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Papua-Neuguinea Foreign Logging Invasion

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PAPUA NEW GUINEA: FOREIGN LOGGING INVASION

"It would be true to say, of some of the companies, that they are now roaming the countryside with the assurance of robber barons; bribing politicians and leaders, creating social disharmony and ignoring laws in order to gain access to, rip out, and export the last remnant of the province's valuable timber."

Judge Thomas Barnett, 1989. Commission of Inquiry into Aspects of the Timber Industry, Government of PNG.

Throughout the South Pacific alarm is growing over a flood of foreign logging operations moving into Papua New Guinea and her smaller neighbours of Solomon Islands and Vanuatu. These governments, having invited these companies in, now find them almost impossible to control. Indeed, the power and wealth of the timber companies is such that they increasingly seem to control the governments. Huge concessions of tropical rainforest continue to be given out to a few huge logging conglomerates - principally Malaysian and South Korean - far in excess of any definition of sustainability. Foreign logging operations plunder the forests and destroy local communities livelihoods and their future.

Driving the rapid expansion is an increased scarcity of logs from Sarawak and Sabah in Malaysia, the traditional suppliers of Japanese, South Korean and other Asian markets. At the same time, rapidly rising global prices for tropical logs make logging more profitable than ever. Papua New Guinea, Solomon Island and Vanuatu are the few countries left in the Asia-Pacific region which still permit log exports.

Papua New Guinea in particular, with its large areas of untouched forests, has become a principal target of Malaysian companies seeking new forests to exploit as Malaysia's forests are logged out.

Exports of logs from Malaysia dropped 30 percent in 1993. Yet even as export volume dropped in 1993, the Malaysian timber industry recorded all-time record earnings. The decline in log exports was inevitable. For years Malaysia has been cited by the International Timber Trade Organization (ITTO) for destructive logging and over-cutting by at least 3 times the sustainable yield. At the same time, the world has watched in horror as indigenous groups land claims have been ignored and their human rights violated.

A very small handful of logging companies have amassed huge fortunes and political power in the process. The owner of one of Malaysia's largest logging companies, for example, is now also Sarawak's Minister of Environment. Rimbunan Hijau scion Datuk Tiong has an estimated personal net worth of nearly 1 billion dollars.

Now Malaysian timber companies - already known for their poor human rights and environmental record at home in Malaysia - are proving to be even more ruthless violators of the environment and human rights in other countries.

Papua New Guinea - The Pacific's "Last Rain Forest".

Papua New Guinea contains the largest continuous remaining tracts of tropical lowland forest in the South East Asia and Pacific region. More than 80 percent of PNG is covered in forest - 35 million hectares spread over an archipelago of 600 islands.

About 15 million hectares are classified as "operable forest".

Both the biological and cultural diversity of Papua New Guinea is unsurpassed. Papua New Guinea's forests contain the highest number of different plant and animal species in the Asia-Pacific region. PNG also has the greatest diversity of indigenous groups in the region. Over 900 different languages are spoken - one fifth of all the languages on earth. This out of a population of only 3.25 million people.

Indigenous people, the customary users of PNG's forests for 30,000 years, are the legal landowners of 97 percent of the country.

They have practised sustainable agro-forestry techniques throughout their history. Even today, these sophisticated techniques sustain most of their populations, yielding a rich diversity of medicines, foods, fibres and other materials from the forests which they own. Indeed, for the indigenous peoples in PNG, maintaining cultural identity and conserving their forests are closely inter-connected.

The forests have an estimated present value in timber alone of \$200 billion, although this is only a crude estimate since no comprehensive inventory has yet been done. Landowners, however, are only receiving on average \$5 per cubic meter for wood which is selling for an average of \$250 per cubic meter at export. Profits to the logging companies in 1993 were an estimated \$450 million.

Many observers believe that if the operable forests were sustainably managed and harvested by Papua New Guineans, they would enjoy one of the highest per capita incomes in the world.

