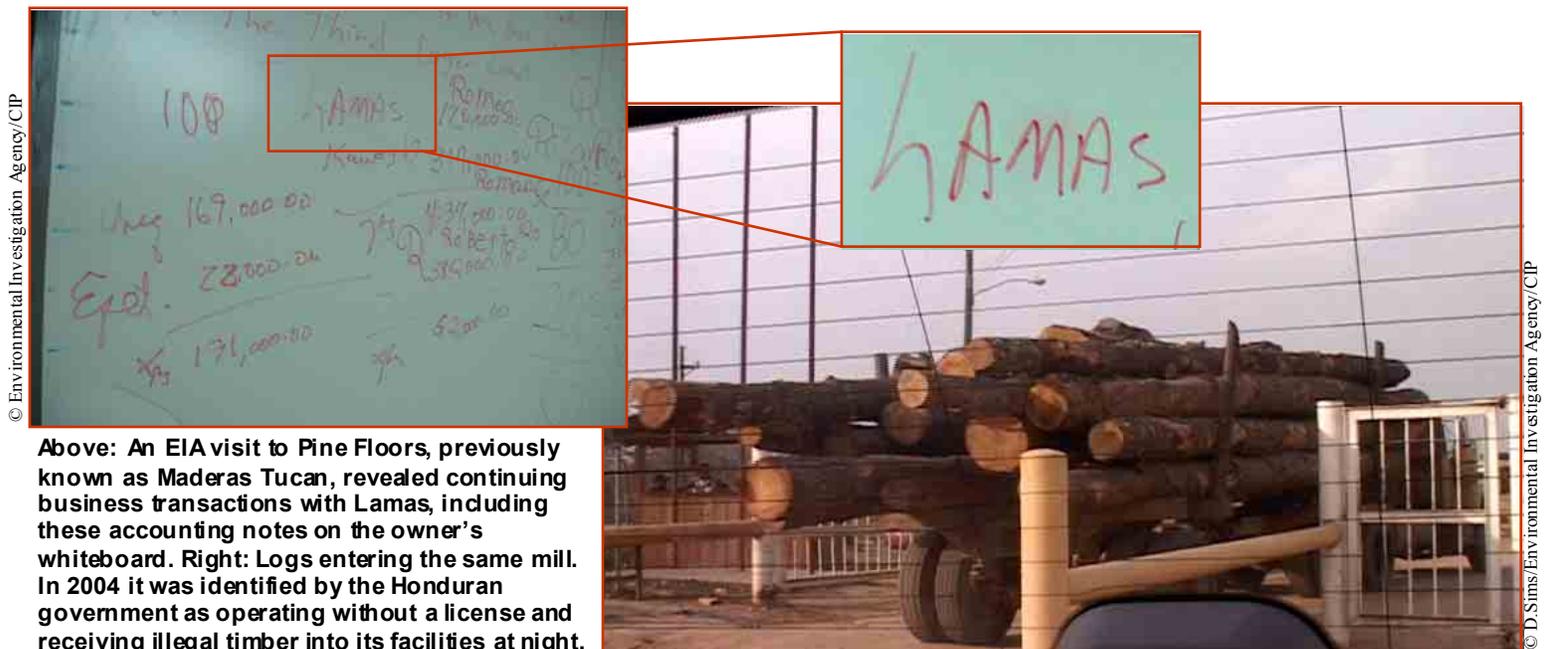
Small timber exporter to EIA undercover investigators posing as businessmen.

not haul for us. I know they've done that before. That's the kind of pressure." He added, "you have more or less an obligation to sell to Lamas. Lamas is very good at that."

In 1975, when Lamas was still establishing its dominance in Honduras, it was named as a co-conspirator in a suit by an American timber company that claimed "that officials of the Bank of America and others [including Lamas] conspired to prevent the U.S. company from milling lumber in Honduras, thus maintaining control of the Honduran Lumber export business." The court commented on how Lamas was able to "control prices paid for the various raw lumber stocks they purchased from small mill owners." (Eventually the court dismissed the case because the claims were not appropriate to be heard in U.S. court.)¹⁶

A 2005 University of Helsinki study on community-based forest management in the department of Francisco Morazán illustrated Lamas' power and reach over local communities without mentioning his name. "In March-April 2004, the logging operations were mainly carried out by nine individual contractors who were the local political and economic bosses. These contractors had negotiated a clandestine agreement with the biggest sawmill operator in Honduras. According to this deal, the sawmill operator loans money to the contractors for the required administration fees, while the contractors must, in return, sell their timber to this operator."¹⁷

By limiting communities' economic independence, Lamas' current practices often conflict with the intent of Honduras' Social Forestry System, meant to "integrate local communities in the sustainable management of their forests...through projects to increase the populations' income."¹⁸



Above: An EIA visit to Pine Floors, previously known as Maderas Tucan, revealed continuing business transactions with Lamas, including these accounting notes on the owner's whiteboard. Right: Logs entering the same mill. In 2004 it was identified by the Honduran government as operating without a license and receiving illegal timber into its facilities at night.



Left: In August 2005, EIA witnessed one of the many recent conflicts between community leaders and timber companies in the department of Olancho, where supporters of the Environmental Movement of Olancho (MAO), a rural citizens' group protesting illegal logging, were met by 30 military police dressed in combat gear and carrying automatic weapons.

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Lamas the Untouchable?

According to a government source, “Lamas is famous for using COHDEFOR permits several times.” A government enforcement official complained to EIA that it was difficult to garner support for an investigation of Lamas’ timber businesses specifically. Although, general investigations revealed that timber from small mobile sawmills, which process up to 300 cubic meters of illegal logs a day, regularly make their way into the supply of large buyers including Lamas. Lamas’ potential responsibility was never investigated. The Public Prosecutor’s office initiated one investigation of Lamas’ corporate documents in 2004, during which the management plans authorizing Lamas activities disappeared from the COHDEFOR offices in Juticalpa.

In Honduras, an industry source accused Lamas of underreporting the value of his exports: “All that lumber that they saw, when they do their export papers...you’re gonna get 85% heartwood, 50% heartwood, and you’re gonna get your common. But when they make their declaration, they declare it all as ‘common.’ Common has the lowest price because you should be taxed on the reality of what you’re sending, but when it gets to the U.S., it is re-classified [as heartwood]...”

Gustavo Morales, then COHDEFOR director, was forced to resign after an audit of corruption within COHDEFOR in 2004. The audit found he had abused his authority by ordering Mónico Zelaya, then director of the Olancho regional office in Juticalpa, to extend pine permits to Lamas and two other big companies, Sansone and Noriega. Zelaya authorized the COHDEFOR forest technicians to approve Lamas’ management plans without the required survey of

the forests indicated in the plan. There were no repercussions for Lamas.

Conflict With Communities

The Environmental Movement of Olancho (MAO) has named Lamas as one of the timber companies they would hold responsible if anything were to happen to Father Tamayo or the other environmentalists who have received death threats for their activism against illegal logging (see pages 3-4).¹⁹ MAO claims that the profit-driven activities of a small group of timber businesses, including Lamas, will devour the departments’ forests. As a result they have engaged in mass protest against the timber industry, including Lamas, forming road blockades against chainsaw operations and organizing national marches.

Lamas has continued to operate in the areas where conflicts occur between loggers and environmentalists, including purchasing from suppliers that are in direct conflict with the community. A study carried out by MAO reported that Lamas supplier Omar Cerna continues to log on what he claims is private land in Catacamas, Olancho, which the community insists is public forest and necessary to protect the water sources of Río Cuyamel and Riachuelo Claro.¹⁵ In another site, in Yocón, Olancho, an area which provides the water resources for five communities is being cut by Marco Vinicio Arias—the ex-director of COHDEFOR who is selling the timber to Lamas.

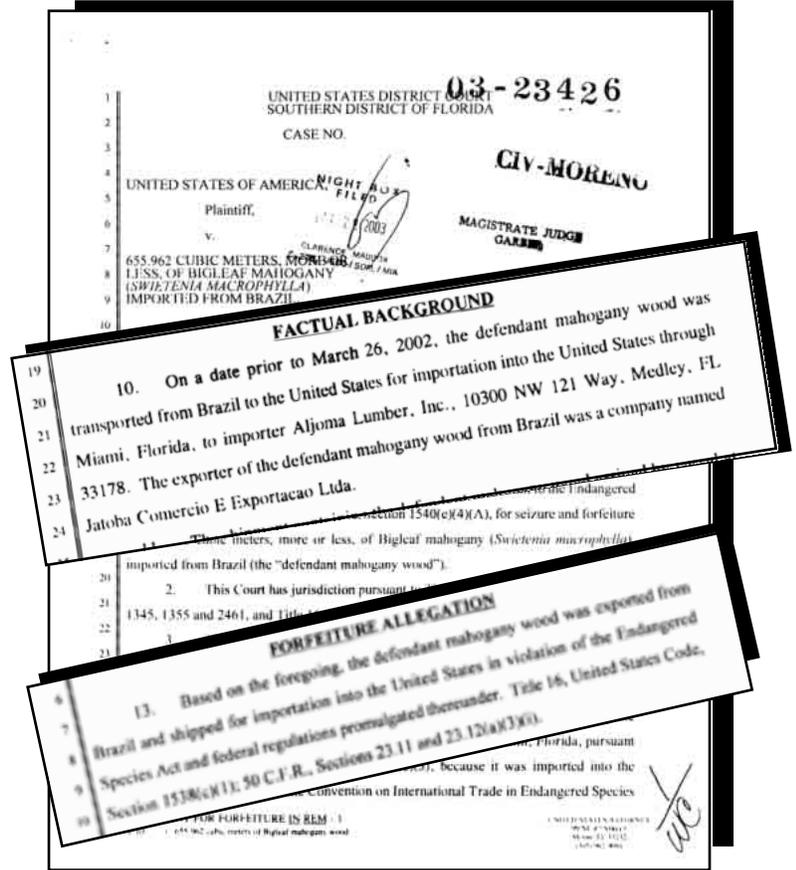
One local civil society group in the department of Intibucá that protested against one of Lamas’ suppliers who was cutting trees illegally received a hand-delivered bullet as a warning. There was no evidence that Lamas had knowledge of the threat.²⁰

