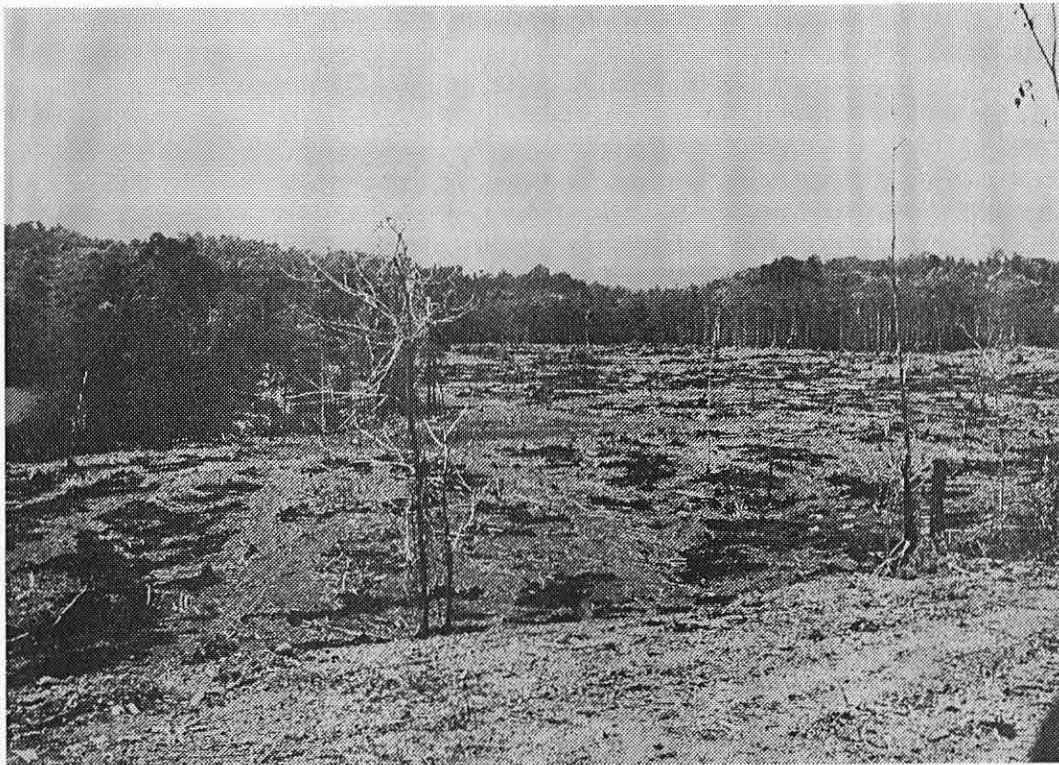

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Solomon Islands
Concession Fever

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SOLOMON ISLANDS: CONCESSION FEVER

"We are not prepared to see our forest resources kidnapped and our peoples' lives squandered."
Solomon Islands Prime Minister Francis Billy Hilly, August 1, 1994 on announcing suspension of a Malaysian timber companies logging license.

The Solomon Islands' 2,000 kilometre long archipelago dotted with rainforests is one of the latest countries to come under assault from Malaysian logging interests. Solomon Islands has 3.5 million hectares of rainforests. Due to the rugged topography and steep slopes, only 25 percent is classified as commercially operable forest. 150,000 hectares of the Solomon Islands' 850,000 hectares of commercial operable forest have already been logged.

In the last three years the Government of Solomon Islands has given out excessive concessions to Malaysian logging companies such that the forests, which were harvested at near sustainable levels as recently as 1991, now look to be depleted of all valuable timber in only 5 to 8 more years.

Landowners are furious, and even the Ministry of Forests seems to be waking up to the ecological and social horror it has created. Tragically, having given out the concessions, it is now proving nearly powerless to control the logging monster it has unleashed.

The Solomon Islands is one of the few tropical countries left in the Asia-Pacific which has not yet banned exports of raw logs. Japan and South Korea are the number one and two log importers respectively, although logging operations themselves are typically controlled by Malaysian logging interests.

