



global witness

Illegal logging in Papua New Guinea and links to global supply chains

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About Global Witness

- International NGO founded in 1993
- ~100 staff, offices in London, DC, and Beijing
- Investigates and campaigns to prevent natural resource-related conflict and corruption and associated environmental and human rights abuses
- Investigating illegal logging in Papua New Guinea and associated supply chains since 2014

Outline

- Overview of illegal logging in Papua New Guinea (PNG) and its timber trade
- Abuses of land leases in PNG
- Supply chain research in China and U.S.
- Responses to our findings by industry and governments

PNG is world's largest exporter of tropical logs, and China's largest supplier

- PNG exported ~3.5 million m³ of logs in 2016, nearly 90% to China; minor destinations include India, Vietnam, Japan, Korea, Singapore, Taiwan
- PNG supplies 30% of China's tropical log imports, neighboring Solomon Islands another 20%
- PNG and Solomon Islands have high rates of illegal logging

“Illegal practices are widespread, and the weight of available information ... suggests that the majority of timber production in PNG is illegal in some way.”

Chatham House, April 2014

About Papua New Guinea

- 279,000 km² of closed canopy tropical rainforest – world's 3rd largest block
- ~8 million people; more than 800 languages and diverse traditional cultures
- ~97% of land (and forest) belongs to indigenous communities; critical for livelihoods
- 7% of world's plant and animal species, many endemic



PNG's logging industry – a high risk sector

- PNG ranks in the bottom 20% on Transparency International's Corruption Perception Index (CPI) and World Bank's World Governance Indicators for Rule of Law and Control of Corruption
- 2003 World Bank-funded assessment found widespread illegality in major logging concessions – WB pulled out of sector
- Logging sector controlled by companies with links to Malaysian states of Sarawak and Sabah where corruption a major issue
- Little oversight of logging operations by government; police paid by logging companies; many instances of violence and intimidation against indigenous communities
- SGS monitors log exports but does not verify that logging permits, land allocations, or logging operations comply with legal requirements

Illegal land grabbing under SABLs

- PNG's Constitution and legal framework recognize customary ownership of land and forests
- 85% of population live outside of cities and depend on land, forests, rivers and oceans for livelihoods
- More than 50,000 km² – 12% of PNG's land area – was leased to foreign-controlled companies using Special Agriculture and Business Leases (SABLs) since early 2000s
- Most SABL operations linked to Malaysian logging interests – some leases merely a front for logging, others used to clear rainforests for oil palm

SABLs: Evidence of illegality

- Commission of Inquiry (COI) was set up in 2011 to review 77 SABLs after international outcry; published 1000+ pages of findings on dedicated webpage in 2013
- COI recommended 38 out of 42 SABLs be revoked or suspended due to legal violations; found evidence of widespread corruption and fraud; failed to publish recommendations on remainder of SABLs
- Court decisions have struck down five SABLs following landowner challenges; other court challenges still pending
- Global Witness investigated 4 SABL operations between 2014 and 2016; dozens of indigenous landowners said they did not consent to SABL; faced intimidation and sometimes violence by police paid by loggers
- Numerous NGO, academic and media reports document abuse of SABLs

“...unless strong evidence of legal compliance can be secured, any logs sourced from SABLs should be avoided until the Government has formulated and implemented a comprehensive response to deal with the issues laid out in the Commissions of Inquiry reports.” IGES / RAFT, 2013

Drone image of rainforest slated to be cleared under SABL: Pomio District, East New Britain, September 2016



Drone footage of rainforest recently cleared under SABL: Pomio District, East New Britain, October 2016



Despite landowner opposition, ~21,000 ha rainforest on customary land cleared for oil palm in Pomio District