Aljoma Lumber, Inc. and Home Depot

In addition to dominating the Honduran timber market, Lamas directly controls the import and distribution of his timber in the United States. Aljoma Lumber, Inc., owned by José A. Lamas and located in Medley, Florida, is the largest U.S. importer of Honduran forest products.⁶ It generates over \$200 million in annual sales,²¹ has a daily inventory of 11 million board feet, and was ranked 24th among Florida's top 50 foreign-owned businesses in 1999. Aljoma's parent company, Aljoma Enterprises, NV, is based in Curacao, Netherlands Antilles.²²

Export Manager Aldo Delgado confirmed to EIA undercover investigators posing as timber traders the dominant role Lamas plays in Honduras, stating they are responsible for about 60% of timber exports out of Honduras. He said he oversaw the export and distribution of 6 million board feet of pine out of Honduras into the Caribbean and the US. He said the timber is purchased both from independents in Honduras and harvested from their own forests. When asked about management plans he said that "Honduras is natural reforestation. You cut and it reforests itself"

Delgado told EIA that Aljoma sends 150 trucks a day to supply 101 Home Depot stores, the leading U.S. home-improvement retailer. During a tour of their massive facilities in Miami, sales executive John Frederick stated that Home Depot was "the cash cow of Aljoma." Frederick stressed that Home Depot was Aljoma's number one client and priority, and that much of the timber came from Honduras. EIA visited four Home Depot outlets in the Miami area and confirmed that Aljoma was the dominant timber supplier in each, almost exclusively filling the entire lumber aisles from floor to ceiling. EIA later contacted another 20 Home Depot outlets in the Miami area that stated that Aljoma was their primary supplier of pine lumber.



In the courts for illegal imports: \$2 million worth of mahogany seized "for importation into the U.S. in violation of the Endangered Species Act." Aljoma has made repeated, unsuccessful efforts to challenge the seizure. (See page 22)



Left: Aljoma Lumber is the largest U.S. importer of Honduran timber and supplies 101 Home Depot stores in Florida.

Left: Timber from Aljoma on sale at Home Depot in Florida in August 2005.



“Home Depot is the cash cow of Aljoma”

-Sales Manager at Aljoma

© Environmental Investigation Agency/CIP

Home Depot sells U.S. \$5 billion of all types of wood products annually for its home improvement chain stores.²³ The company has made commitments to reject wood from endangered forests and to require vendors to comply with local laws, stating: “The Home Depot will give preference to the purchase of wood and wood products originating from certified, well-managed forests wherever feasible.” In 2003 Home Depot adopted a new wood purchasing policy that stated: “The Home Depot expects its vendors and suppliers of wood and wood products to maintain compliance with laws and regulations pertaining to their operations and the products they manufacture.”²⁴



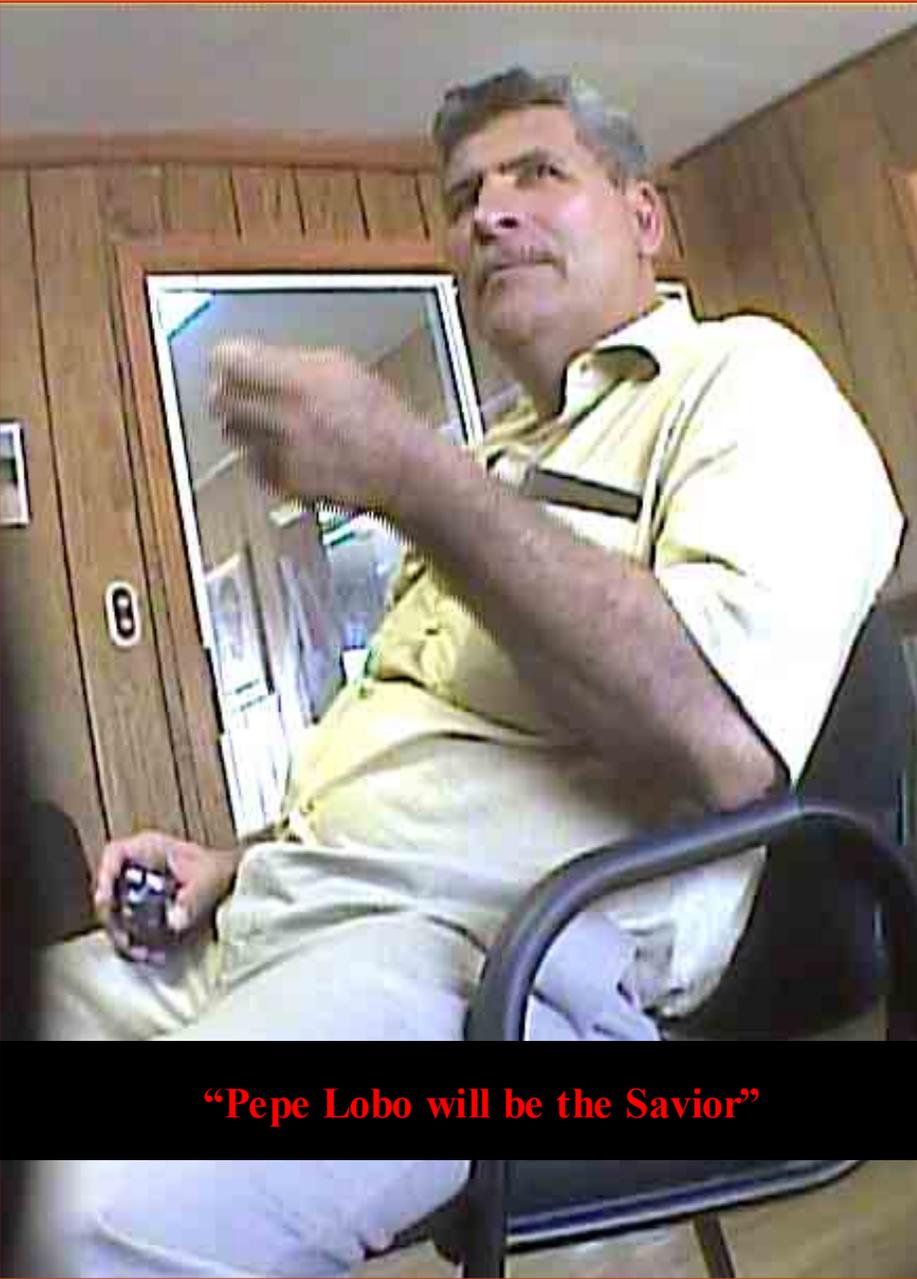
Connection to Citibank and Wachovia Bank

José Lamas is also the President²⁵ and main stockholder of Banco Mercantil, S.A of Honduras (BAMER), which lists U.S.-based Citibank, the world’s biggest banking group, as one of 10 “correspondent banks” on its website. Citibank recently announced a far-reaching policy against illegal logging in response to environmentalists’ complaints that its loan portfolio funded illegal destruction of rain forests.²⁶ Also listed as correspondent banks are Wachovia Bank and the International Bank of Miami.²⁵ BAMER is one of several Honduran banks that

play a key role in the country’s timber production by determining who receives loan financing for forestry management plans granted by COHDEFOR.

COMERCIAL MADERERA NORIEGA

Comercial Maderera Noriega (“Noriega”) is owned by Guillermo Noriega and co-managed by his daughters Gilma and Rosibell. Noriega’s main production consists of sawn pine for export to Miami, New Orleans, the Caribbean and Europe. Noriega operates four sawmills: one at their main facility in San Pedro Sula, one in the department of Santa Bárbara in western Honduras, and two in Olancho (in the towns of Gualaco and Jano).¹ According to the latest figures registered with COHDEFOR, the Gualaco mill produced 2.2 million board feet of timber in 2003, while the mill in Santa Barbara reported production of 2.3 million board feet. No production levels were reported for the others.² EIA undercover investigators were told by Gilma that production is actually many multiples of this.



“Pepe Lobo will be the Savior”

Above: Guillermo Noriega, owner of Comercial Maderera Noriega, is able to evade government investigation due to his high-level political connections.

Business seems to be good for Noriega. When visiting their sawmill in Jano in spring 2005, EIA investigators were informed by a guard at a nearby mill that Noriega had recently purchased large tracts of forest land in the area from retired army Major Salgado. (Salgado himself had been implicated in illegal activities. A government source informed EIA that COHDEFOR had handed out approximately 1,000 blank transport permits used to legalize illegal timber to Major Salgado).

According to Gilma, the company obtains the highest quality logs in Olancho, sourcing from old-growth trees in Gualaco and Jano – an area of social conflict where environmentalists opposing forest destruction have clashed with loggers. “Olancho can give you whatever you need. Olancho is amazing... a lot of logs. The quality is superior in Olancho.” When asked about the feasibility of procuring large volumes of high-quality timber, Gilma stated: “We’ve got millions, we’ve got everything... the forest, we’ve got the logs, and all the way we can accommodate you. You know we can cut 100,000 board feet and get it to you in 60 to 90 days.” She stated that the San Pedro Sula sawmill receives 10 trucks of logs each day from Olancho and that the company could fulfill multiple orders of one million board feet each month.