Instead, landowners are ripped off, their trees sold for a fraction of their true value, their forests degraded, and their livelihoods compromised. Papua New Guinea's wealth and heritage is being rapidly drained off to other countries by unscrupulous logging companies.

Malaysian Logging Companies Move In.

To Malaysian logging companies, Papua New Guinea's tropical forests, the fifth largest in the world, are a "goldmine" worth billions of dollars.

The volume of logs leaving Papua New Guinea has quadrupled since 1980, and shows no signs of slowing down. From 1992 to 1993 alone the volume of logs exported increased by a third to 2.7 million cubic meters. More than 80% of these log exports are controlled by one Malaysian company, Rimbunan Hijau. Japan is the principal destination, importing 60 percent of PNG's logs. Ninety seven percent of exports are unprocessed logs.

Further rapid increases in log exports can be expected in the near future. Foreign companies had obtained the rights to export up to 6.4 million cubic meters of logs per year by 1993. Between 50-67 percent of the operable forest in PNG - 7,500,000 to 10,000,000 hectares - are now under the control of foreign companies, and a mad scramble is on to capture the remainder.

Control of timber companies in PNG has passed to foreign hands - Malaysian and Japanese - that now control over 97% of all logging in PNG. Foreign control is often direct, but can also be concealed through tangled webs of subsidiary companies, front companies or manipulations of shareholdings. An estimated 70 percent of the harvesting rights in PNG are held by one Malaysian company, Rimbunan Hijau, operating through a complex tangle of management agreements, takeovers and subsidiaries.

Environmentalists and human rights groups are becoming increasingly alarmed by the deforestation rate in PNG. The most optimistic calculations in 1993 indicated the country would run out of commercial forests in 20 years at current cutting rates - less than a single generation. The PNG National Research Institute estimates current rates of logging are three times the sustainable harvest level. Reforestation is reported to be virtually nil.

More recently, the head of the newly reformed Forest Authority, Jean Kekedo, has stated that PNG would be "logged out" if the present licensed cut was achieved in only seven years. The government is now scrambling to find ways to limit the destruction it has unleashed by allowing too many concessions to be given out too quickly under too generous terms with totally inadequate planning, controls or effective protection of the interests of customary landowners.

The New Robber Barons

In 1989, the results of an Independent government inquiry into the logging industry, the Barnett Commission, revealed a logging industry out of control. Five years later, little has changed, the corruption continues, and if anything the timber companies are even better able to flaunt the law and manipulate the political process in PNG.

Most recently, a Malaysian timber company began publication of a daily newspaper in PNG. The company retains the right to vet articles which it does not like, and obviously exerts considerable editorial influence when it wants. This kind of direct control of the press makes it easy to disseminate propaganda in favour of timber companies interests.

Log exports are badly monitored and controlled, allowing companies to hide large windfall profits. In Papua New Guinea an estimated \$327 million (Australian) of government revenue from log exports is lost each year, according to recent Australian government estimates, due to inability of the government to collect royalties and taxes.

Logging companies employ a variety of techniques to avoid paying proper royalties and taxes including transfer pricing; undervaluing; mislabelling of tree species; smuggling of logs; tax fraud and evasion; as well as simple bribery and corruption of government officials.

Transfer pricing is a way for a company to secretly transfer its profits outside of the country, and appears to be commonly practised by foreign companies operating in PNG. Typically a subsidiary company declares its exports at below market value, and then sells the logs to its parent company while the logs are in transit to their next destination. One Japanese company using the practice declared a loss over five years in PNG, while its parent company showed a concealed profit of \$6.5 million. Alternatively, the subsidiary company imports equipment, supplies or services from the parent company at grossly inflated prices, again for the purpose of erasing any appearance of profit in PNG.