The Concession Trap

For a country with chronic debt problems and shortages of cash reserves, promises of multi-million dollar investments in factories, roads and infrastructure in exchange for logging concessions look like an attractive short-term option. But most deals are struck virtually overnight with little consultation or careful planning, and the logging industry has taken on the character of a runaway freight train which will derail the country's economic future.

According to a leaked World Bank study, until 1991 annual harvest rates were below the 325,000 cubic meters per year sustainable yield limits. Since then log exports have skyrocketed. From 292,000 cubic meters in 1991, log exports doubled to 543,000 cubic meters in 1992, increased by yet a third again to 700,000 cubic meters in 1993, and have then doubled yet again to an estimated 1,300,000 cubic meters for 1994.

It appears that even further increases in harvest rates could be expected for 1995. Recent news reports now tally total concession agreements in Solomon Islands at 3,000,000 cubic meters per year, over nine times the sustainable rate, and double the level of concession agreements reached in 1993.

Concessions have been given out before proper surveys and assessments of the forest have taken place. Inevitably, most of these concessions have spilled out into land that is too fragile to ever effectively recover from logging. Flooding, soil erosion, destruction of fisheries and wildlife, poor regeneration and a permanently scarred landscape are the inevitable result.

Even the World Bank is very alarmed. In 1993 it recommended to the government an immediate moratorium on new concessions. Nonetheless, since then at least two Malaysian companies have obtained huge concessions. In a \$61 million deal, Berjaya Group obtained concession agreements for

645,000 hectares and a sawmill, while another 468,000 concession passed to Kampalon Emas Bhd.

Noting the less than \$20 paid for parts of the concession, a Berjaya group spokesperson gloated, *"This compares favourably with an average of about \$950 per hectare in Malaysia."* Berjaya Group was seeking a 5 year tax holiday as an additional bonus to the already low price paid for the concessions.

Bribery Attempt of Minister

It was during these further negotiations that the Berjaya Group managing director was caught attempting to bribe a Minister. The \$10,000 dollar bribe offer was made to Minister of Commerce, Employment and Trade, Joses Tuhanuki, and revealed at a news conference in July. In his statement, the Minister said, *"The timber industry really is a curse on the Solomon Islands."*

Environmentally, politically and economically, it is distorting the normal process and undermining our sovereignty." It appears that Berjaya's serious mistake was in attempting to bribe an honest politician.

Bribery by foreign logging companies is a widely acknowledged problem, but difficult to prove. At the local level, numerous officials are observed by villagers to show signs of large and mysterious increases in wealth well beyond anything that even the most miserly official could obtain from his salary.

As pressure increases on the Solomon Island government to do something to control the loggers and protect its own future, the loggers are scrambling to take out as much as they can as quickly as they can. Operations are working 24 hours a day, and log exports have increased dramatically.

National Sovereignty Undermined.

Minister of Forest, Conservation and Environment, Ezekial Alebua, appears almost fatalistic about the situation, however, saying, *"there is nothing the Solomon Islands government can do about this increase because it is legal."* He further adds, *"bearing in mind the licenses were issued under the current law, there is nothing immediately we can do to bring down the quota to 325 thousand cubic metres per annum."*

Having given the concessions out, the Solomon Islands finds it has neither the legislative powers to reign the loggers in, or the cash resources to buy them out.

Broken Promises, Degraded Lands

Most of the logging takes place on the 86 percent of the Islands which are owned by the customary landholders. According to a World Bank - IMF study, *"recent surveys of landholders opinion appear to confirm that landholders who have sanctioned logging operations, have, in most cases, been disappointed with the results."* The report continues, *"agreements undertaken by the logging companies to protect environmental and social values of the forest and to provide certain infrastructure, have been poorly observed."*

Local landowners, many of whom cannot read or write, are easily manipulated into signing agreements against their interests. Companies will bring landowners from remote villages to the provincial centre for a few days of free hotel, food and alcohol. Landowners are often encouraged to sign logging agreements after they have become drunk. Companies make verbal promises to build schools, clinics, water supplies and other things, but fail to put them in writing into the logging agreements.

Bad logging practices are routine. Local cultural values are violated when, for example, Tambu sites are destroyed.