On several occasions, she explained that paying government officials and community representatives is just part of doing business in Honduras. “If you pay, it’s no problem now with the government,” she explained in one conversation. In another, she stated: “We have been in Olancho for 16 years. You have to deal with the mayor from the village, give him some money to let me stay in the village...”

Noriega exports timber to the U.S., Europe, and the Caribbean. According to Gilma Noriega, U.S. destinations include New Orleans and Dallas, where the pine is made into flooring. U.S. import data reveals that Noriega also exports timber to Wood Products International in Savannah, Georgia, and to Heritage Creation in Jupiter, Florida, although there is no evidence that either company is aware of any illegality involved in producing the timber.³ Lower quality timber is generally sent to Jamaica and other parts of the Caribbean. “The market in the Caribbean is always open; it is a steady customer, the biggest customer, no limit,” explained Gilma. “[They] mostly buy common lumber and will take whatever we can supply.”

Noriega and the Assistant Attorney General Scandal

In 2004, former COHDEFOR director Gustavo Morales was dismissed on corruption charges after he was found to have favored Noriega by indiscriminately awarding it logging permits in Olancho (see also box below). Morales had authorized Mónico Zelaya, director of the COHDEFOR office in Olancho at the time, to give pine extraction permits to Noriega. Forestry technicians were instructed by Zelaya, in turn, to automatically approve Noriega's management plans without conducting the legally required surveys of areas to be logged.

In May 2004, reportedly acting under U.S. pressure, President Maduro of Honduras ordered an investigation into the activities of Comercial Maderera Noriega. A year later, Noriega was at the heart of a major corruption scandal that erupted over an attempted cover-up of the investigation and subsequently forced the resignation of Assistant Attorney General Yuri Melara for obstructing the inquiries into illegal logging. The investigations that Melara halted were into the activities of Noriega and a second large timber company, Maderas Tucan. Melara intervened to block

the investigations into illegal logging, first making phone calls to officials undertaking the investigations to insist they stop their inquiries and following up by putting the blocking orders in writing.

The Chief of Attorneys in the Public Prosecutor's office, Humberto Palacios Moya, supplied further evidence that Melara intervened in the investigation of Noriega's sawmill in Olancho in 2004. On Moya's orders, public prosecutors had entered the COHDEFOR offices in Juticalpa to review all of the documentation related to the Noriega sawmill, which they believed was operating without an environmental license. Melara intervened to get the investigation suspended and, following arguments between Melara and the attorney general's office in Olancho, the prosecutors left the COHDEFOR offices. When they returned the following day, the Noriega documents had disappeared.⁴

Evidence of Melara's actions was uncovered by an independent commission established by the Honduran National Congress to review his conduct.⁵

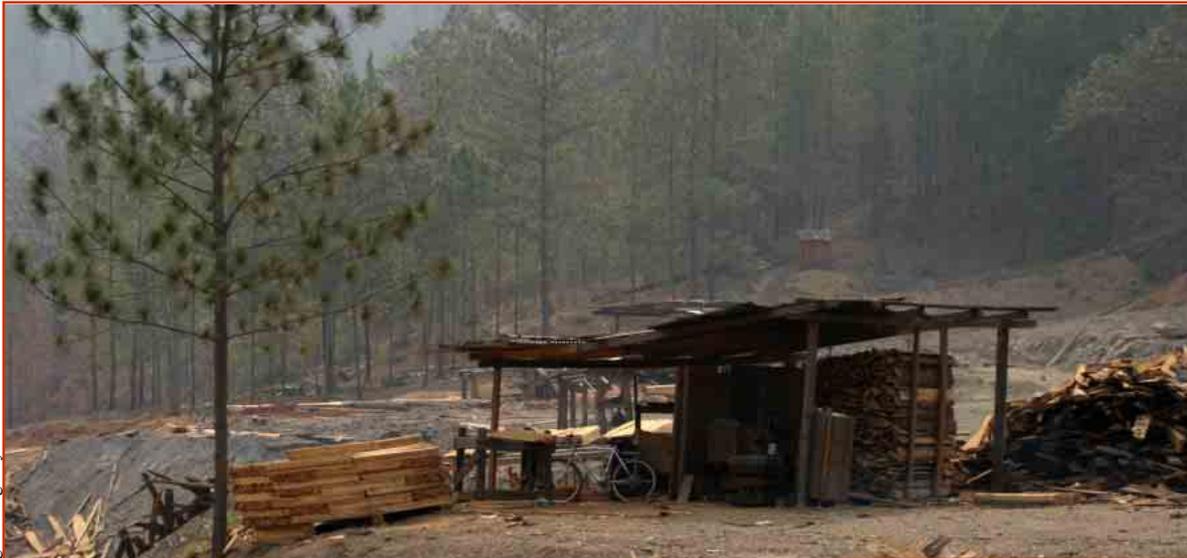
“Noriega, this guy is still doing a lot of illegal cutting in north Olancho. The director of COHDEFOR [Gustavo Morales] had to be dismissed because they had him by the balls. They said we've got evidence you're favoring Noriega's industry, giving them permits and everything. Even how he [Noriega] set up his mill was illegal. You're supposed to have environmental permits, and it takes a lot of time to get all of those permits ready. This guy, in a matter of 2 or 3 months, was already set up and cutting away. I was asking where are you getting that lumber from? Oh, we're getting it from so-and-so tract...Once it gets to the mill, everything is legal because the mills can report more or less, or say we had wastage, or we made tomato stakes, whatever—there are many ways to disguise it.”

- Industry insider, to EIA undercover investigators posing as timber investors.



“We have been in Olancho for 16 years. You have to deal with the mayor from the village, give him some money to let me stay in the village...”

Above: Gilma Noriega, daughter of owner Guillermo Noriega and export manager at Comercial Maderera Noriega, explained that paying government officials and community representatives is just part of doing business in Honduras.



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Above and above left: One of Noriega’s mills in Jano Olancho, which was under investigation by the Public Prosecutor’s office in 2004. Left: Noriega’s main sawmill in San Pedro Sula exports timber to the U.S., Caribbean, and EU markets. Noriega told EIA that they fill multiple million-board feet orders per month for export and offered EIA undercover investigators an additional production of 150,000 board feet per month.

“Pepe Lobo is my Father’s Best Friend”

Close connections with Porfirio “Pepe” Lobo Sosa, the current President of the Honduran Congress and a leading Presidential candidate, have helped Guillermo Noriega become one of the most powerful timber barons in Honduras. Guillermo and his daughter Gilma, who is responsible for exports, explained to EIA undercover investigators posing as timber trade brokers that Pepe Lobo introduced them to logging in Olancho 16 years ago. Around this time, Lobo was Director of COHDEFOR (1990-1992). Lobo was accused by the Public Ministry of abuse of authority by misusing 200,000 lempiras of public funds in 1992 while he was COHDEFOR director.⁶

EIA industry and government sources state that Noriega has been a top contributor to Pepe Lobo’s political campaign this year. “Pepe Lobo is my father’s best friend,” Gilma Noriega told EIA investigators. “We depend on the government to keep us in the timber business.” She then added that “all the lumber, the arrangements, and

this running for the government...you have to be part of the government, to keep safe.” She expressed confidence that she would become a member of Congress in the November elections thanks to their close friendship with Pepe Lobo.

Guillermo acknowledged there had been problems for the timber industry the last few years due to “a Catholic priest.” Insisting that Pepe Lobo will win the November presidential election, his daughter stressed that “we will be better, with the wood next year” [after the election] because, she added, “We know...he [Pepe Lobo] will win.”

Guillermo Noriega nodded in agreement and declared that “Pepe Lobo will be the savior.”

EIA will be urging the Honduran government to complete a full investigation into the activities of the Noriega company’s logging and timber trade activities whatever the outcome of the November elections.

OTHER HONDURAN TIMBER COMPANIES LINKED TO ILLEGAL ACTIVITY

Yodeco de Honduras

Exports seven million board feet of tomato stakes a year to Florida

Yodeco de Honduras is the self-described “biggest pine export company of Honduras,”¹ and sells a variety of pine products. A senior representative for Yodeco told EIA undercover investigators that the company planned to export 37 million board feet in 2005. He confirmed that they purchase timber from mobile sawmills throughout Olancho, which are widely known to operate illegally while relying a steady supply of illegally cut logs. Yodeco representatives informed EIA investigators that the biggest U.S. demand for its products was tomato stakes. The company exports seven million board feet of wood per year to Intergro in Tampa, Florida, alone. U.S. import data confirm this trade, documenting regular shipments from Yodeco to Intergro. Yodeco also sells to Arimar International, a Florida-based company specializing in wooden playground parts, dowels, flooring, decking, and kindling.²

Yodeco officials told EIA investigators that the company logs in old-growth pine forests in Olancho and admitted that unrest in the region sometimes makes it difficult to operate. They described paying communities to ensure stability and cutting in three or four sites to deal with conflicts as they arise: “There are always lots of environmentalists, they give you problems at the forest sites. You move somewhere else, and move back when the trouble is over.” The mayor of Mangulile, a town in northwest Olancho, has previously denounced Yodeco and claimed that his office had no knowledge of any forestry management plans for the vicinity. The mayor reported that Yodeco threatened him with prosecution after he tried to mobilize the communities to defend local forests.³

Yodeco’s U.S. ties include joint ownership of a pine flooring plant in San Pedro Sula with the U.S.-based Robinson Lumber Company to serve the Caribbean market, and the manufacture of around 6,000 wooden pallets per week for Dole and Chiquita produce exports from Honduras.