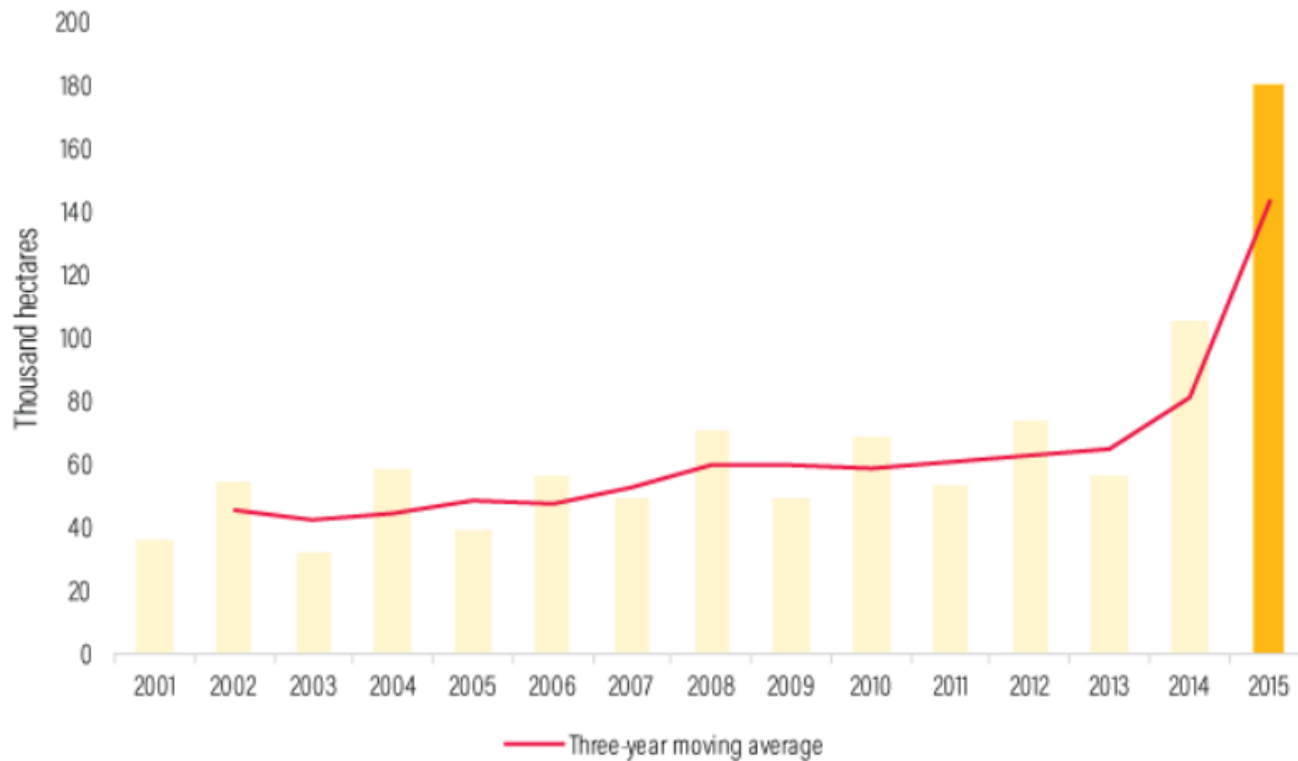


“We don’t want the SABL, we don’t want oil palm... We want our land back. That’s our mother. Without the land, we cannot live.”

