1. Guyana – Stabroek News – In The Diaspora, 16 April 2012.
http://www.stabroeknews.com/2012/features/daily/04/16/through-a-glass-darkly-––what’s-wrong-with-an-indian-coffee-retailer-exporting-logsof-prime-furniture-and-flooring-timber-from-guyana-instead-of-local-processing-for-added-value/

‘Through a glass, darkly – what’s wrong with an Indian coffee retailer exporting logs of prime furniture and flooring timber from Guyana instead of local processing for added value? Part 1.’

Posted By Stabroek staff On April 16, 2012 @ 5:02 am In: In The Diaspora | No Comments

By Janette Bulkan

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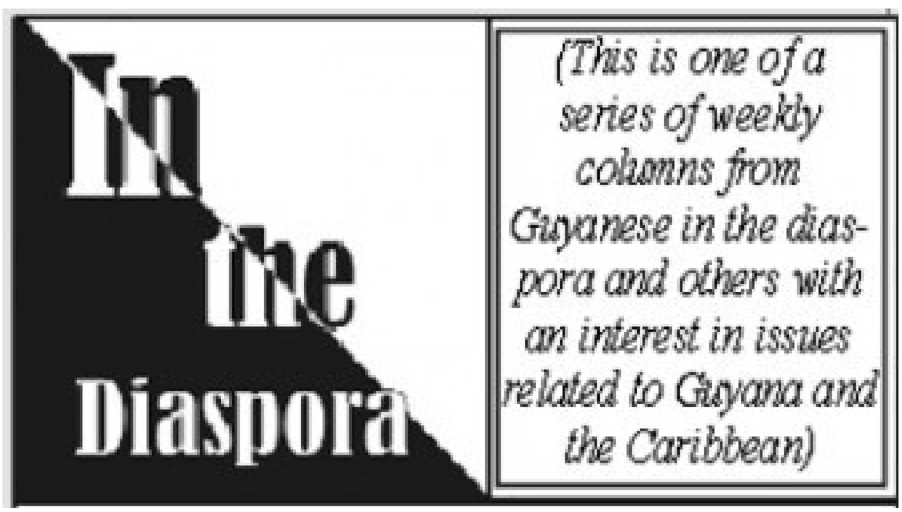

St. Paul wrote in his first letter to the Corinthians ‘For now we see through a glass, darkly; but then face to face’ (1 Corinthians 13:12). In Guyana we are still in the dark phase in understanding the intentions and practices of the Indian coffee retailer Coffee Day, Inc., which initially appeared in Guyana under the name Dark Forest Company (S) Pte. Ltd, as first reported in Stabroek News, 15 January 2011, ‘Simon and Shock aiming for $19M Rupununi forestry investment’. Coffee Day, now operating here as Vaitarna Holdings Pvt.

Inc. (VHPI), reacted immediately to a suggestion in Kaieteur News that its export of almost 50 containers of unprocessed logs of the most prime timbers of Guyana was improper. VHPI assured KN that 'it has the facility like any other forestry company to export logs and other forest products in keeping with the National Log Export Policy and the Government of Guyana guidelines' (Kaieteur News, 6 April 2012, 'Logs shipment…Indian coffee company insists it did nothing wrong - says still in transition phase').

So everything is OK and Guyana is happy to export unprocessed, and without value adding, its prime timbers? No doubt there are some happy people consequentially in Pradoville 2, the new Ministry of Natural Resources and the Environment, and the Guyana Forestry Commission (GFC). But that does not mean that the two VHPI deals satisfy the actual national policies, that is, policies which have been debated and endorsed by the National Assembly. Nor is it clear that the government (Ministers and agencies) have applied laws, regulations and procedures correctly.

This article describes the background to the inherently unlikely involvement of a Main Street coffee retailer from Bengaluru, India, in logging Guyana's tropical rainforest. A subsequent article will discuss the evidence for compliance and non-compliance with our laws, regulations and procedures, and the broader implications of these deals for the future of Guyana's forest sector.

Background – Caribbean Resources Limited (CRL)

The 355,000 ha timber concession is in the centre of the greenheart-dominated forests of Guyana. The concession was started in 1947/8 as part of the drive to make the then British Guiana more self-sufficient and was held for almost 25 years by the Commonwealth Development Corporation. Losing money heavily in the early Burnham years, the concession was sold to the Government in 1973 with its considerable infrastructural assets. The Government company Guyana Timbers Ltd. took over the management but consistently lost money. In 1989 it was one of the earliest State-Owned Enterprises to be re-privatised under the IMF-supervised structural adjustment programme. An astonishingly low price of US$2.7 million for this rich forest concession was paid by the Trinidad-based insurance company CLICO, which created the subsidiary Caribbean Resources Ltd. (CRL) and received Timber Sales Agreement TSA 04/89 in October 1989 with an effective start of May 1991 and expiry date April 2006 (15 years).

This firesale price attracted the Asian transnational loggers already in

Suriname. Two years later the then Malaysian-Korean consortium of Barama obtained its 1.67 million ha concession (later reduced to 1.61 million ha to exclude Amerindian areas) for the equally amazingly low rent of US$ 2,171 per year in total, now in 2012 reduced to less than US$ 1,500 per year. Per hectare, Guyanese small-scale loggers having only 2-year concessions and poor-quality, often-logged forest pay 214 times as much rent as Barama. VHPI pays (or should pay) 400 times as much as Barama, per hectare. The absence of logic and equity in the GFC area rents has been commented on repeatedly since 1994.

CRL also failed to manage effectively this rich forest. In his Stabroek News column of 8 February 2009, Chris Ram reported that CLICO's investment in CRL stood at US$ 7.6 million at December 2007, representing 13 per cent of CLICO Guyana's investments. During 1998-2003, CRL paid the GFC an average of US$ 73,000 per year but at the end of 2002 was still some US$ 138,000 in debt to the GFC alone.

The last annual return filed by CRL was for 2001. In most years, CRL received over US$ 10,000 in import tax concessions from the GRA. The GFC observed in mid-2003 that CRL was operating well below capacity. The TSA expired in 2006 but like other TSAs it was rolled over annually by the GFC instead of being advertised internationally for re-bidding at auction. By that date, Ms Singh-Knight, CLICO Guyana's CEO, was also Chairman of the Berbice Bridge Company Inc. and in January 2009, was appointed to the Board of Directors of the Guyana Sugar Corporation, Guysuco, by former President Jagdeo. In mid-2008 the then junior Minister for Forestry noted that CRL had come to some arrangement with the GFC for paying off its debts but it seems that payments did not occur. The GFC rescinded the long-expired TSA 04/89 in 2010Following the disclosure by the Times of India, the Ministry of Agriculture in Georgetown admitted that a subsidiary of the Main Street coffee retailer Coffee Day had been allocated the rescinded CRL logging concession during 2010 (Kaieteur News, 10 April 2011, 'Forestry deal with India's coffee maker raises questions').