Environmental impact assessment studies are not done. NGOs note the building of ungravelled roads; high soil erosion; oil and chemical pollution; rivers, streams and springs destroyed with associated loss

of drinking water supplies and fish stocks; cutting down of mangroves; and the blasting and digging up of coral reefs among other problems.

Assessments of present logging methods practised by foreign companies estimate that it will take up to 150 years for the forests to recover to a state where marketable timber exists.

Local landowners are receiving little economic benefit from the logging. Trees which the landowners are paid \$2 to \$14 yield logs which are sold on the international market for \$750 to \$1450. Meanwhile, the social and environmental costs of the logging operations - lost fishing, hunting, silted and reduced water supplies, soil erosion, etc. - are born by the landowners for decades to come, while the timber companies' profits are put to use somewhere else.

Bankrupt Malaysian Development Model

The Malaysian investors hold out the promise of accelerated development, modernization and industrialization. They encourage governments to believe that huge concessions and promises of wood processing factories offer the best development hope for the country and a mechanism to greater economic independence. This is unlikely to be true for several reasons.

First, sustained economic development depends on the sustainable use of the natural resources which underpin it. With the Solomon Islands' operable forests estimated to be depleted within 5 to 8 years, it is doubtful if many of the promised factories will ever be built, or if they are built that they will be used for long before they are closed. Until annual harvests can be reduced to sustainable levels, wood processing industries and associated jobs will have little future.

Secondly, few of the processing facilities are, in any case, economically viable. According to the World Bank study, *"the present policy of requiring all log exporters to be also domestic wood processors has resulted in a proliferation of inappropriate, underutilized mills and very little change in the ratio of logs exported to logs processed locally, with over 90% of logs exported."*

Thirdly, even if the strategy of shifting to highly industrialized processing facilities such as plywood mills were successfully completed, the World Bank cautions that governments realistically, *"should not assume that the international market for processed timber products will prove any easier to enter in the future than it has been in the past: major domestic processors in consumer countries will continue to use all means at their disposal to exclude processed product imports."*

Fourthly, companies can not easily be held to their promises for infrastructure and factories. High present landowner dissatisfaction is already a good indicator that this will be a continuing problem. As timber is depleted in the near future and profitability to companies declines, it is all too easy for the local branch companies to declare bankruptcy and walk away from their obligations.

Finally, the market for wood products in OECD countries is changing. Again, according to World Bank studies, *"an increasingly important factor in the market will be the ability to certify sustainability of production"* if market access is to be maintained in the future. The World Bank expects the profitability of sustainable forest production on a per unit basis to increase markedly in the future.

Educating Landowners

Because so much of the forest in Solomon Islands is legally controlled by customary landowners, foreign companies must also hold public meetings and negotiate more specific cutting agreements with the local landowners. Negotiations with landowners are often very one-sided since the landowners do not usually have all the information about the pros and cons of the offers and their own rights that they need in order to make truly informed decisions. The result is that many landowners who have already made agreements with foreign companies have come to regret their decisions bitterly.

Non-governmental organizations, including Greenpeace, have been holding workshops in villages to help landowners better understand the issues involved before making decisions about the development of their forests. Workshops cover such areas as negotiations, the social and environmental impacts, including impacts of logging on fishing and hunting, and alternative eco-forestry approaches. The goal is to educate landowners so that they understand the issues BEFORE they agree to allow their trees to be logged.

Eco-forestry Alternatives

Greenpeace is working to help establish community-based eco-forestry projects as viable development alternatives. Although more complex to establish and requiring greater initiative on the part of the landowners, they also offer greater opportunities and higher returns for local communities once they are established. Consumer demand for eco-forestry timber is growing quickly, and Greenpeace is also helping to link eco-forestry producers with regional and international markets for their products.

Code of Conduct

At the regional governmental level, the threat posed by Malaysian logging companies to sustainable development is a widely discussed topic. The South Pacific Forum at its most recent meeting in August, expressed *"concern at the way in which forests throughout the region and the world are being harvested in a highly destructive manner."* It further agreed, *"to work towards a common code of conduct governing logging of indigenous forests, to which companies operating in their countries will have to adhere."*

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