Mary Bailonakia, landowner from Pomio District, April 2014

Spike in deforestation in PNG linked to SABLs

Papua New Guinea Tree Cover Loss



<http://bit.ly/2015TreeCoverLoss>



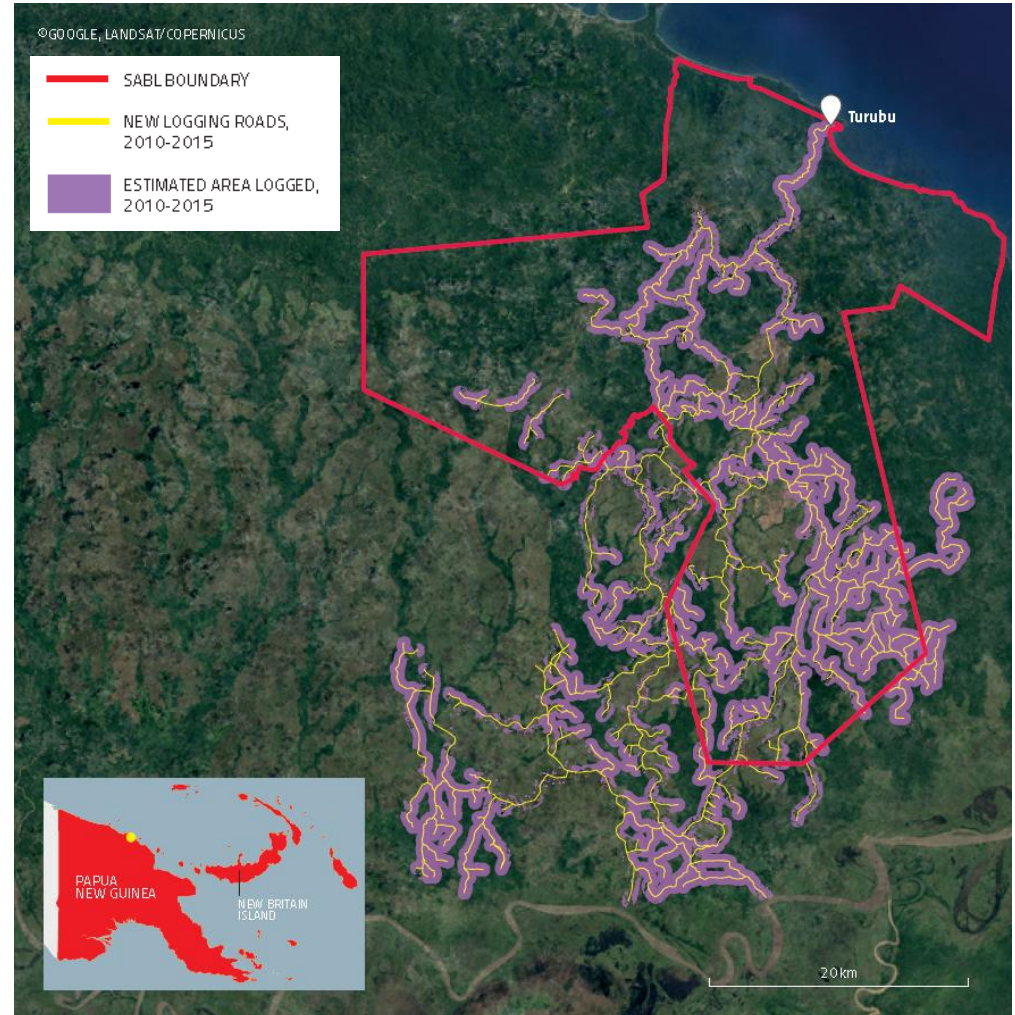
WORLD RESOURCES INSTITUTE

Case study 1: “Turubu” SABL in East Sepik Province

- 1160 km² land lease and forest clearance permit issued to a Malaysian-controlled companies; logging began in 2010
- Commission of Inquiry recommended the SABL be cancelled for violating customary land rights among other illegalities
- Government included it on a list of cancelled SABLs published in a national newspaper in July 2014
- National Court ruled the SABL was null and void and all operations under it illegal in July 2014; decision was appealed to Supreme Court, staying National Court decision
- Hearing delayed two years while logging continued; Supreme Court upheld National Court decision in August 2016, finding lease violated the PNG Constitution and Land Act
- By then over 600,000 m³ of logs had been exported to China

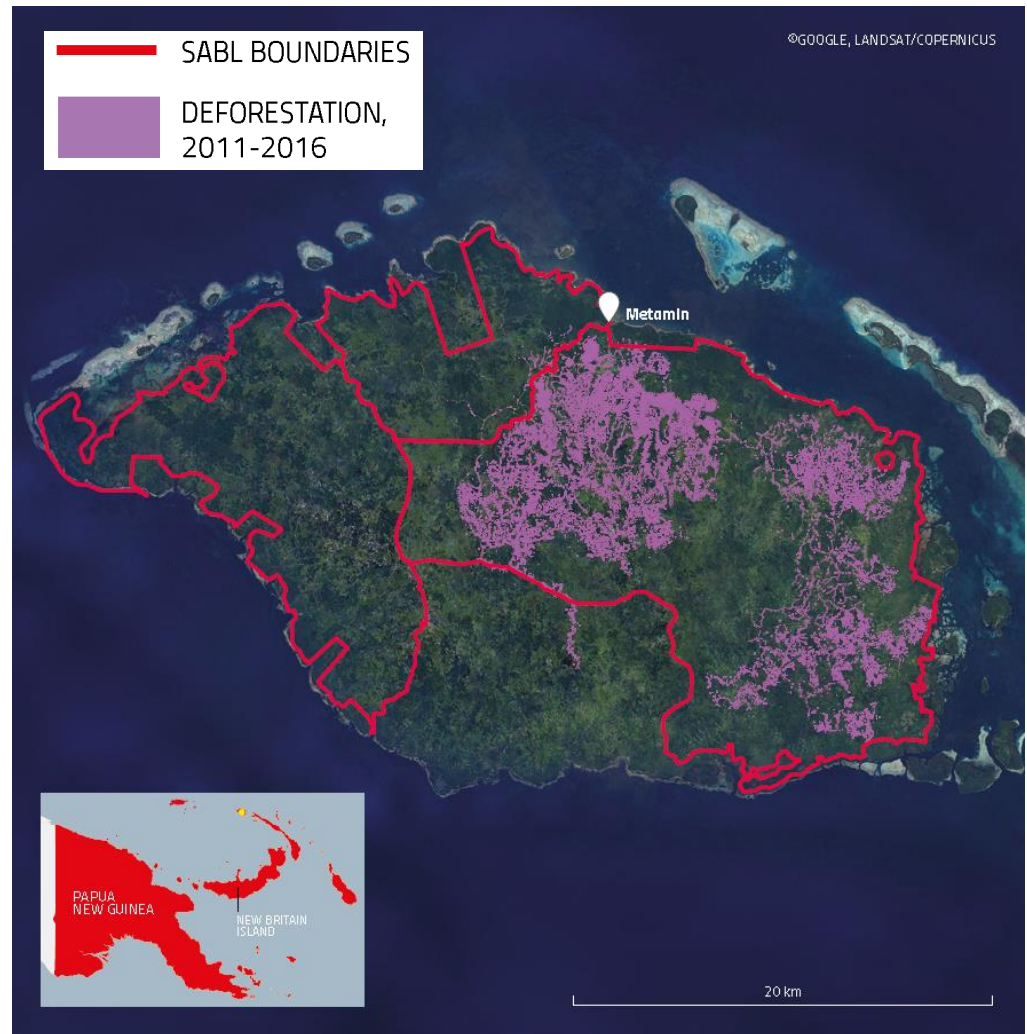
Case study 1: “Turubu” SABL in East Sepik Province