Background – Simon and Shock International Inc. (SSI)

By Ministerial Order in 1997 and without any public consultation, the GFC obtained a massive expansion of State Forest on State Lands south of the 4th parallel of latitude in 1997, down to the border with Brazil. In December 2005, the GFC advertised only in the local Press for applications for logging concessions in two adjacent areas totaling 390,000 ha in an area rich in biodiversity and almost surrounding the

80,000 ha ‘conservation concession’ held by Conservation International Guyana. Apparently there was only a single applicant for these two roadless areas, Simon and Shock International Inc. (SSI), a Michigan-based timber broker which claimed to have been buying from Guyana for eight years and which had been expressing interest in logging concessions since 2004.

The GFC Board reviewed the SSI application in January 2006. The Board noted that the applicant had failed to include audited accounts of its business, could cite no relevant experience, had no appropriate equipment and had uncertain financial status. The chairman of the GFC Board recommended due diligence on the application, suggesting international accountants, Dunn & Bradstreet, but this suggestion was not apparently taken up. SSI proposed to invest US$ 26 million, including a modern computer-controlled sawmill at Linden and the transport of logs on such huge trucks from the Rewa area that all the bridges on the Surama-Kurupukari stretch of the Lethem-Linden road would have needed to be replaced and greatly strengthened. SSI, GFC and Go-Invest continued discussions during 2006 and 2007 but the government agencies did not apparently seek external advice, in spite of the US$ 20,000 application fee for a State Forest Exploratory Permit (SFEP).

That fee level was designed intentionally to cover the cost of external specialist advice and due diligence; instead the fee went into GFC income. In spite of recorded doubts, the GFC Board approved the SFEP for SSI and it was issued in January 2008.

There are no public records of what SSI did during the three years of its SFEP (3 years is the maximum period). Just before the expiry of the SFEP, a public summary posted on the downloads section of the website of the Environmental Protection Agency on 06 January 2011 included a note that there had been a 100 per cent buy-out of SSI by Dark Forest Company (S) Pte. Ltd.

On 9 April 2011 it was finally admitted by the Government of Guyana that a subsidiary company of Coffee Day, registered in Guyana, now held the former Timber Sales Agreement of Caribbean Resources Limited and the former State Forest Exploratory Permit of Simon and Shock International Inc. In the next article I will discuss how this deal does or does not match our national policies, laws, regulations and administrative procedures.

2. Guyana – Stabroek News – In The Diaspora, 24 April 2012. http://www.stabroeknews.com/2012/features/in-the-diaspora/04/24/through-a-glass-darkly/

'Through a glass, darkly - what's wrong with an Indian coffee retailer exporting logs of prime furniture and flooring timber from Guyana instead of local processing for added value? Part 2.'

Posted By Stabroek staff On April 24, 2012 @ 5:01 am In: In The Diaspora | No Comments

By Janette Bulkan

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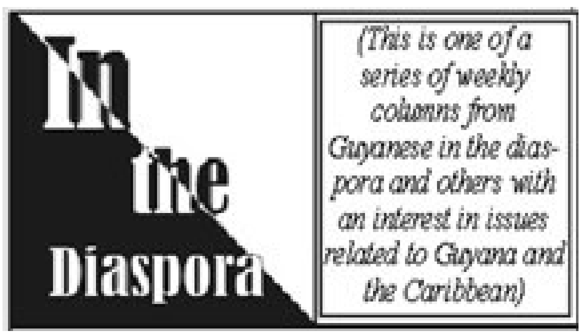

Last week's article provided the background on the two forest concessions which were secured in 2010 by the Main Street retailer Café Coffee Day of Karnataka, India. These two concessions were previously held by Caribbean Resources Limited (CRL) in the Bartica Triangle and Simon and Shock International Inc. (SSI) at Rewa Head. This second article discusses the evidence for compliance and non-compliance with our national policies, laws, regulations and procedures in Guyana's forest sector with respect to these two concessions. The text is necessarily dense because of the need to contrast what is stated to have happened compared with what should have happened.

Re-allocation of expired CRL's logging concession TSA 04/89

CLICO's subsidiary Caribbean Resources Limited (CRL) purchased the concession rights in Timber Sales Agreement (TSA) 04/89 for the very low figure of US$ 2.7 million in 1989, from the loss-making

Government-owned Guyana Timbers Ltd. The Government absorbed the debt burden, so that CLICO started CRL debt-free. CRL also ran up large debts in spite of annual tax concessions awarded by the Guyana Revenue Authority, with output well below the annual allowable cut. CRL was not complying with section 6 of the second schedule 'A' of the Forest Regulations 1954. This schedule provides the model text for TSA concession licences. Section 6 says that 'The grantee [concession holder] shall work the area to the satisfaction of the [GFC] Commissioner in accordance with the terms of this Agreement'.

Even if CRL was not one of those concessions obligated to implement the GFC Code of Practice for Timber Harvesting, it was required to implement other GFC requirements. In allowing CRL not to comply, the GFC was itself not complying with its own mandate: 'The functions of the Commission are – (a) to develop, advise the Minister on, and carry out forestry policy'. Recognising the non-compliance of CRL and its rising debt (US$ 136,000 by the end of 2002) the GFC should have invoked section 16 of the second schedule 'A' of the Forest Regulations 1954: 'In the event of the grantee or assignee failing to observe the terms and conditions of this Agreement . . . the grantor shall have the right either to fix in its discretion such penalty . . . in the event of the penalty not being paid within three months of demand . . . the grantor shall have the right to determine this Agreement and to enter upon the area and take possession of the same altogether . . .'. Apparently the GFC took no such action.

The 15-year CRL concession TSA 04/89 expired in April 2006, apparently without CRL applying for renewal under section 11 of the Forest Regulations 1954 that requires not less than three months notice. In the absence of such notice, the concession would automatically expire and should have been immediately rescinded or cancelled by the GFC. That also did not happen, but CRL's unpaid debts to the GFC continued to rise. The GFC was well aware of the situation: 'The possibility is also open for provisions to be made for debt reduction for repossession of areas which are underutilized or unutilized' ('Analysis of forest area allocation to Timber Sales Agreements and Wood Cutting Leases', GFC, November 2004, page 47).

Although expired, TSA 04/89 was allowed to continue operations under an unpublished 'policy directive' dated 05 December 2005 for one-year extensions. Who issued this directive, and why and under what authority (given that it contravened the 1997 National Forest Policy) was unclear to the GFA Consulting Group in its scoping study on independent forest monitoring in October 2011 (the report of 16 December 2011 is available on the GFC website, see indicator 1.1.1 on page 15 and several other pages).

By February 2009, CRL's debts to the GFC had reached US$ 9.5 million and the High Court's judicial management of the collapsed CLICO triggered a letter of demand for that amount. There is no evidence that CLICO or CRL paid up. Finally, in mid-2010 the GFC rescinded CRL's possession of TSA 04/89. At this point, the future of these 346,000 ha of forest should have been determined by the GFC strategic plan for forest allocation. The National Forest Plan 2001 makes the GFC 'responsible . . . for preparing strategic plans for forest allocation and use' (section NFP200, page 6, Forest zoning and classification, in the 2001 plan and also in the 2011 draft revision). Either no such plan has been prepared or it has never been published.