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Above: Yodeco and U.S.-based Robinson Lumber Company jointly own a pine flooring plant in San Pedro Sula. Yodeco revealed to EIA investigators that they procure timber from old-growth pine forests and mobile sawmills in Olancho. Their main yard has its own train spur, allowing for constant movement of timber to Puerto Cortes for export to the U.S., Europe, and the Caribbean.

Aserradero Sansone

According to Honduras' Forestry Administration estimates, Sansone produced over 9.4 million board feet of timber in 2003.⁴ The second largest exporter to the U.S., Sansone's main products include dowels, handles, paneling, planed lumber and dimension lumber. Sansone exports pine lumber, and dowels to Interamerican Woods, based in Eugene, OR, and various companies in the Canary Islands, Spain. U.S. import data indicate routine shipments of broom handles and dowels from Sansone being delivered to Interamerican Woods.²

Sansone's well-connected director, Pio Voto, is president of Honduras' Timber Association, AMADHO.⁵ Government employees told EIA that it is difficult to generate any support for investigations against Sansone due to their political connections. Enforcement sources told us that Sansone also receives timber from mobile unregistered sawmills.

Sansone has been named by environmentalists in Olancho as one of the main players in the area's forest destruction.⁶ In conjunction with a local cooperative, Sansone has attempted to extract timber in the region of Salamá, Olancho, despite widespread protests against such logging. This region is where MAO first began, and where Father Tamayo is based and maintains a close following. MAO has stated publicly that they would consider Sansone as partly responsible if anything were to happen to Father Tamayo.⁷

SERMA

SERMA buys sawn pine from both the IOMA sawmill in Gualaco, Olancho and the Nájera sawmill in San Estéban, both facilities at which EIA undercover investigators and Global Witness independent forest monitors have documented illegally sourced logs and other unauthorized activities. SERMA exports flooring, moulding, construction lumber, rough lumber, and wood reels for electrical, telephone, and fiber optic cables. U.S. import data also indicate shipments of tomato stakes to Intergro in Florida. Owner



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Above: Sansone was at the center of a major confrontation between loggers and community members in Salamá, Olancho in August 2005. The company has been named by communities in Honduras as one of the main illegal loggers in Honduras.

Juan Carlos Atala sits on the board of BAMER Bank, whose president is timber baron José Lamas,⁸ as well as the boards of the trade associations AMADHO and ANETRAMA.⁹ The company's website boasts of markets in Spain, Germany, Italy and England.¹⁰

DERIMASA (Derivados de Madera, S.A.)

U.S. customers include Federated and Mays department stores, Weyerhaeuser

Like SERMA, Derimasa receives timber from Nájera's sawmills, where both EIA investigators and Global Witness have observed various illegal activities. Owner Joaquín Dieckmann told EIA that Derimasa was the largest furniture manufacturer in Central America and "we are selling practically all of our production to the U.S." Undercover meetings with company representatives

revealed that their U.S. customers include Federated and Mays department stores and Kincaid Furniture.

According to PIERS, Derimasa also exports to American distributors Marble and Wood Products and Hooker Furniture Corporation.²



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Above: Pine logs awaiting processing at one of Sansone's sawmills in Honduras. Many of these logs are processed into dowels (pictured above right) which are exported by Sansone and used as broom and mop handles in the U.S.

Tracoma

Exports dowels to the United States

Owned by Carlos Zelaya, Tracoma has offices in Tegucigalpa and operates ZINMA Exports in Talanga, which processes wood into dowels (for broom and mop handle), as well as the INCOMSA sawmill in San Estéban. Undercover EIA investigators visited the three Tracoma businesses in the winter of 2005 and interviewed company executives and managers were interviewed.

Zelaya's INCOMSA Sawmill produces about 70,000 board feet per day and all of their sawn wood goes to the Caribbean. Global Witness independent forest auditors reported various timber transport violations by INCOMSA in July 2005. For example, an audit of a truck transporting timber from San Estéban, Olancho found irregularities in INCOMSA's transport permit which expired the previous day. Company employees then proceeded to drive the truck to their San Estéban facility without paying the fine or receiving COHDEFOR authorization to leave. By the time authorities found the INCOMSA truck, the illegal logs had already been processed.¹¹

Most products from ZINMA Exports, Tracoma's operation in Talanga, go to Zenco World Business in the British Virgin Islands. According to U.S. import data, the company also exports to Interamerican Woods, U.S. Hardwoods International, Wood Products International and Intergro.² Karla Zelaya told EIA investigators that current demand for their products exceeded supply: "We have been experiencing so much demand, like never before!"

In a later tour of Nájera's Mill, EIA investigators discovered stacks of cants, which according to the manager, were destined for Tracoma to make parts for furniture. During the same tour, the EIA team observed hundreds of illegal, unmarked logs awaiting processing.

IFA is a small sawmill operating in San Estéban, Olancho. Its owner, Juan Carlos Batis, is a former advisor to the COHDEFOR director who reportedly flaunts his influence to traffic wood illegally.

In 2005, Global Witness auditors caught a truck hauling wood for IFA with fraudulent paperwork including conflicting dates, amounts of timber and places of origin. After inspecting the IFA mill, the auditors found that the inventory of wood was greater than the amounts shown on the documents. The Batis-owned company was also found to have conducted extensive logging outside of two plots of land authorized by their management plan. The over-cutting sites, each located in San Esteban, amounted to more than double the approved plan—8.56 hectares were approved; 22.72 hectares had been cut.¹²

A government source told EIA investigators that Batis "worked with corrupt people within COHDEFOR in San Esteban," including "Jorge Molina, who was involved in mahogany trafficking from the Biosphere in Dulce Nombre De Culmí and Catacamas." Molina was fired from his job as a COHDEFOR engineer after the *El Herald* newspaper exposed him as a mahogany thief. He had authorized the extraction of 2,000 board feet of mahogany from the Biosphere, and *El Herald* published a copy of authorizations he had signed. Batis lost his own political appointment in COHDEFOR in 2002 when the government changed the majority party. Batis and Molina continue to work together, possessing a large logging management plan approved as a "weevil cut."

The Public Prosecutor's office recently seized a load of illegally cut wood en route to the IFA mill. The driver was told to take his load to San Pedro Sula instead where he was arrested. When Batis became aware of the situation, he called the Prosecutor's office and said, "that wood is legal" and that he had a management plan to prove it. He told the authorities he would bring the plan the next day but never showed up.

Industria Forestal Abigail (IFA)



Left: Honduras' pine forests are being clear cut and converted into products such as tomato stakes manufactured by Tracoma for export to Intergro in Florida, U.S.

Below: Presidential candidate Mel Zelaya also has ties to the logging industry in Olancho. He was previously president of Honduran timber association AMADHO.



MAHOGANY TRAFFICKERS AND THE RÍO PLÁTANO BIOSPHERE

Mahogany is one of the most widely recognized and valuable species of timber on the world market. Big-leaf mahogany, the only species still in commercial use, was included in Appendix II of the UN Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) in November 2003.¹ Under CITES rules, member countries—including Honduras—are required to issue permits verifying that exports of the species will not harm its survival and that the product was legally obtained.²

UN protection should have helped preserve mahogany in Honduras; however, a glaring loophole in the CITES listing exempts products manufactured from the tree species. This means that only logs, sawn wood, and veneer sheets require permits for export. Most of the mahogany extracted in Honduras is manufactured domestically into high-end exports such as luxury furniture, doors and window frames, and therefore is not tracked under CITES.

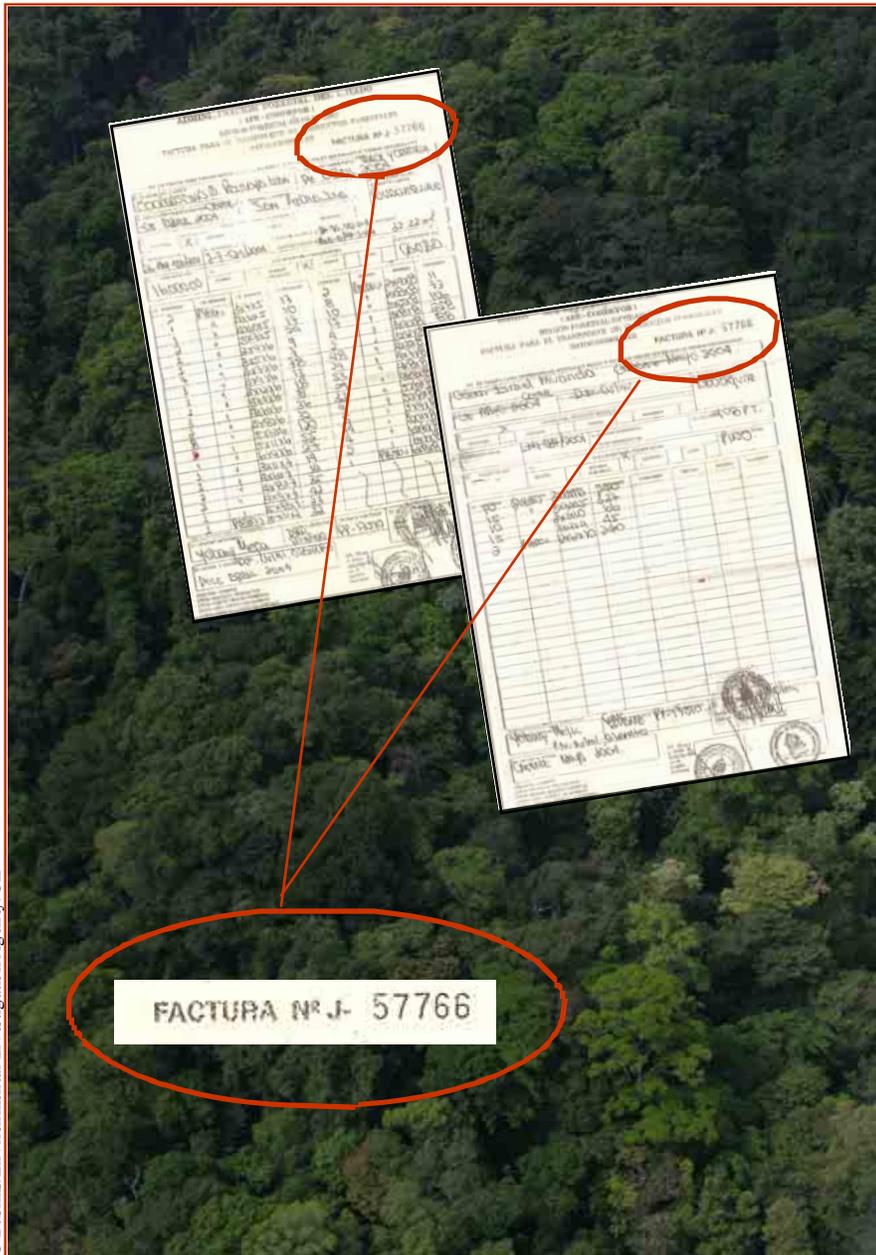
According to a government expert on the mahogany trade in Honduras, the only remaining viable populations are in national parks or reserves. The three main parks where mahogany still grows are the Río Plátano Biosphere Reserve, Tawakha Asangni Indigenous Reserve, and Patuca National Park. All three are part of the six-nation Mesoamerican Biological Corridor, which donor governments are spending hundreds of millions of dollars to preserve.