- Estimated 51,000 ha of mostly intact forest logged
- 45% of logging outside SABL boundaries
- No agricultural activity has occurred on forested land
- Six shipments of logs cut under Turubu SABL exported to China after the 2016 Supreme Court decision

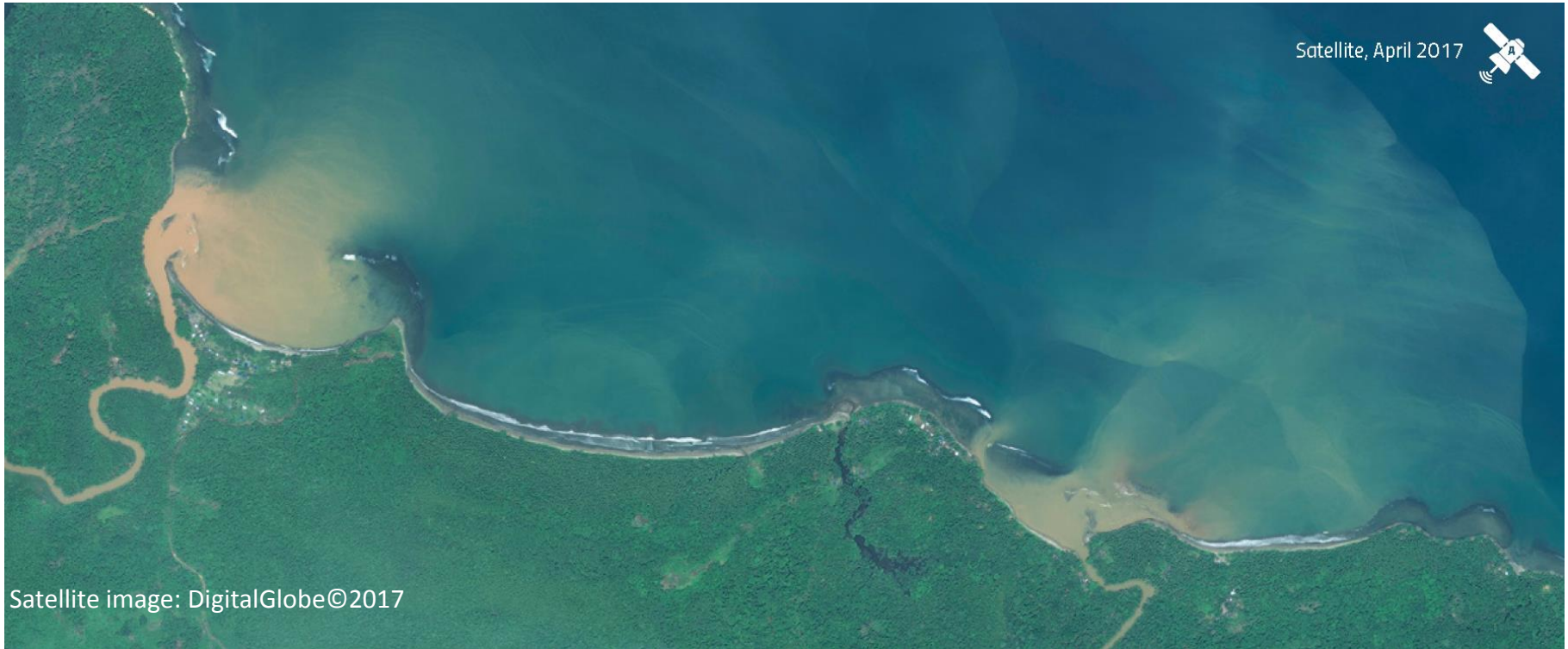


Case study 2: New Hanover island SABLs in New Ireland Province

- COI found majority of indigenous landowners “totally unaware” their land given away, evidence of fraud and forgery
- COI recommended the SABL be revoked
- 612,145 m³ logs exported by January 2017, Logging continues
- 96% to China, remainder to India, Vietnam and Japan