An alternative is offered in the National Forest Policy 1997: 'Concessions shall be transferable to new concessionaires provided that qualifying standards are satisfied' (section III A 4 (d), 1997). However, the GFC has never published any qualifying standards, so this alternative is not valid. The constitutionally dubious Forests Act 2009 is likewise inoperable: in the convoluted Article 16 on transfer of State forest authorisations, sub-Article (5) says that 'On application in writing by a holder, the Commission shall grant written consent . . . if the Commission is satisfied that the requirements prescribed by regulations are met'. As there are no Regulations yet for the Forests Act 2009, five years after it was drafted in secret in 2007, this transfer process is not usable. Moreover, at least by January 2012, the commencement order required by Article 2 of the Forests Act 2009 had not been promulgated. Anyway, the CRL concession had been rescinded by the GFC so there was no holder to make such an application for transfer.

As the TSA 04/89 had been issued 21 years previously, it would have been appropriate and in accordance with the intentions of the 1993 GFC policy on concessions and the 1996 concept of pre-logging State Forest Exploratory Permits for the CRL area to have been transparently and internationally advertised for open, competitive bidding. The Government of Guyana had agreed with this proposition in issue A3 (licences and concessions) of the annex to the 1994 project document for the GFC Support Project to reform the GFC: 'Concession applications – the procedures for applications and awards of licences of all kinds will be revised, to ensure open competitive bidding, and the opening of new logging areas will be according to a rational plan reflecting the national interest …’.

That proposition was reflected in the National Forest Policy 1997: ‘The Guyana Forestry Commission shall develop a fair and transparent framework for the allocation, revocation, renewal and re-negotiation of forest concessions’ (section III B 3 (a), page 12) and ‘Concession licenses and permits shall be allocated through a process of advertisement and bidding or tendering’ (section III A 4 (b), page 10). The 2011 draft revision of the National Forest Policy changes these two statements to ‘The Guyana Forestry Commission shall continually implement a fair and transparent framework for the allocation, revocation, renewal and re-negotiation of forest concessions’ and

‘Concession licences and permits shall be allocated through a transparent process developed by the Commission’ (same section numberings as in 1997, pages 21 and 23). The National Forest Plan 2001 states that ‘The Forest Policy requires that all commercial utilization of State Forests takes place under concessions or licences issues by the GFC and that allocation of the resources is made in a competitive, fair and transparent manner’ (section NFP300, page 7, in both 2001 and draft revision of 2011).

So the intentions of the national policies — that is, as approved by the National Assembly in 1993 and 1997, rather than being only GFC in-house policies — seem clear. Non-compliant forest concessions should be rescinded and treated according to a strategic allocation plan. That may involve open, transparent international, advertisement; open, transparent competitive bidding; and full due diligence checks on the applicants. Now that we have established what the national policies say, what actually happened, or seems to have happened, will be described next week.

3. Guyana – Stabroek News – In The Diaspora, 8 May 2012.
http://www.stabroeknews.com/2012/features/in-the-diaspora/05/08/through-a-glass-darkly-–-what's-wrong-with-an-indian-coffee-retailer-exporting-logs-of-prime-furniture-and-flooring-timber-from-guyana-instead-of-local-processing-for-added-value/

'Through a glass, darkly – what's wrong with an Indian coffee retailer exporting logs of prime furniture and flooring timber from Guyana instead of local processing for added value? Part 3'.

Posted By Stabroek staff On May 8, 2012 @ 5:01 am In: In The Diaspora

By Janette Bulkan

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In the Diaspora

(This is one of a series of weekly columns from Guyanese in the diaspora and others with an interest in issues related to Guyana and the Caribbean)

The second article in this series, published by Stabroek News' In the Diaspora on 24 April 2012, described the national policies for allocating forest concessions. In this third article, I describe what happened or seems to have happened in the cases of the two concessions acquired by VHPI, the subsidiary of the Café Coffee Day company of Karnataka, India, in 2010.

Now we come to the obscure part. On or about 07-08 April 2011, the GFC posted on its website a set of procedures covering the issuing of State Forest Permissions (SFP), State Forest Exploratory Permits (SFEP), and Timber Sales Agreements or Wood Cutting Leases (TSA and WCL). These procedures are illustrated by flow charts and are posted on the GFC website as separate documents without the GFC seal, name of the authority issuing the procedures, or dates. These briefly written procedures lack clarity and refer to other documents not in the public domain such as ‘GFC Board approved criteria’.

Section 1 of the unheaded, unsigned and undated TSA/WCL issuance procedure says that ‘Applicant must have a valid SFEP or have applied for a previously issued concession (TSA/WCL) which has reverted to the State’. Section 11 of this procedure says that ‘Areas for re-allocation are not required to undergo the SFEP phase . . . TSA/WCLs that are being reallocated are required to submit a plan outlining the GFC makes a request for the issuance of the TSA/WCL to the President of Guyana; the request must be signed by the Chairman of the GFC’s Board of Directors and the Minister of Agriculture with responsibility for forestry; once approved by the President the GFC issues the TSA/WCL agreement’.

In other words, a single letter of request bypasses the entire process of open, international advertisement, competitive bidding and due diligence checking agreed by the Government of Guyana in 1994, built into the 1997 National Forest Policy endorsed by the National Assembly and partly repeated in the draft revision of 2011.

It is presumably not a coincidence that these unheaded, unsigned and undated procedures were posted just after the disclosure by the Times of India on 07 April 2011 that the Indian retailer Café Coffee Day had ‘taken 1.85 million hectares (actually, acres, = 738,000 ha) of Amazonian forestland on a 30-year lease from the Republic of Guyana in South America to start a furniture business in India’, and republished in Guyana by Demerara Waves internet radio. The GFC clarified in another unheaded, unsigned and undated posting on its website that this transaction referred to the former CRL concession (TSA 04/89 of 346,000 ha) and the former SSI exploratory area (SFEP 03/07 of 392,000 ha).

As the posting of these concession issuance procedures by the GFC took place more than six months after the deals were concluded with Café Coffee Day, there must be some suspicion that the deals were ultra vires and the procedures published in Guyana because of the disclosure by the Times of India.

The transfer of the SSI SFEP 03/07 had been previously published. Articles in the government-owned Guyana Chronicle and the independent Stabroek News on 15 January 2011 referenced a project summary dated December 2010 on the website of the Environmental Protection Agency which confirmed that transfer of equity control from Simon and Shock International Inc. to Dark Forest Company (S) Pte.

Ltd. (DFCPL). The project summary did not state when the transfer of SFEP control had taken place. The undated GFC website posting in April 2011 did not refer to DFCPL but to a newly formed Vaitarna Holdings Private Inc. (VHPI), a subsidiary of Café Coffee Day Limited of India.