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Right: EIA documented many areas that had been illegally logged and burned in both the buffer and core zones of the Río Plátano Biosphere, Honduras' largest protected area—home to countless threatened species and a UNESCO World Heritage Site.

**GPS Point:
N 15° 41.25'
W 85° 06.25'**



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Above: Trucks carrying mahogany seized at police checkpoints in February 2005 revealed that one transport permit, Number J-57766, had been copied, altered and reused for a separate shipment, in order to legalize mahogany that had been cut illegally.

COHDEFOR Complicity in Mahogany Plunder

With the complicity of COHDEFOR, the Río Plátano Biosphere is under attack from all directions. Forestry officials in various Río Plátano regional offices have been implicated in the indiscriminate granting and duplication of invoices for local cooperatives to extract hardwoods. Illegal loggers have also taken advantage of officially issued “deadwood” permits to cut and sell healthy standing mahogany. In 2001, for example, COHDEFOR authorized the extraction of 8,696 cubic meters of mahogany, of which 93% was for deadwood. Yet, 6,000-7,000 cubic meters of the total was actually harvested from living trees, half of which came from the Biosphere.

The Honduran newspaper *La Prensa* reported in 2002 that Marco Vinicio Arias, COHDEFOR’s former national director, was charged with corruption for his involvement in timber trafficking from the

Río Plátano Biosphere Reserve.³ A senior enforcement source close to the investigations told EIA that Arias received payment from one cooperative, Paulaya Limitada, based in the town of La Colonia on the southern border of the reserve, for granting permits without management plans. According to the source, the cooperative has been illegally extracting timber from the Biosphere for over 10 years.

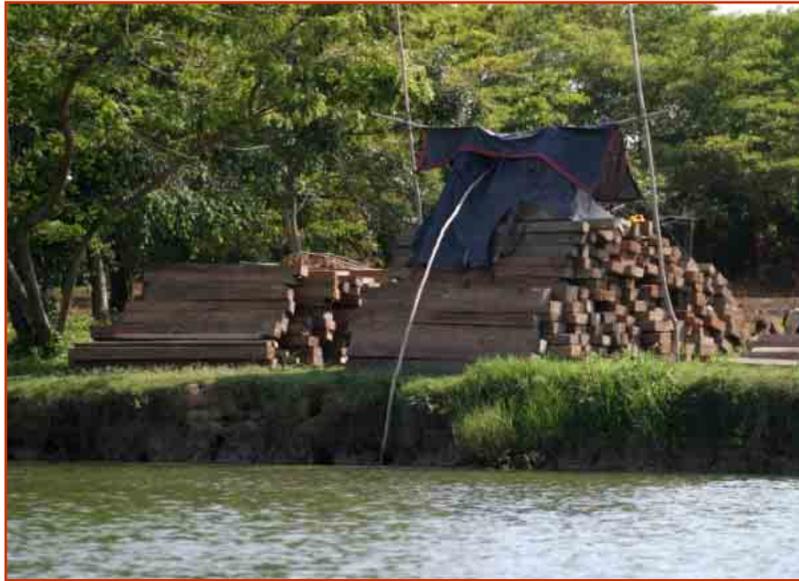
According to a study funded by the World Bank, the UK Department for International Development, and the Canadian Agency for International Development, Tulito, a town in the west of the reserve “has been the largest center of illicit extraction, and the mahogany timber has been cut abusively in various other areas inside the Biosphere.” The report also stated that one cooperative, El Tigrito, receiving much of the illegal wood and supposedly run by the community, “in reality is an organization composed of only external intermediaries.”⁴ A government source informed EIA that El Tigrito had also been given permits authorized by then COHDEFOR director Marco Vinicio Arias to log mahogany close to the Biosphere reserve. Eighteen people from the cooperative were subsequently caught using these permits to legalize cutting trees in the reserve’s protected core zone – where logging is banned. The timber was on its way to San Pedro Sula where the major Honduran furniture manufacturers and exporters are based.

In a candid interview with *El Heraldo* newspaper, COHDEFOR’s regional manager in the Río Plátano office, Medardo Caballero, admitted in February 2005 that “COHDEFOR employees have legalized many of the timber trafficking operations” around the Biosphere. In one case, a technician had been suspended after invoices had disappeared from an official receipt book and then re-appeared in the hands of timber traffickers. In another case, a forest technician for COHDEFOR named Jorge Molina had authorized the extraction of two million board feet of mahogany in the Biosphere in 2004. The invoices he signed were published in *El Heraldo* in February 2005 (see Photo).⁵

In Spring of 2005, an EIA undercover team posing as timber investors visited the COHDEFOR offices responsible for the area. The COHDEFOR Chief of Dulce Nombre de Culmí, a municipality in Olancho, told them that hardwood extraction also occurs regularly in the town of Paulaya on the south side of the reserve.

When the investigators interviewed authorities in COHDEFOR’s Río Plátano office; however, they were told that there is no legal authorization to cut hardwoods in Paulaya.

Although in March 2005 other government departments had urged a complete ban on the logging of mahogany timber,⁶ COHDEFOR has resisted such action. Instead, it continues to supply mahogany permits for areas directly adjacent to the Biosphere core zone.



Left: Illegal mahogany cants awaiting transport on the Sico River adjacent to the Rio Plátano Biosphere Reserve.

Below: Mahogany is highly valued by U.S. and E.U. consumers for its strength, durability, and beautiful dark color, fetching a price of \$1300 per cubic meter on the international market.

Clandestine Cross Border Trade

Significant amounts of illegally cut Honduran hardwood finds its way on to the market via clandestine trade over national borders. While Honduras has a ban on exports of mahogany sawn timber, nearby countries do not, and therefore offer convenient laundering opportunities.

Government and industry sources informed EIA that mahogany and other valuable hardwoods found in remote forested areas is regularly transported across the southern border to Nicaragua, then exported to the international market or re-imported into Honduras as “Nicaraguan timber.” Meletina Martínez, Administrative Director of AMADHO, the umbrella association representing Honduran timber businesses, told EIA undercover investigators, “The Rio Plátano Biosphere is an area where illegal trafficking of wood is incredible. Much of the wood they sell in Nicaragua is stolen from here. There is a mafia, especially with the mahogany. Especially contraband mahogany, because it brings the best price.” A government source said “They cut the trees in Honduras, in the [Rio Plátano] Biosphere. It passes to Nicaragua on the river [that] divides the border between Honduras and Nicaragua.”

Government, community, and industry sources informed EIA that illegally cut mahogany and other hardwoods are also transported from the reserve to various points along the Honduran coast where they are smuggled to Jamaica, the UK territory of the Cayman Islands, the Dominican Republic, Nicaragua, Costa Rica, and Colombia. Regional Director of the National Agricultural Institute in Danlí reported to *El Heraldo* in 2003 that “precious hardwoods like mahogany, cedar, San Juan, and others are brought by river to Brus Laguna, and from there are exported to Grand Cayman and other islands in the Caribbean.”⁷



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Above: Distributors Maderera Sipres and Comercial Reynita, located in San Pedro Sula, receive illegal mahogany cut in the Río Plátano Biosphere Reserve and supply mahogany to furniture and door manufacturers Caoba de Honduras and Milworks International, who export high-end products to the U.S. market.