Outraged landowners demand to know why it is that companies which claim to never have made a profit in 15 years not only stay in business but seek to expand their concessions. In fact, until 1986 not a single foreign logging company declared a profit in PNG. The Barnett Commission estimated at least 15 percent of total timber earnings to the government and country were lost due to transfer pricing from 1986-87.

Mislabelling of tree species is another scam which allows companies to make illegal windfall profits. With few inspectors and a high diversity of tree species, high-value logs are simply mislabelled as lower-value species. More simply, logs are simply loaded onto ships unrecorded and smuggled out.

With inadequate Forest Ministry monitoring of logging operations, illegal logging is rampant, making smuggling even easier to conceal. Funding shortages, inadequate training and a history of bad forest practices makes any meaningful inspection or action by the Forestry Ministry unlikely. Some inspectors were found to have no transport at all, not even a bicycle, which could get them to operating sites. One multi-million dollar Japanese controlled company in PNG was found by the Barnett Commission to have been cutting 240,000 cubic meters of wood a year over a seven year period, despite having absolutely no legal authority to log a single tree, much less export them.

Bribery and corruption have completely compromised the effectiveness of Papua New Guineans to effectively collect the revenues due the government. Tacit recognition of this was made when the Forest Minister recently turned over management responsibility for monitoring and collecting revenue from the logging companies to a Swiss consulting firm.

In fact, the new logging economy is undermining all aspects of national political self-determination. The logging companies openly created and now generously support a "private" political lobbying group, the Forest Resource Association, to influence PNG's political process. The group is quite effectively using a misinformation campaign and dubious lobbying techniques to ensure that PNG's legislation is

favourable to the Malaysian logging interests. Legislative initiatives to bring logging under control and improve benefits for landholders are squashed.

To avoid taxes companies will often declare bankruptcy. The same owners will then just create a new company and move on to a new area. Since PNG's independence, 46 logging companies have come to PNG, logged their concessions and left without paying PNG any income tax.

FORESTS DESTROYED

"We are experiencing the most savage ecological and environmental damage ever seen in this country."
M.F. Henderson, Pacific Heritage Foundation, 1993.

Environmental damage is high in these logging operations. While on paper, PNG has good environmental legislation, in practice few companies appear to be in compliance with even the most basic provisions of the law. As recently as 1990, the Department of Environment and Conservation estimated that less than 25 percent of timber companies had filed an Environmental Impact Assessment (EIA) as required by law. This is not surprising given that responsibility for reviewing and recommending changes to the EIAs of all timber applications for years fell to only one man for all of PNG. In a recent scandal, it was discovered that the same basic EIA was submitted for dozens of separate logging operations working in a broad range of different ecological settings.

While there are a few areas which are being clear-felled in one go in PNG, mostly for conversion to oil-palm plantations, so-called "selective" logging - better described as "predatory" logging - is the norm. Loggers comb the forest seeking out high-value tree species, which they remove in a fashion highly destructive to the remaining forest.

Surveys of logging operations found *"the enormously destructive harvesting and extraction methods that are generally practised by the loggers will ensure that it is unlikely that there will be recovery in under 60 to 70 years."* And whereas removal rates on average of 18 cubic meters per hectare were observed, the sustainable cut rate has been estimated at around 1 cubic meter per hectare.

Thirty to forty percent of the soils were found to be badly compacted by the heavy harvesting equipment. Once compacted, production on these soils plummets, and new trees grow stunted and of poor quality. Likewise, the soils have been ruined for productive agricultural or tree plantations as well.

In forests under Rimbunan Hijau control, local communities have reported environmental violations which include logging too close to river banks, logging on slopes greater than 30 degrees, trespassing, polluting water, high levels of soil erosion, and drastic reductions in wildlife.

Regeneration of the forests is scandalously non-existent. Despite promises by the logging companies to replant or regenerate, few do so.