The GFC website posting said that 'At the same time [as the approval of the SSI transfer of control], the TSA awarded to Caribbean Resources Limited was also terminated and re-possessed by the GoG in 2010, because of continuous non-compliance with the terms and conditions of the TSA. GoG accepted an offer of G$600 million by VHPI to re-allocate this re-possessed concession of 345,961 hectares. This re-allocation was done in 2010'. CRL's TSA 04/89 now became VHPI's TSA 01/10 with a start date of 07 September 2010 and a duration of 25 years, with the possibility of extension.

Questions in the Press in April 2011 were raised about the process by which VHPI acquired concessions over 738,000 ha of State Forest. Stabroek News carried a report of the statements by Minister Robert Persaud at a Press conference on 12 April 2011 (Stabroek News, 13 April 2011 – 'No big export of logs by Vaitarna – Persaud'). Minister Persaud said –

QUOTE

"Even before the concession leased to CRL was repossessed, GFC had indicated to both CRL management and other concession holders that this concession would be repossessed unless a suitable joint venture or complete takeover was effected by some company. Unfortunately, no company took up the offer", he said. Persaud related that after it took over SSI, VHPI then approached the government and the GFC and applied for the concession to be reallocated to it and this was after it was already public knowledge that the concession was being repossessed.

Responding to questions later, Persaud said that not because someone doesn't hear of it means that something has not been public. The stakeholders particularly those companies adjacent and those operating in the forestry sector were made aware and the GFC from time to time would also have outreach meetings, he stated. The Minister also said that ads are placed in the media from time to time inviting persons who are interested, to come and uplift information on particular concessions, SFEPs and areas that are to be allocated and this is done constantly. He said that he was puzzled by the suggestions of secrecy.

GFC Head James Singh said that in the case of CRL's TSA an ad was placed in the media sometime around last July [2010]. "This company heard, knew about it, probably saw the ad in the newspaper and came in", Persaud added.

UNQUOTE

In such a sensitive case, it seems surprising that the Commissioner of the GFC could not remember exactly when an advertisement was placed (presumably for one day only and presumably only in the government-owned newspapers) for a logging concession of 346,000 ha in the richest forest of Guyana. No subsequent statement or evidence has backed the claim of the GFC Commissioner. In its editorial on the subject on 25 April 2011, Stabroek News commented ". . . had there been a functioning Access to Information Act as promised umpteen times in the breach by the government the media might have been able to unearth much earlier and progressively, information on this transaction thereby helping to obviate concerns that the deal was secret and with dark underpinnings. After more than 18 years in office this government remains deaf to the manner in which agreements of this type ought to be publicized".

Even if that advert was placed, it does not comply with the 1994 agreement and its obscurity was contrary to the National Forest Policy (referenced above) for transparency. It is also surprising that a coffee retailer in India with no previous experience of logging in tropical rainforest or of Guyana should have been able to respond to the TSA advert and to secure a transfer of ownership of the failing SSI SFEP at or about the same time.

The lack of transparency of these two deals is contrary to the call for transparency and improvement in forest governance in the Norway-Guyana MoU signed in November 2009.

Transfer of equity control of the expiring SSI State Forest Exploratory Permit SFEP 03/07

The process of transfer of equity control from the Michigan-based SSI to the Karnataka-based Café Coffee Day presumably took place sometime in the second half of 2010. The transfer process was described in the first part of this series, published by Stabroek News' *In The Diaspora* column on Monday 16 April 2012. It is unclear if Café Coffee Day was aware that SFEPs are for a maximum of three years and there is no provision in the forest law for extension or renewal. The SFEP 03/07 expired in January 2011, before the news broke in

April of the Café Coffee Day involvement. So Café Coffee Day appears now to be holding an expired SFEP, unless the time between the suspension of the SSI contract in 2009 and the completion of the equity transfer process has been added to the original period. Even so, with that addition, the SFEP should have expired by now.

This complicated story recalls the poetic lines ‘Oh what a tangled web we weave/when first we practise to deceive’. The deception also hides Asian dominance of Guyana’s forests. According to available GFC data, 77 per cent (or 5.6 Mha) of forest concessions are large-scale, long-term concessions. While there is no information on the ownership of concessions in the public domain, the former President informed in his LCDS that 70 per cent of forest companies were foreign-owned, and that he intended to keep it that way (Office of the President 2008, page 26). It seems likely that with the VHPI takeover, all the foreign companies in the forestry sector are now of Asian provenance.

In the fourth article in this series, I will discuss the due diligence which should have been carried out prior to giving concessions to Café Coffee Day.

4. Guyana – Stabroek News – Daily, Features, 9 May 2012.
http://www.stabroeknews.com/2012/features/05/09/through-a-glass-darkly-–-what's-wrong-with-an-indian-coffee-retailer-exporting-logs-of-prime-furniture-and-flooring-timber-from-guyana-instead-of-local-processing-for-added-value-2/

'Through a glass, darkly – what's wrong with an Indian coffee retailer exporting logs of prime furniture and flooring timber from Guyana instead of local processing for added value? Part 4'.

Posted By Stabroek staff On May 9, 2012 @ 5:01 am In: Daily, Features

By Janette Bulkan

Janette Bulkan is a Social Anthropologist who was Coordinator of the Amerindian Research Unit, University of Guyana from 1985 to 1999 and Senior Social Scientist at the Iwokrama International Centre from 2000 to 2003.

In this fourth article in this series, I will discuss the due diligence which should have been carried out prior to giving forest concessions to Café Coffee Day, and some of the associated issues.

Due diligence – Simon and Shock International Inc. (SSI) – SFEP 03/07

SSI began negotiations in 2004 and paid the application fee of US$ 20,000 when replying to the advertisement for SFEP 03/07 in December 2005. Article 6 (2) of the Forests Act 1953/1997 requires the GFC to check that SFEP applicants have:

(a) adequate financial resources, technical competence and experience to carry on effective exploratory operations;

(b) an adequate programme of exploratory operations;

(c) satisfactory proposals for the employment and training of Guyanese;

(d) objectives which are compatible with national development objectives.

In addition, the GFC's SFEP manual of procedures and the information sheet accompanying the application form (April 1999) state that a SFEP will not be issued for any area that is occupied, claimed or used by Amerindians.

The GFC Board of Directors was doubtful about the actual technical competence of SSI and about its financial status, in relation to its brochure proposing to invest US$26 million on a computer-controlled sawmill at Linden and giant trucks. The chairman of the GFC Board suggested a financial check by international accountants Dunn and Bradstreet. That kind of due diligence check is precisely why the application fee of US$ 20,000 is set so high for State Forest Exploratory Permits (SFEPs), to pay for such scrutiny. However, it is unlikely that this external expertise was used by the GFC or by Go-Invest. After prolonged haggling, the GFC issued the SFEP in January 2008.

Requirements to be completed within the three years of a SFEP include forest product inventories, topographic surveys, social and environmental surveys and studies, preparation of an investment proposal for the harvesting and utilization of forest produce, and for the preparation of environmental and social impact assessments and an environmental management plan, and a forest management plan. It is not clear from the public record if SSI completed any of these studies and plans before the GFC suspended the SFEP in 2009.