MAJOR MAHOGANY MANUFACTURERS IN HONDURAS

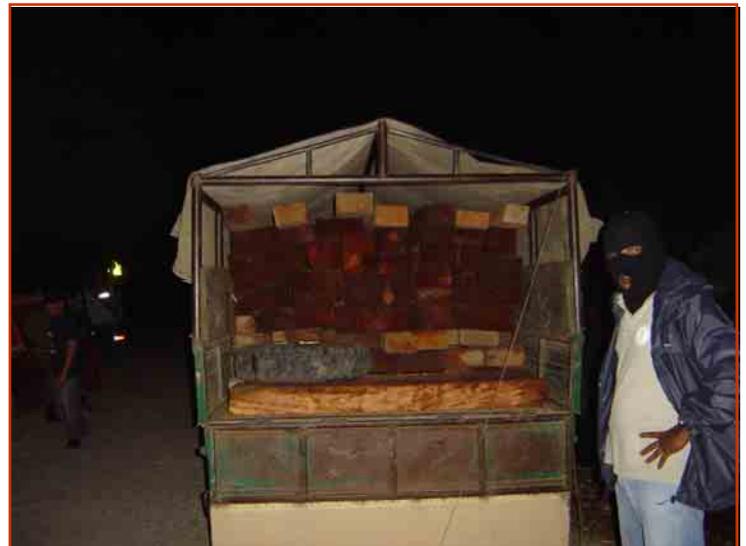
The demand for mahogany in the region is largely driven by demand from the U.S. market for furniture manufactured in the industrial town of San Pedro Sula. EIA's investigation puts two of the biggest manufacturing companies, Milworks International and Caoba de Honduras, at the receiving end of the mahogany that comes from the Río Plátano Biosphere.⁸

The trail begins with corrupt officials who indiscriminately issue permits to local logging groups to harvest mahogany. These cooperatives log throughout the reserve, sometimes illegally cutting in the core zone, exceeding their annual harvest limit of 200 cubic meters and/or using falsified COHDEFOR permits. Intermediaries, also known as *chemiseros*, link the cooperatives to larger distributors in the main manufacturing centers in Free Trade Zones, ready to ship to Puerto Cortés for export. According to EIA interviews with multiple cooperatives around the reserve, *chemiseros* play a key role in coordinating and funding the various illegal operations in the park. The communities themselves stated to EIA that the majority of the mahogany cut in the region is illegal.

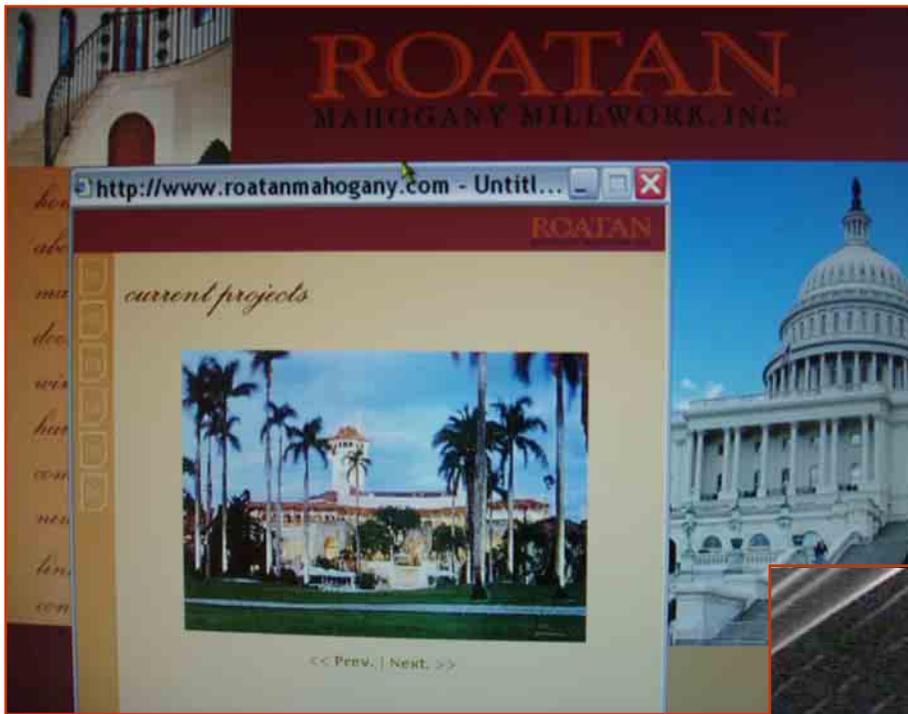
Two of the major distributors of illegal mahogany in San Pedro Sula are Maderera SIPRES and Comercial Reynita, both of which were under investigation by the Public Prosecutor's office at the time of the writing of this report. In February 2005, as part of a crackdown against clandestine timber from the Río Plátano Biosphere, the Public Prosecutor's office presented an injunction against the owners of Reynita for operating illegally. When timber trafficker Juan Pablo Zúñiga Colindres was arrested for bribery and illegal possession of firearms, police seized a check for 120,000 lempiras written by Victor Amador Zelaya, owner of Reynita, to Zúñiga Colindres, which he later explained was for a timber

shipment.⁹ In May 2005, SIPRES and Reynita were raided and a combined total 100,000 board feet of illegal mahogany and cedar was seized.

Both distributors supply Milworks International and Caoba de Honduras. Caoba's representative told EIA undercover investigators: "If you stick with the mahogany [in Honduras] after, I dunno, 10 to 15 years, you are not gonna have a product."



Above: Small trucks concealing valuable cargoes of illegal mahogany from the Río Plátano Biosphere Reserve provide a continuous supply to large-scale furniture manufacturers in San Pedro Sula. It is then exported to high-end furniture outlets in the U.S.



Below: Manager Carlos Luon at Caoba de Honduras' manufacturing plant in San Pedro Sula, where Milworks International's mahogany doors are finished and exported to the U.S., revealed to EIA that they specially made mahogany doors for Donald Trump's Mar-a-Lago estate in Palm Beach, Florida for his wedding in January 2005 (left).

Caoba de Honduras

In 2000, Caoba de Honduras was the largest exporter of mahogany in Honduras.¹⁰ It manufactures and ships luxury hardwood furniture to many brand-name U.S. furniture companies—including Baker, Hickory, Lexington and Century Furniture¹¹ and has produced replica antique furniture for the White House.

Although the Caoba representative readily described to EIA investigators illegal logging problems in Honduras, the company persists in utilizing this endangered wood species for 70% of its production. "Right now, it's a problem...because all the laws here are not very good...in [the] forest [sector]; there is a lot of corruption."

The company claims that all of their mahogany comes from cooperatives that have management plans. However, in 2004 the Public Prosecutor's office determined that Caoba de Honduras had paid \$70,000 for 50,000 board feet of mahogany obtained from an illegal trafficker in the Biosphere, Juan Pablo Zúñiga Colindres. A government source told EIA investigators that when Zúñiga was imprisoned in 2005 for narcotics and timber trafficking, his financial accounts revealed many checks received from Miguel Canahuati, Caoba de Honduras' owner. *El Heraldo* reported the arrest of Zúñiga and others in February 2005 stating that "the public prosecutors indicated that they think Zúñiga is mainly responsible for the illegal timber trafficking in Olancho." They also noted that Zúñiga has made more than \$52 million from illegal timber trafficking.¹²

Milworks International in Honduras and Roatan Mahogany Millwork in Miami

Milworks International is located in a Free Trade Zone in San Pedro Sula and processes approximately 45,000 board feet of mahogany to manufacture around 550 doors per month.¹³ They are an affiliate of Marvin Windows and Doors, based in Minnesota, which according to their website has become the largest made-to-order wood window and door manufacturer in



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the world. Some of Milwork's high-end production goes to Roatan Mahogany Millwork in Miami Florida. Roatan's projects include Donald Trump's Mar-a-Lago Estate, the U.S. Capitol Building and the U.S. restaurant chain The Olive Garden. When meeting with EIA undercover investigators, the manager of Roatan said: "a lot of celebrities we've worked for in their homes. They are very, very wealthy people, a lot of them are more wealthy than celebrities. They fly us around the world in their jets and so forth and look at their houses."

The stated environmental goals of the Marvin family of companies are to "meet or exceed applicable environmental laws and regulations and to protect our environment."¹⁴ However, in early 2005, the Public Prosecutors office in Honduras found evidence that Milworks had been altering official COHDEFOR permits, prompting an audit of their activities. The prosecutors discovered inconsistencies between the amounts of timber indicated on Milwork's invoices and those COHDEFOR had authorized to be cut. In February 2005, they announced that Milworks was the subject of a tax evasion investigation, to be conducted jointly with the Finance Department.¹⁵



Left: Home Depot sells fatwood (kindling) from Honduras in many of its stores. One of Home Depot's sourcing companies for this product, Wood Products International, imports wood products from Noriega and Tracoma sawmills highlighted in this report.

BREAKING THE ILLEGAL LOGGING CYCLE: RESPONSIBILITY OF U.S., E.U. AND OTHER CONSUMERS

The evidence amassed in this report makes it abundantly clear that illegality permeates the entire Honduran timber industry – from tree cutting, through lumber transportation, sawmill processing, wood product manufacture and export. Given this chain of illegality, it is extremely difficult for either a Honduran exporter of timber or wood products, or a U.S. importer, to state with any confidence that the product is legal. When American consumers buy doors, mops or dowels at Home Depot or a neighborhood hardwood store, they risk buying products logged illegally from Honduran forests, including wildlife-rich national parks that the U.S. government is spending their tax dollars to help preserve.

Honduran law permits the extraction of 1.2 million cubic meters of lumber annually. According to the former head of COHDEFOR, Gustavo Morales, however, the true volume is much higher “because there is no control over illegal logging. The losses are great, but we don't have exact figures as to how much.”¹

The scale of illegal exports is illustrated by a comparison of Honduran export figures and receiving countries' import figures. For example, the Honduran government recorded only 139,000 cubic meters of sawn timber exported in 2000, but U.S. records *alone* record 372,000 cubic meters of sawn timber entering American ports that year.² Most of these shipments arrived at ports in Florida, although some were shipped to New Orleans or ports in Georgia.³

Recorded exports by COHDEFOR reached 190,000 cubic meters in 2004, but EIA undercover investigations revealed that the largest producers in Honduras internally estimate at least 300,000 cubic meters of exports a year. Lamas alone exports approximately 170,000 cubic meters according to its

own accounts. This suggests the main producers are exporting 50% more than they are reporting to the government.