Unfortunately, the government seems to be spending more attention on planning further concessions in the remaining forests rather than halting or changing what is happening in existing concessions or enforcing existing laws. In many ways this is the real story. Besides being shackled by the influence of bribed politicians, the government appears to be afraid to enforce the existing laws because they appear to have made so many mistakes in negotiating past concession agreements. It is the government which would now have to compensate these companies if they brought them into compliance with current laws.

PEOPLE BETRAYED, LANDOWNERS CHEATED

"To strip the forests for short-term profits that will fall into the hands of the greedy is no way to ensure 'development'." PNG Opposition Leader, Chris Halveta, 1994.

Communities in PNG with limited experience of the cash economy offer easy targets for fast-talking logging companies offering handfuls of cash and promises of roads, schools, health clinics and jobs. But the reality has typically turned out to be something else, with people cheated, the environment destroyed and the communities thrown into conflict.

Royalties to land owners represent a pittance of the value of the trees. NGOs estimate that for every \$30 in profits made by the timber companies, they pay only one dollar in royalties to the landowners.

In addition, the traditional livelihood strategies of local villages are undermined and destroyed. Women complain that springs and streams used for centuries for drinking water dry up. Siltation of streams and rivers by soil erosion, heavy machinery driven up and down streams, and other damaging practices destroy fishing stocks used for food. Wildlife disappears as the forest is destroyed, eliminating another important source of food. Water is polluted, increasing the incidence of diarrhoea and other diseases.

Jobs which should go to Papua New Guineans as drivers, loggers, etc. are often given to imported Malaysian workers instead, further alienating local landowners from any economic benefits they might gain through the destruction of their forests. What limited cash which does come into the communities is often then spent at stores owned by the logging companies themselves.

Other social impacts include increased incidence of sexually transmitted diseases in the proximity of logging camps, prostitution and harassment of women by Malaysian workers.

Communities solidarity is frequently disrupted. "We were once brothers, now we are enemies", is the comment frequently heard in interviews with local landowners.

Landowner Education Programs

The tragedy of course is that from a community development perspective, there are much better and more promising alternatives to selling the trees to foreign logging companies. Landowners' honest and justified desires to enhance their development needn't be betrayed by the actions of the logging companies.

Successful landowner awareness programs, sponsored by PNG initiated and controlled environmental and grassroots development NGOs, are under way which aim to show landowners the well documented social and environmental costs of industrial timber development. Alternative development approaches are suggested which are more effective at meeting local peoples' aspirations without destroying their forests in the process.

Landowner awareness patrols work with landowners to identify *"development options which can better fit the reality of PNG lifestyles rather than continually relying upon Western, hierarchical, imposed outside development options."*

Ecologically responsible forms of logging which generate greater amounts of local employment, and provide higher returns to landowners for their logs have been developed and are being implemented in a number of different areas. Such eco-forestry projects have had some good success with "Wokabaut Somils", small portable sawmills which allow local landowners to turn mill logs on site. In conjunction with training in ecological forest management, the lumber from these operations is finding ready markets in the growing eco-timber business in the Europe, Australia, New Zealand and North America.

Currently an estimated 500 wokabaut somils are in operation in PNG. Results so far show a much higher return to local landowners, plus their forests are managed on a more sustainable basis, ensuring that benefits will continue longer into the future.

Obstacles to their development include lack of access to the small amounts of capital needed at the local level to purchase equipment and provide training. At the governmental level, there is a confusion which believes that development must come from outside the country, rather than rising up from the skills and energies of the local communities themselves.

Greenpeace is seeking a transformation of the commercial use of forest resources. Greenpeace works so that local skills, knowledge, practices and customs set the framework for the development of alternative socially and ecologically responsible forest use practices. Further details can be found in the Greenpeace Forest Campaign's "Principals for Ecologically Responsible Forest Use."

Greenpeace works both in PNG and internationally to support local community and NGO initiatives which promote the development of alternatives and increase public knowledge about the situation facing Papua New Guinea, its peoples and forests.

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