In its undated statement (on its website from mid-April 2011) the GFC stated that it had completed the necessary due diligences to allow a transfer of the SFEP from SSI to DFCPL (a subsidiary of Café Coffee Day, Karnataka, India) in 2010. It is unclear how the GFC determined that a coffee plantation company and Main Street coffee retailer in India complied with the four eligibility requirements of Article 6 (2) of the Forests Act 1953/1997, mentioned above, or what other kinds of due diligence checks were conducted.

The transfer included assumption by DFCPL of the SSI outstanding debts to the GFC of US$ 254,000. Article 6 (9) of the Forests Act 1953/1997 provides for a performance bond to be posted by the applicant. It is not clear if such a bond was posted initially by SSI, exhausted by the non-performance of SSI, or forfeited to pay penalties before the SFEP was suspended in 2009. It is also unclear if the DFCPL/VHPI takeover of SFEP 03/07 included the posting by VHPI of a new performance bond. And if not, why not?

The undated GFC statement of April 2011 stated that DFCPL's work on the SFEP was 'currently being finalized'. That seems unlikely, unless

SSI had indeed already undertaken exploratory work and had handed over the results to DFCPL.

Due diligence – former Caribbean Resources Limited (CRL, TSA 04/89), now VHPI TSA 01/10

The CRL subsidiary of Trinidad-based CLICO had purchased the TSA from the government-owned Guyana Timbers Ltd. at a very low price and apparently without competitive bidding in 1989. If the GFC 1993 concessions policy and the 1994 concept of SFEPs, and/or the still unwritten national strategic plan for forest allocation required by the National Forest Policy 1997/2011, had been applied to the long-expired and recently-rescinded CRL concession in early-mid 2010, then the CRL area should have been transparently and internationally advertised for new competitive bidding.

However, the procedure possibly used for awarding the former CRL TSA 04/89 to Café Coffee Day's subsidiary Vaitarna Holdings Private Inc. (VHPI) as TSA 01/10 involved a short (one-day?) advertisement in July 2010, a single response from VHPI, and a speedy award of the TSA to VHPI in early September. Any due diligence on VHPI or its parent company Café Coffee Day in India would have been completed in less than two months. As Café Coffee Day had no relevant experience or qualifications, staff or equipment, there must be questions about the checks which should have been carried out by the GFC and Go-Invest. In contrast, the checks before the SFEP was issued to SSI took the whole of the two years 2006 and 2007. The GFC's 1993 concession policy states that 'TSAs will be granted to applicants with proven ability . . .'

In its statement dated 13 April 2011, section 16, the Ministry of Agriculture asserted that 'Regarding due diligence checks, the public is assured that a comprehensive due diligence was done; this due diligence has proven that the company has the necessary expertise to undertake the various tasks that are required; it also established that the company has sufficient financial resources, and has a track record of carrying out harvesting and processing operation efficiently'. No evidence was provided in support of this statement.

Although that TSA had last been sold in 1989 and re-started in 1991, and had expired in April 2006, the GFC has not indicated if the incoming VHPI has to prepare a new forest management plan, a business plan, an environmental and social assessment and associated environmental management plan; or no plans at all?

VHPI paid a premium of US$3 million for the 346,000 ha of the TSA 01/10, just US$0.3 million more than CLICO paid for it in 1989, 21 years earlier. That premium was not paid into the accounts of the GFC or into the Consolidated Fund but was used to pay off some of the stakeholders who had lost money in the CLICO bankruptcy. This use of the premium was apparently authorized by the Minister of Forests, at that time Bharrat Jagdeo.

In the fifth article in this series, I will address the commitments made by VHPI to in-Guyana timber processing, its actual exports of unprocessed logs, the ineffective GFC log export commission, and the failures of the GFC and its Minister to act as public servants.

5. Guyana – Stabroek News – Daily, Features, 10 May 2012.
http://www.stabroeknews.com/2012/features/05/10/through-a-glass-darkly-–-what’s-wrong-with-an-indian-coffee-retailer-exporting-logs-of-prime-furniture-and-flooring-timber-from-guyana-instead-of-local-processing-for-added-value-3/

‘Through a glass, darkly – what’s wrong with an Indian coffee retailer exporting logs of prime furniture and flooring timber from Guyana instead of local processing for added value? Part 5’.

Posted By Stabroek staff On May 10, 2012 @ 5:01 am In: Daily, Features | No Comments

By Janette Bulkan

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In this fifth article in this series, I will discuss the commitments made by VHPI to in-Guyana timber processing, its actual exports of unprocessed logs, the ineffective GFC log export commission, and the failures of the GFC and its Minister to act as public servants.

VHPI commitment to in-Guyana timber processing

In the same Ministry statement of 13 April 2011, section 13, the Ministry of Agriculture asserted that ‘the company will engage in added value activities . . . Vaitarna has committed to downstream processing and they will be monitored against same’, but gave no details and no timescale. The Government of Guyana has apparently learned nothing from the similarly vague assurances about inward investment given by Barama, Ja Ling, Bai Shan Lin and other Asian loggers of Guyana’s forests. While DFCPL promised to invest US$ 18.7 million in the Rewa concession SFEP 03/07 during 2010-2015, VHPI has indicated no amount for the TSA 01/10. The Times of India reported on 07 April 2011 the intention of taking logs from Guyana through the port of Mangalore to a furniture factory in Chikmagalur. According to Forbes Magazine on 29 June 2011, that factory of 56,000 m2 (600,000 square feet) had not yet been built. The intention of the owner of Café Coffee Day was ‘to build India’s largest retail furniture business’ and his dream was ‘to create an IKEA from India’. So what was the final destination of those 50 containers of logs from TSA 01/10?

VHPI's actual log exports

VHPI has begun to ship out as unprocessed logs the timbers in the Special Category royalty class, that is, the premium quality timbers of Guyana. The Minister for Agriculture assured that VHPI 'will first have to present GFC with a full business plan' (Kaieteur News, 13 April 2011 – 'Govt. insists nothing secret about concessions'). Was this full business plan actually presented and what did it say about processing in Guyana, employment and training of Guyanese? A year later, VHPI could only say 'we are currently exploring the feasibility of setting up a wood processing plant at various locations' (Kaieteur News, 06 April 2012 – 'Logs shipment…Indian coffee company insists it did nothing wrong – says still in transition phase'). Was that in the business plan approved by the GFC?

Kaieteur News also reported that 'The majority of logs shipped out are said to be washiba . . . also shipped were purpleheart, greenheart and snakewood' (Kaieteur News, 05 April 2012 – 'Indian coffee company ships out 50 containers of logs in 2 months'). According to the GFC's official species list, snakewood is a royalty class III species, also known as tureli, botanically *Zygia racemosa* in the family Mimosaceae, synonym *Pithecellobium racemosum*. Why would a furniture company be shipping logs of snakewood? Presumably VHPI is actually shipping the rare timber letterwood, in the higher-value Special Category royalty class, botanically *Brosimum guianense* in the family Moraceae, which is sometimes also called snakewood but not in the GFC species list. As the GFC has been penalizing small-scale producers for not using the GFC-approved names, presumably VHPI has also been penalized for this error which could also impact royalty payments?