This situation will not change unless action is taken both in Honduras and in the United States – the biggest single importer of Honduran timber and wood products – to stamp out illegal trade. In the Recommendations section of this report, EIA sets out comprehensive and detailed measures that the Honduran and U.S. governments, the G-8 and European Union nations, and the importing companies must take to make this happen.

Major U.S. Importers of Honduran Timber

By directly importing 38% of Honduran wood exports, the U.S. is by far the largest single consumer of Honduran forest products.⁴ The top 21 U.S. importers of Honduran timber imported well over 104 million pounds (47 million kilograms) of wood products between July 2003 and May 2005, according to import data.³

EIA has no direct evidence that any of the retailers listed on the next page have knowingly bought illegal Honduran timber or wood products, although the Florida-based Aljoma company has previously been caught by U.S. authorities importing illegal Brazilian mahogany⁵ (see page 21). However, EIA hopes that this exposé will persuade responsible importers to change their procurement policy to guarantee they buy only wood that is legally produced and exported and to proactively support EIA's recommendations, which if fully enacted will promote the sustainable conservation of Honduran forests.

Most of Honduras' timber is exported to the U.S. to feed the huge American demand for cheap wood products. Consumers are unknowingly playing a role in the destruction of Honduras' forests and the livelihoods and homes they afford to poor rural communities. By continuing to purchase illegally logged wood products ranging from cheap imported pine broom handles, dowels, tomato stakes, fence posts, and timber, to luxury mahogany furniture, they are helping to seal the fate of the Honduran forests and the wildlife and people that have lived there for centuries. Additionally, consumers unwittingly support the pervasive corruption that causes intense oppression and violence against vulnerable communities striving to protect the forests while living with dignity and peace.

In the 21st century, consumers expect extra diligence on the part of retailers to meet society's expectations of corporate social responsibility. Home Depot and other leading U.S. retailers named earlier in this report are key distributors of Honduran timber. They, and the rest of the consuming market for Honduras' timber products, must take immediate action to ensure that the unchecked flow of illegal wood products will no longer be tolerated.

Top 20 U.S. Importers Of Honduran Wood Products and Suppliers Featured in this Investigation and Major U.S. Retailers

Company	U.S. HQ Contact	Type of Products	Supplier (page # in report)	U.S. Distributors
ALJOM A LUMBER, INC http://www.aljoma.com/	Medley, FL (305) 556-8003	tomato stakes, pine furring	José Lamas S. de R.L. (20)	Home Depot
INTERGRO, INC. http://www.intergro.com/	Clearwater, FL (800) 783-0416	tomato stakes	Yodeco, SERMA, Lamas, Tracoma (30, 32, 33)	
ABCO BROOMS AND MOPS http://www.abcoproducts.com/	Miami, FL (305) 694-2226	broom and mop handles		K-Mart, Ace Hardware, True Value Hardware
B & M WOOD PRODUCTS, INC.	Manor, GA (800) 451-0385	crate components		
INTERAMERICAN WOODS, INC.	Eugene, OR (541) 485-7338	broom handles, dowels	Sansone, Tracoma, Zinma Export (31, 33, 32)	
MARBLE & WOOD PRODUCTS CORP. http://www.hamiltonheritage.com/	Miami, FL (305) 805-0200	wooden furniture	Derimasa (32)	Macy's Furniture Gallery, Robb & Stucky, other smaller furniture retailers
DECORATIVE LUMBER INC. http://decorativelumber.com/	Medley, FL (305) 556-3265	broom handles, dowels	Lamas (20)	
GEORGIA CRATE & BASKET CO	Thomasville, GA (912) 226-2541	crate components		
KINDERKRAFT INC http://kinderkraft.com/main.htm	Hialeah, FL	wooden infant furniture		Babies "R" Us
VICENT D. MYERS	Bonita Springs, FL (239) 992-8667	tomato stakes		
WOOD PRODUCTS INTERNATIONAL, INC http://www.fatwood.com/ http://www.caribbeanheartpine.com	Savannah, GA (912) 231-0909	lumber, kindling, flooring	Noriega, Tracoma (27, 33)	Home Depot (labeled as "Fat wood Firestarter"), Sutton Place Gourmet, LL Bean, Brookstone, Orvis, Plo w and Hearth
CHILD CRAFT INDUSTRIES INC http://www.childcraftindustries.com/	Salem, IN (812) 206-2200	wooden juvenile furniture		Target, Babies R Us, Sears, Burlington Coat Factory
ROBINSON LUMBER CO http://www.robinsonlumberandflooring.com	New Orleans, LA (800) 874-1165	sawn timber	Yodeco (30)	
AMERICAN HANDLE, INC. http://www.americanhandle.com/	Vernon, CA (215) 332-8000	finished wooden handles		McMaster-Carr SupplyCo. (www.mcmaster.com)
ZENCO WORLD BUSINESS INC.	British Virgin Islands	lumber for housing	Tracoma (33)	
ARTIST COLONY LTD http://www.artistcolonyltd.com/	Lexington, NC (800) 476-4618	wooden infant furniture		
NPK PLUS INC	Homes tead, FL (305) 246-0653	crates, pallets and boxes		Home Depot warehouses
HERITAGE DOOR LLC http://www.heritagedoorusa.com/	Jupiter, FL (877) 414-7400	doors, wooden pallets	International Mahogany Millwork Inc	
MARIA LUISA MENCHERO	Miami, FL (305) 545-7778	wooden lobster traps	Comercial Rio Dulce	
HOOKEE FURNITURE CORPORATION http://www.hookerfurniture.com/	Martinsville, VA (276) 656-3335	furniture components	Derimasa (32)	Dillards, The Furniture Store, ColonyHouse Furniture

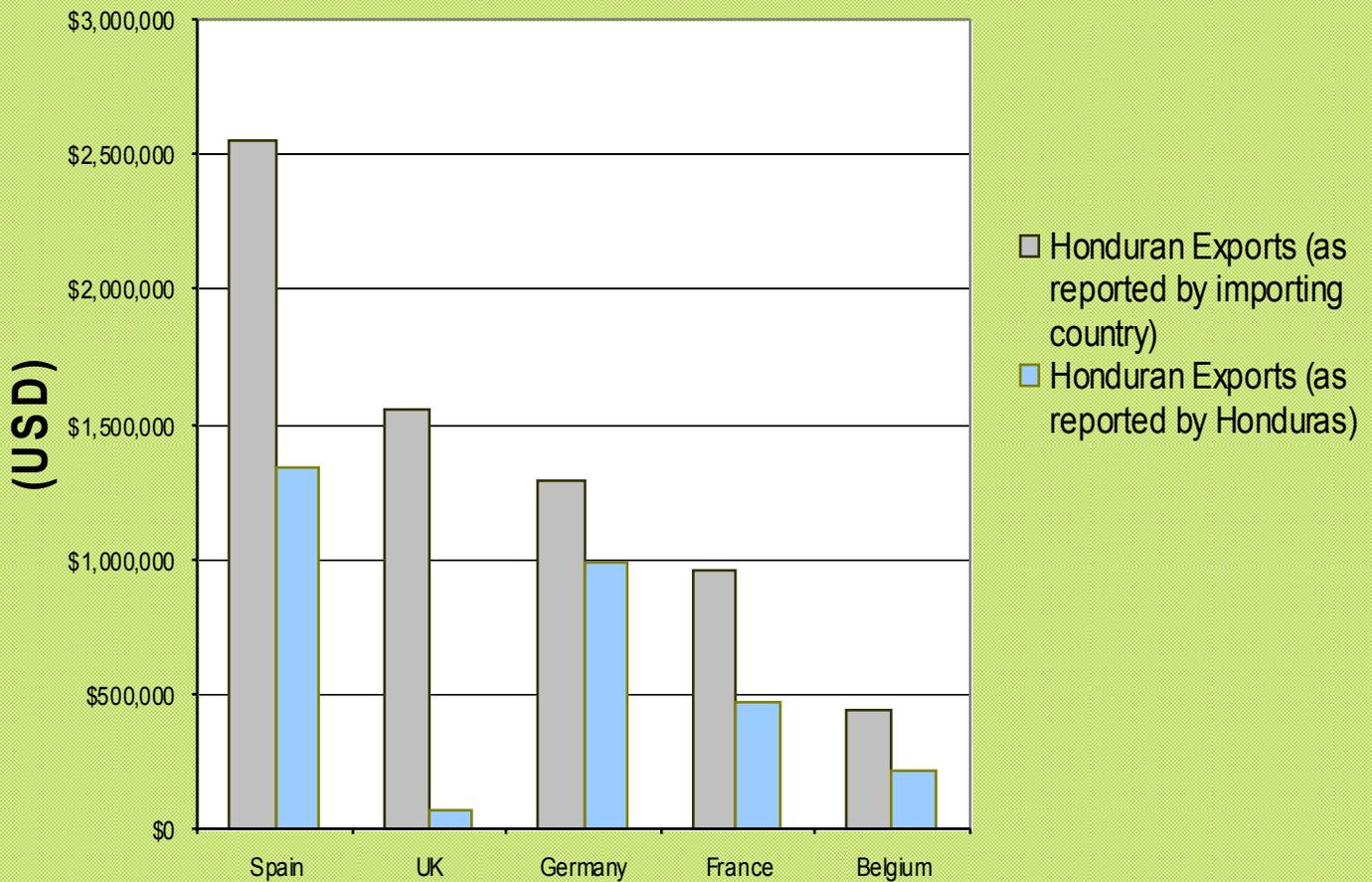
Note: EIA analyzed all Honduran exports to the U.S. using Port Import Export Research Service (PIERS) data for the months of July 2003 through July 2004. Total imports of forest products (by weight) were determined for each importer and ranked. The importers' own customers/retailers were determined via phone calls made to each company.