The GFC noted in its return to the then fortnightly Tropical Timber Market report of the International Tropical Timber Organization 16 (23) 1-15 December 2011 that 'Guyana washiba in the form of dressed sawnwood attracted a remarkable price average of USD 2,500 per cubic metre'. But the GFC is happy for VHPI to export logs at one-tenth of that price (declared FOB), contrary to the national and PPP policies for processing in Guyana. Washiba (*Tabebuia* species) is a rare tree in Guyana, about one tree per 133 ha according to inventories in seven logging concessions in 2006 (GFC background paper 'Proposal for the ban of exports of selected species in log form', table 2, January 2007). In early 2007, the GFC was proposing a total ban on the export of logs of purpleheart, letterwod and washiba, as well as 12 other timbers, but now it is happy to see them continue to go out from VHPI as unprocessed logs.

The variable rate export commission on logs – fiscally ineffective but profitable for GFC

It is an interesting question as to why the GFC has switched from a desire to ban log exports of most of the valuable timbers of Guyana in January 2007 to support for such export by mid-2008. The national consultation in February 2007 involved some 350 stakeholders and was almost unanimous in support of such a ban on log exports. In terms of conservation of standing stocks of these timbers, employment, upskilling of the labour force, addition of value (and the associated tax revenue from enterprises adding value), export of unprocessed logs is clearly contrary to national policies as approved by the National Assembly. The GFC provided a well-researched post-consultation paper in March 2007, based on a demand study, as to why some timbers should be entirely retained for domestic use in Guyana while others appeared to be in surplus to domestic consumption.

However, by mid-2008, the GFC had changed to favour an increase in the export commission on logs. From January 2009, 26 species have had their log export commission rates raised from 2 per cent to 7 per cent in 2009, 10 per cent in 2010 and 10 or 12 per cent in 2011. Those increases had no effect on the major exporter Barama, whose secret Foreign Direct Investment agreement requires only a 2 per cent payment on greenheart logs and which agreement the Government seems scared to revoke. Minister Persaud has frequently claimed that the GFC log export policy has been a success, but the GFC does not release production and trade data to allow confirmation of that claim. For purpleheart, one of the more contentious and locally preferred timbers, the published evidence is ambiguous –

Purpleheart log export volumes as percentages of total log export volumes (GFC data)

Year	2003	2004	2005	2006	2007	2008	2009	2010	2011
Percentage	53	25	31	24	No data	No data	36	33	20

Purpleheart was one of the Special Category (highest royalty rate) timbers listed among the VHPI log exports.

For other log traders, besides Barama, the increase from 2 per cent in 2008 to 12 per cent in 2011 for some timbers is fiscally ineffective in changing the trade patterns and volumes. Log exports continue to flourish, with the associated illegalities (see my four-part series on

‘The rule of law – not in the forest sector of Guyana’, Stabroek News 16 and 30 January, 06 February and 10 February 2012). The consistent undervaluation of Guyana’s best timbers in FOB declarations compared with technically equivalent timbers elsewhere is indicative of large-scale transfer pricing.

So who is benefitting from the small increases in log export commission? There is no VAT on unprocessed logs for export, so not the Guyana Revenue Authority. One major beneficiary is the GFC itself. The introduction of higher and variable rates of export commission appears to have tripled the GFC income from this source, from about US$ 0.5 million in 2006 to US$ 1.9 million in 2010 and over US$ 1.6 million in the first nine months of 2011. Because of the GFC’s failure to publish data by individual exporters, unlike the former Guyana Timber Export Board, it is not possible to estimate how much Barama saves through the tax concessions in its foreign direct investment agreement, so my estimates have to include Barama as paying the full rates. The Minister has stated that VHPI pays the full rates of export commission. Like all but one of the GFC income streams, the export commission is retained by the GFC and not paid into the Consolidated Fund. The massive increase in GFC income may have been undetected because of the GFC’s persistent failure to produce annual reports and audited accounts and to lay them in the National Assembly. Note that the estimates of export commission are only for logs. Because GFC publications do not differentiate the exported lumber which is free of commission if kiln-dried from the taxable air-dried lumber, an analysis for lumber was not possible.

Engagement of Minister Persaud with stakeholders

At the time of the Press conference on the VHPI concessions in April 2011, Minister Persaud said that he was ‘ready to debate and discuss the sector’s management, stewardship, the policies and whatever is being done within the GFC at anytime, at anyplace, and with anyone’ (Stabroek News, 13 April 2011 – ‘No big export of logs by Vaitarna – Persaud’). In contrast to that assurance, Minister Persaud has failed to answer the questions about VHPI raised in Press letters on 10, 12, 14, 28 April and 3 May 2011, an editorial by Stabroek News on 25 April 2011, and a request for the relevant documents on 28 April (the Ministry and GFC having said that it would provide documents). Minister Persaud was invited by letter and telephone to appear on the Plain Talk television programme to respond about VHPI but did not answer the invitations.

Reversing his position on open discussion, Minister Persaud stated that there was a policy of not responding (Stabroek News, 21 June 2011 – 'Logs in shipment where cocaine found were in-transit in Jamaica – Singh') and most recently he has asserted that he has 'no interest in being ensnared in a publicity exercise to justify relevance and funding' (Stabroek News, 16 April 2012 – 'Purpleheart not being unsustainably managed').

This bunker-like attitude is incompatible with negotiation of a voluntary partnership agreement (VPA) under the European Union's Forest Law Enforcement, Governance and Trade (FLEGT) action plan (2003). Development of a VPA involves much public consultation and includes provision for independent forest monitoring. Publication of the openly requested information about VHPI would be good practice for the Ministry of Natural Resources and the Environment and for the GFC.

The GFC's curious reversal of approach to log exports during 2007-8 and Minister Persaud's bunker approach both suggest that the World Bank's assessment of the GFC in 1993 is still relevant – 'a perfect example of the 'capture theory of regulation' whereby the regulatory body is controlled by the industry it is supposed to regulate' (Stabroek News, 29 October 1993, quoted in Colchester (1997:102). But this view is opposed by the evidence of the good work on policy options for log exports shown in 2007 and again for the 2012 revision of the GFC export policy. It is also opposed by the GFC's attempts, after a 60-year delay, to introduce working systematically through contiguous logging blocks in the long-term large-scale logging concessions (TSAs).

The parent company of VHPI, Café Coffee Day in India, had posted on its website in April 2011 its commitments to social responsibilities, conservation principles, sustainable farming, values and principles, integrity and trust. Some of these aspirations have since disappeared from the website.

It would be an encouraging signal for the FLEGT VPA if the GFC and VHPI could together demonstrate in practice what each of the two entities has or has had as policy.

This fifth article provides the background to the sixth article which will show how the debate on revision of the GFC log export policy can show transparently the costs and profits of log exports versus in-Guyana processing.

6. Guyana – Stabroek News – Daily, Features, 11 May 2012.
http://www.stabroeknews.com/2012/features/05/11/184337/

'In the Diaspora — Through a glass, darkly – what's wrong with an Indian coffee retailer exporting logs of prime furniture and flooring timber from Guyana instead of local processing for added value? Part 6'.

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By Janette Bulkan

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Costs, values and profits

In the first five articles in this series I outlined the processes by which two large-scale forest concessions in Guyana were acquired by a Main Street coffee retailer in Karnataka, India, in 2010. I contrasted those processes with the national policies. In the sixth and last article in this series I show what Guyana has lost through allowing the export by Vaitarna Holdings Private Inc. (VHPI) of 50 containers of unprocessed logs of the best timbers, contrary to national policies which have been discussed and endorsed by the National Assembly.This sixth article which will show how the debate on revision of the GFC log export policy can show transparently the costs and profits of log exports versus in-Guyana processing. I use the method of the Guyana Forestry Commission (GFC) in its background paper 'National log export policy, version 2, year 2012 to 2014' (January 2012) and the GFC-estimated costs of production, but I have used market prices as reported by the GFC or by the International Tropical Timber Organization (ITTO).

Unprocessed logs

In 2005, the GFC estimated a production cost of US$ 55/m3 from forest to mill gate or ship side, and US$ 62/m3 in 2007. Asian loggers such as Barama and Ja Ling estimated US$ 80/m3 in their Initial Public Offering background papers in 2007, apparently including an internal profit margin. By January 2012 this GFC estimate had increased to US$ 100/m3. No reason was given for the increase, but rising fuel prices could account for much of the difference.

VHPI's 50 containers loaded to the maximum weight would take 1250 m3. The average declared FOB price for purpleheart was US$ 236/m3 according to the GFC Forest Sector Information Report for calendar year 2011 but the higher value timber washiba was the major component in these containers (Kaieteur News, 05 April 2012 – 'Indian coffee company ships out 50 containers of logs in 2 months') so here I use US$ 250/m3. So the nominal income and profit to VHPI in Guyana from these shipments of 50 containers are –

Profit on unprocessed logs exported from Guyana	Cost in US$ '000	Value in US$ '000
Declared FOB value for 50 containers @ 25m3 of unprocessed logs @ US$ 250/m3		312.5
Production costs from forest to ship side, 1250 m3 @ US$ 100/m3	125.0	
GFC export commission, 1250 m3 @ 12 per cent FOB	37.5	
Wharf charges, 1250 m3 @ US$ 30/m3	37.5	
Nominal profit to VHPI from exporting unprocessed timber logs		112.5

Landed log prices in India and China paint a different picture

Profit in India on import of unprocessed logs from Guyana	Cost in US$ '000	Value in US$ '000
CIF value in India for 50 containers @ 25m3 of unprocessed logs @ US$ 450/m3 for logs from Guyana (ITTO/TTM data for 2011)		562.5
Production costs from forest to ship side, 1250 m3 @ US$ 100/m3	125.0	
GFC export commission, 1250 m3 @ 12 per cent FOB	37.5	
Wharf charges, 1250 m3 @ US$ 30/m3	37.5	
Ocean freight from Guyana to India (Private Sector Commission, November 2011), 1250 m3 @ US$ 84/m3	105.0	
Probable profit to Café Coffee Day from importing unprocessed timber logs into India from its subsidiary VHPI in Guyana		257.5

Profit in China on import of unprocessed logs from Guyana	Cost in US$ '000	Value in US$ '000
CIF value in China for 50 containers @ 25m3 of unprocessed logs @ US$ 630/m3 for logs from Guyana (ITTO/TTM data for 2011)		787.5
Production costs from forest to ship side, 1250 m3 @ US$ 100/m3	125.0	
GFC export commission, 1250 m3 @ 12 per cent FOB	37.5	
Wharf charges, 1250 m3 @ US$ 30/m3	37.5	
Ocean freight from Guyana to China (Private Sector Commission, November 2011), 1250 m3 @ US$ 60/m3	75.0	
Probable profit to Café Coffee Day from exporting unprocessed timber logs into China from its subsidiary VHPI in Guyana		512.5

ITTO does not report a CIF price for logs imported into China from Guyana so I have used the price for merbau, a South East Asian timber nearly equivalent technically to Guyanese purpleheart (ITTO Timber Trade Market Report 16 (23) 1-15 December 2011, page 14, price for merbau logs at Guangzhou City imported timber wholesale market = Yuan 3500-4000/m3 = US$ 551-629/m3). Guyanese timbers in the Special Category royalty class are better than merbau for flooring because they resist better the impact of high heels.

The large probable profits on log exports from Guyana at the points of entry into India (New Mangalore port) and China (Guangzhou) are associated with the consistently low FOB rates reported from Guyana to ITTO in contrast to the rates for technically comparable timbers from other tropical regions. This consistent difference is a strong indicator of (illegal) transfer pricing. Note also the comment from Professor C Y Thomas that 'Guyana is the prototypical price-taker in international commodity markets' (Guyana: Economic performance and outlook (the recent scramble for natural resources), Institute of Development Studies, University of Guyana, April 2012, page 8).

Timber decking

Continuing to apply the GFC method, here is the estimate for what could have been earned if those 1250 m3 of logs had been converted into export quality timber decking. The timbers exported by VHPI in those 50 containers were all premium species, hard and durable and resistant to impact. Timbers named in the Kaieteur News articles were greenheart, purpleheart and washiba. Snakewood was also named, probably a mis-naming of letterwood, and more likely to be used for decorative inlay in furniture than for flooring or decking.

The GFC accepts the low conversion rate of 40 per cent from log to lumber in the antiquated Guyanese fixed sawmills, although trials using high-strain narrow-kerf portable bandmills will give up to 70 per cent conversion. In contrast, the GFC gives a 80 per cent export quality output for lumber and decking rather than the more usual 2/3 export quality, 1/3 domestic quality. 1250 m3 of logs can thus be sawn into 500 m3 of lumber and converted into 400 m3 of export quality lumber or decking (1250 m3 logs multiplied by 40/100 x 80 per cent = 400 m3). GFC applies the kilning and moulding costs to the entire sawn output although it would be commercially sensible to dry and mould only the sawnwood which is likely to be of export quality. GFC estimates a price for decking of US$ 1300/m3 in January 2012 for purpleheart. This seems low when US$ 2875 is the price for washiba timber decking imported from Brazil into the USA, given in the same ITTO TTM Report for December 2011 mentioned above.