The European Union and Other Nations' Contribution to the Destruction of Honduran Forests

There are other key players in the Honduran export market.⁴ The European Union has made commitments to stop its import of illegal timber through the Forest Law Enforcement, Governance and Trade (FLEGT) initiative. Under FLEGT, the European Commission is in the process of developing voluntary partnerships with key timber producing countries that will require a license confirming the legality of timber production. Yet some of these countries are undermining their own efforts by continuing to import millions of dollars of Honduran forest products. According to E.U. countries' own statistics, the region imported over \$7.3 million worth of Honduran wood products in 2003 (see graph below). Spain, the U.K., and Germany are three of the biggest importers.

The U.K. and Germany have been at the forefront of European efforts to eliminate imports of illegal wood. Caribbean nations also create a large demand for Honduran forest products, directly importing 45.2% of total Honduran wood exports. In 2003, Honduras exported \$27.5 million worth of wood products to the region. Many Caribbean countries act as transshipment and manufacturing locations, meaning that much of the material is actually re-routed to the U.S. and the E.U.

Top 5 Honduran Wood Importers in the E.U. (2003) and discrepancies with Honduran Export Records



The E.U.'s five largest Honduran wood products importers all have significant discrepancies in trade data. Honduras reports a total of \$3 million in wood going to the E.U. while E.U. nations report an import of \$6.8 million, representing discrepancy in accounting of +126%. The highest discrepancy is with the UK (+2514%). The underreporting of Honduran exports of wood products is a recurring theme in comparisons with its timber trading partners.

U.S. GOVERNMENT: TIME TO ACT ON PLEDGES AGAINST ILLEGAL LOGGING

For several years, the Bush administration has supported and promoted international measures to counter illegal logging.⁶ Yet these have not led to new policies or programs at home to stem the flood of illegal timber and wood imports entering U.S. ports from Asia, Central and Latin America or Africa.

As the world's largest importer of wood and wood products, receiving \$24.5 billion of such goods in 2004,⁴ it is time for the U.S. to act on its commitments to clamp down on illegal timber imports which are helping to impoverish already poor nations while stripping the world bare of unique ecosystems and irreplaceable wildlife. These commitments include:

- ◆ A range of actions to combat illegal logging agreed by President Bush and the leaders of the other G8 industrialized nations in July 2005, including agreement to stop import of illegally logged timber products: **“We will act in our own countries. We will take steps to halt the import and marketing of illegally logged timber.”**⁷
- ◆ Supporting timber producer countries to combat corruption, strengthen law enforcement, and build forest management capacity. The G8 nations, including the United States, have also played a key role in the Forest Law Enforcement and Governance (FLEG) initiatives in Asia and Africa. In both continents, leaders from timber producer and consumer countries have issued Ministerial statements committing to

act against forestry sector corruption and to suppress illegal logging. Efforts are currently underway to initiate a FLEG process in Latin America.⁸

- ◆ The President's Initiative against Illegal Logging (PIAIL), which includes Central America as a key region for action, was launched in July 2003. The PIAIL is intended to “assist developing countries to combat illegal logging, the sale (including for export) of illegally harvested timber products, and corruption in the forest sector.” It commits the United States to strengthening Central American forest law enforcement and governance, providing technical assistance and training, strengthening protected area management and building capacity for legal logging operators.⁶ The PIAIL has so far failed to enact these commitments, but full implementation could support meaningful actions to eliminate the flow of illegal wood products to the U.S.
- ◆ Environmental side agreements set up under the recently negotiated Central American Free Trade Agreement (CAFTA) offer key opportunities to act against illegal logging in the region. These side agreements commit parties to “cooperate to protect, improve and conserve the environment, including natural resources;” and to strengthen “each Party's environmental management systems, including reinforcing institutional and legal frameworks and the capacity to develop, implement, administer and enforce environmental laws, regulations, standards and policies.”⁹



Many indigenous communities have lived sustainably in and around Rio Platano Biosphere Reserve for centuries. Today, their livelihoods are increasingly threatened by rampant illegal logging, narcotics trafficking, and land conversion.

- ◆ In all these forums, the United States has championed combating corruption, strengthening the rule of law, and stopping the flow of illegal timber. In 2005, the Bush administration also joined with other wealthy donor nations in committing to write off \$1.3 billion of debt owed to them by impoverished Honduras.¹⁰ Despite this gesture, there is no political will within Honduran political circles to realize the stated high priority goal of donor nations that Honduras “reduce environmental vulnerability,”¹¹ caused, above all, by rampant deforestation. A presidential and congressional election will be held in Honduras in late November 2005.
- ◆ The G-16 Donor nations, led by the United States and its Millennium Challenge Corporation,¹² must link grant aid to the country to measurable and timetabled commitments by the new Honduran president and his Cabinet to enact a far-

reaching and sustained crackdown on illegal logging and timber trade. Honduras’ leaders must be sent a clear message that the pervasive corruption and oppression that marks out the country’s timber manufacture and export industry will no longer be tolerated in its major export market.

- ◆ For the future of Honduras, it is also imperative that the United States takes domestic actions to match its strong words on illegal logging and timber trade. Assisting Honduras to strengthen forest law enforcement and governance will not be enough. The Bush administration must also act to close the U.S. market to illegal timber and end its voracious demand for artificially cheap illegal timber and wood products.



Above and right Community members in Salamá, are concerned about the devastating environmental effects of rampant illegal logging in Olancho.

RECOMMENDATIONS

The Government of Honduras must:

1. List the pine species *Pinus oocarpa* and *Pinus caribaea*, and any other pine species that enter commercial trade and may cause look-a-like difficulties, on Appendix 3 of the Convention on International Trade in Endangered Species (CITES) to include all parts and products, with an export quota restricted to verifiably legal and sustainable production of timber and wood products.
2. Suspend issuance of all new logging permits, management and/or operational plans at the municipal, departmental and national levels until the following actions have been taken.
3. Abolish CODEHFOR.
4. Create a new agency responsible for forestry management that guarantees equitable participation in and representation by all stakeholders at the community, municipal and federal levels of forestry policy. It must enshrine the legal right, and provide full capacity support, for communities to participate in:
 - (a) An open and transparent procedure to agree the sale or leasing of logging rights and the development of management plans, in an adequate and defined time frame prior to issuing of any logging rights.
 - (b) Monitoring and implementation of all logging operations, including compliance with management and operational plans, and all revisions.
 - (c) Future revisions of forestry sector planning and policy.
 - (d) Reforestation initiatives, especially in areas of high environmental vulnerability.
5. Enhance local communities' capacity to independently monitor and audit timber industry abuses at the local level.
6. Suspend all mahogany and Spanish cedar exports except for products that are verified as made of FSC certified wood.
7. Include an environmental and forest crime statute in the Honduran penal code. Dramatically increase penalties for illegal logging and timber trade offenses including mandatory jail sentences for second offenders and company owners found in possession of illegal logs, timber or wood products.
8. Implement a major sustained enforcement initiative against illegal logging, illegal sawmills and illegal transport and trade of timber, including a major focus on the Río Plátano Biosphere Reserve, Tawahka Biosphere Reserve and Patuca National Park; dramatically increase capacity for the Public Ministry to investigate and prosecute environmental crime.
9. Enact a new regulation that bans the sale, purchase, ownership, transport, storage, export or import of illegally logged timber or wood products.

The United States and European Union and other G-16 Governments must:

1. Insist on the Honduran Government's commitment to guarantee that civil society groups in Honduras are protected and free to openly and equitably participate in forestry decisions without threats of reprisals and physical violence.
2. Support the listing of Honduras' two main pine species on Appendix 3 of CITES with a quota restricted to verifiably legal and sustainable production of timber and wood products.
3. The G-16 Donor Governments must make illegal logging and timber trade a major priority and link further aid grants to action by the Government of Honduras to enact recommendations 1 through 9 as specified in the Honduras section above to both significantly reduce illegal logging and associated timber trade, and the environmental vulnerabilities they create.
4. Take action to stop import and marketing of illegally logged timber products in line with the July 2005 G8 commitments.
5. Investigate major importers of Honduran timber and wood products that may be evading payment of taxes.
6. Propose—with Honduras and other range states—that mahogany be listed on Appendix 1 at the next Conference of the Parties to CITES, with exemptions only for FSC certified producers.
7. Fund and support capacity building for Honduras' communities to independently monitor and audit timber industry abuses under the environmental side agreement to CAFTA. (The US under the Central American Free Trade Agreement (CAFTA) and the EU under the EU Action Plan Forest Law Enforcement Governance and Trade).

US and Other Foreign Timber Importing Companies, Distributors and Retailers:

1. Support the Appendix 3 listing of Honduras' two main species of pine trees.
2. Cease purchasing timber or wood products of Honduran origin unless or until suppliers:
 - (a) demonstrate legality of origin of their timber or wood products.
 - (b) undertake independent audits to ascertain the source and legal status of all timber and wood product supplies.
 - (c) commit to eliminate illegally produced timber, including timber acquired through corrupt means, within 90 days of the initial audit.
 - (d) Undertake regular on site inspections of supplier's facilities and sources of timber and have full access to procurement records.



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