Profit on timber decking exported from Guyana	Cost in US$ '000	Value in US$ '000
Declared FOB value for 400 m3 of timber decking @ US$ 1300/m3		520.0
Production costs from forest to mill gate, 1250 m3 logs @ US$ 100/m3	125.0	
Sawmilling cost @ US$ 125/m3 of lumber for 500 m3	62.5	
Kiln drying cost, 500 m3 @ US$ 125/m3 of lumber	62.5	
Moulding cost for decking, 500 m3 @ US$ 75/m3 of lumber	37.5	
GFC export commission, not applicable to decking	0.0	
Wharf charges, 400 m3 @ US$ 20/m3	8.0	
Nominal profit to VHPI from exporting timber decking		224.5
Income from domestic market sale of 10 per cent of lumber not good enough for export, 50 m3 @ US$ 650		32.5

Sawn lumber, dressed

Nominal profits are of course lower for exported timber which is only dressed or rough-sawn -

Profit on dressed lumber exported from Guyana	Cost in US$ '000	Value in US$ '000
Declared FOB value for 400 m3 of dressed lumber @ US$ 900/m3		360.0
Production costs from forest to mill gate, 1250 m3 logs @ US$ 100/m3	125.0	
Sawmilling cost @ US$ 125/m3 of lumber for 500 m3	62.5	
Kiln drying cost, not applicable to air-dried dressed lumber	0.0	
Moulding cost for dressing, 400 m3 @ US$ 75/m3 of lumber	37.5	
GFC export commission, 2 per cent FOB on air-dried lumber	7.2	
Wharf charges, 400 m3 @ US$ 20/m3	8.0	
Nominal profit to VHPI from exporting unprocessed timber logs		119.8
Income from domestic market sale of 10 per cent of lumber not good enough for export, 50 m3 @ US$ 650		32.5

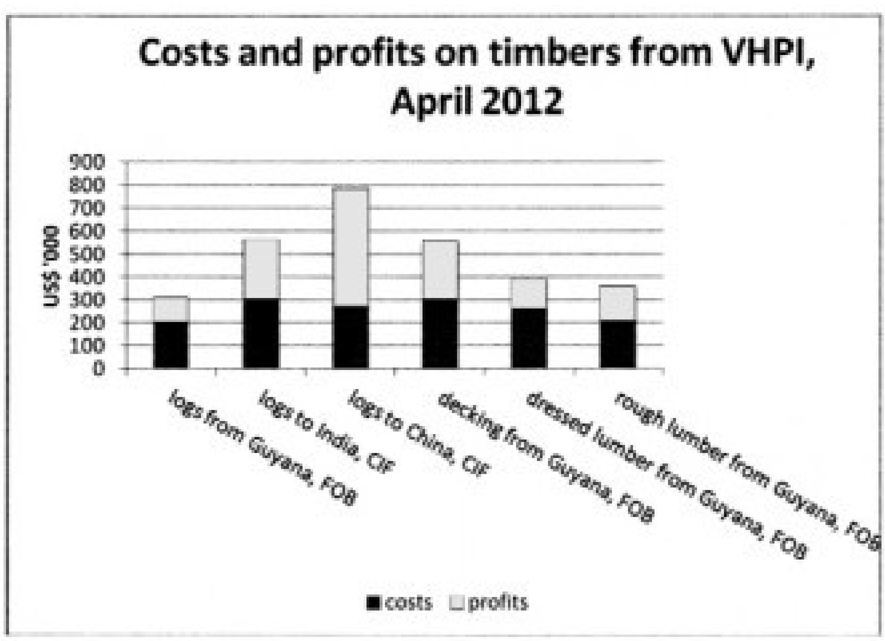
Sawn lumber, rough

Profit on roughsawn lumber exported from Guyana	Cost in US$ '000	Value in US$ '000
Declared FOB value for 400 m3 of rough lumber @ US$ 800/m3		320.0
Production costs from forest to mill gate, 1250 m3 logs @ US$ 100/m3	125.0	
Sawmilling cost @ US$ 125/m3 of lumber for 500 m3	62.5	
Kiln drying cost, not applicable to air-dried roughsawn lumber	0.0	
Moulding cost for decking, not applicable to roughsawn lumber	0.0	
GFC export commission, 2 per cent FOB on air-dried lumber	6.4	
Wharf charges, 400 m3 @ US$ 20/m3	8.0	
Nominal profit to VHPI from exporting unprocessed timber logs		118.1
Income from domestic market sale of 10 per cent of lumber not good enough for export, 50 m3 @ US$ 650		32.5

The figure below shows the comparison between the export options. The ITTO diagnostic mission to Guyana in 2002 noted in its 2003 report that 'It is hard to see that the current practice of exporting logs at very low prices is helpful to Guyana' (ITTO 2003 executive summary, page 13) and this remains true a decade later. This analysis also shows how ineffective in changing the behaviour of log exporters is the export commission when that tax is set so low and adjusted only at long intervals by administrative decision. Instead, the log export commission should be set more conventionally and frequently in relation to a floor price verified by independent trade specialists.

It is entirely rational for the Asian log traders and their Guyanese spokespersons to argue for a lowering or elimination of the log export commission, in order to enhance their already huge profits especially in the trade to China, but such a lowering would be absolutely contrary to national policies endorsed by the National Assembly in 1997.

Note that the costs and profits from exporting logs to India, and from producing and exporting timber decking from Guyana, are almost identical. However, once the logs are in India they can be converted to added-value products. So from the point of view of Café Coffee Day and its subsidiary VHPI it makes sense to export unprocessed logs. Contrariwise, it makes sense in terms of national policy in Guyana to increase the export commission substantially and so lower the commercial profit on log export, thus providing a commercial stimulus to process in Guyana. The tables above can easily be converted into spreadsheets and Excel charts. The GFC, Forest Products Association, Guyana Manufacturing and Services Association, and any individual enterprise can use such spreadsheets and charts to test the effects on costs and profits of changing disaggregated costs (such as higher or lower electricity bills) and changing sale prices.



Rationalising the log export commission is unlikely by itself to stimulate the local forest products industry, increase employment or skills, or enlarge the tax base. Local and external consultants have repeatedly pointed out that the Government needs to take a more integrated approach –

► rationalize the foreign direct investment (FDI) arrangements and eliminate the absurd cost advantage given to Asian log traders through tax concessions when they provide no added value in Guyana;

► ensure that Go-Invest and the Guyana Revenue Authority operate a level playing field for tax audits and tax concessions in the forest sector, instead of the political favouritism now evident;

► re-creating a development bank, perhaps similar to GAIBANK, to make use of the excess liquidity in Guyanese commercial banks for investing in the forest products industry, but learning from the bad experiences of loan defaults of the 1970s and 1980s with sector-related credit;

► reduce the opportunities for corruption in the Customs and Trade Administration which I have detailed in a previous article (Stabroek News, 30 January 2012 – 'The rule of law – inefficiency and corruption in the export of timber logs to Asia') and continue the simplification of the Customs bureaucracy by reducing the choke points for administrative discretion;

► similarly reduce the opportunities for corruption in the Guyana Forestry Commission, eliminating all opportunities for administrative discretion and negotiated penalties, rationalizing the use of the 'compounding' system of minor penalties in accordance with the valid Forest Act 1953 and Forest Regulations 1954, and eliminating the grossly unfair and mis-applied system for sharing out penalty income among GFC staff.

Guyana does not have to be a basket case in forest products processing, and does not have to be the prototypical price taker. Not only the Government agencies but also the private sector enterprises need to operate like normal businesses in developed countries.