Case study 2: New Hanover island SABLs in New Ireland Province



Satellite image showing rivers and bay polluted by run-off from logging and forest clearance on New Hanover

Case study 2: New Hanover island SABLs in New Ireland Province



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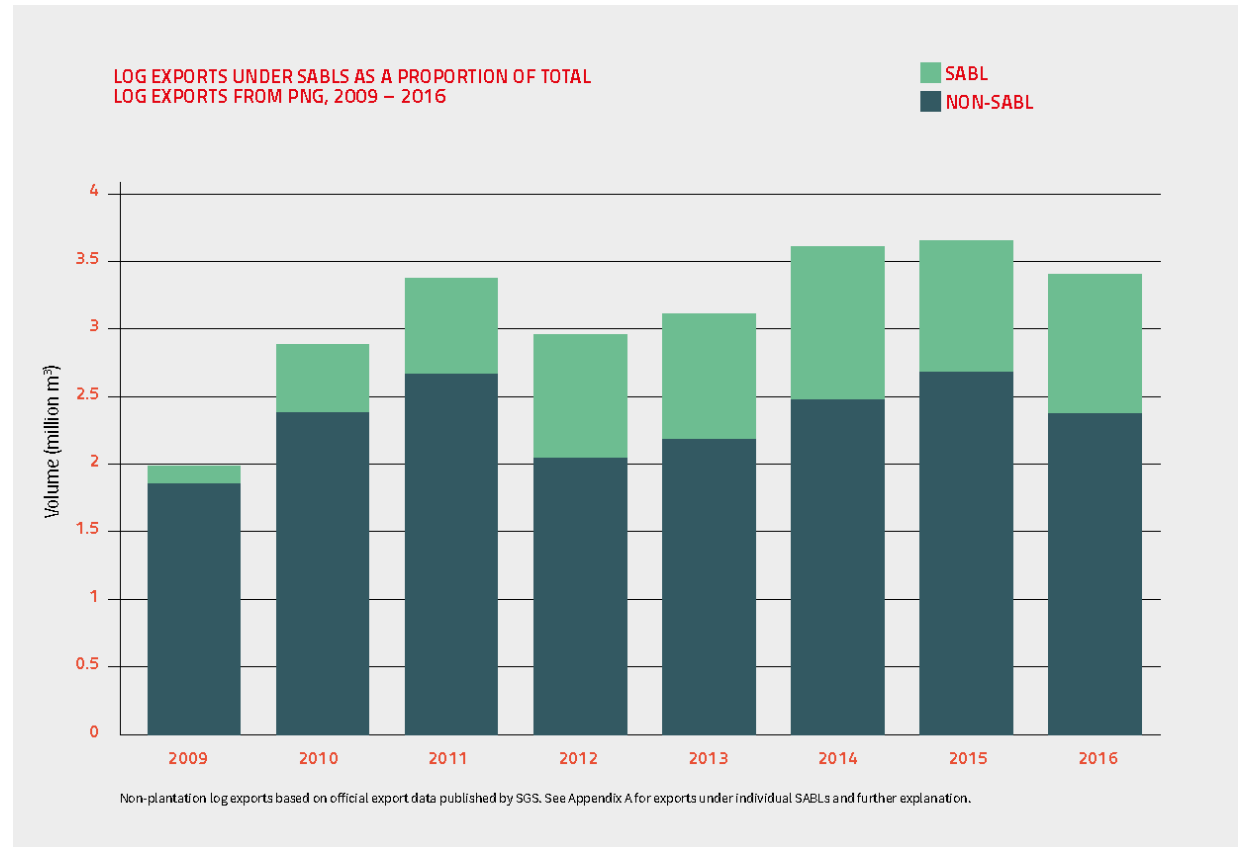


“All we are witnessing is misery, is destruction. We will have nothing left in the future. We will have no trees. These are burdens we will be faced with for a long time to come. We just want our land back.”

John Aini, community activist, New Hanover island, April 2016

Since 2012, a third of PNG's log exports come from SABLs despite government commitments to cancel illegal leases

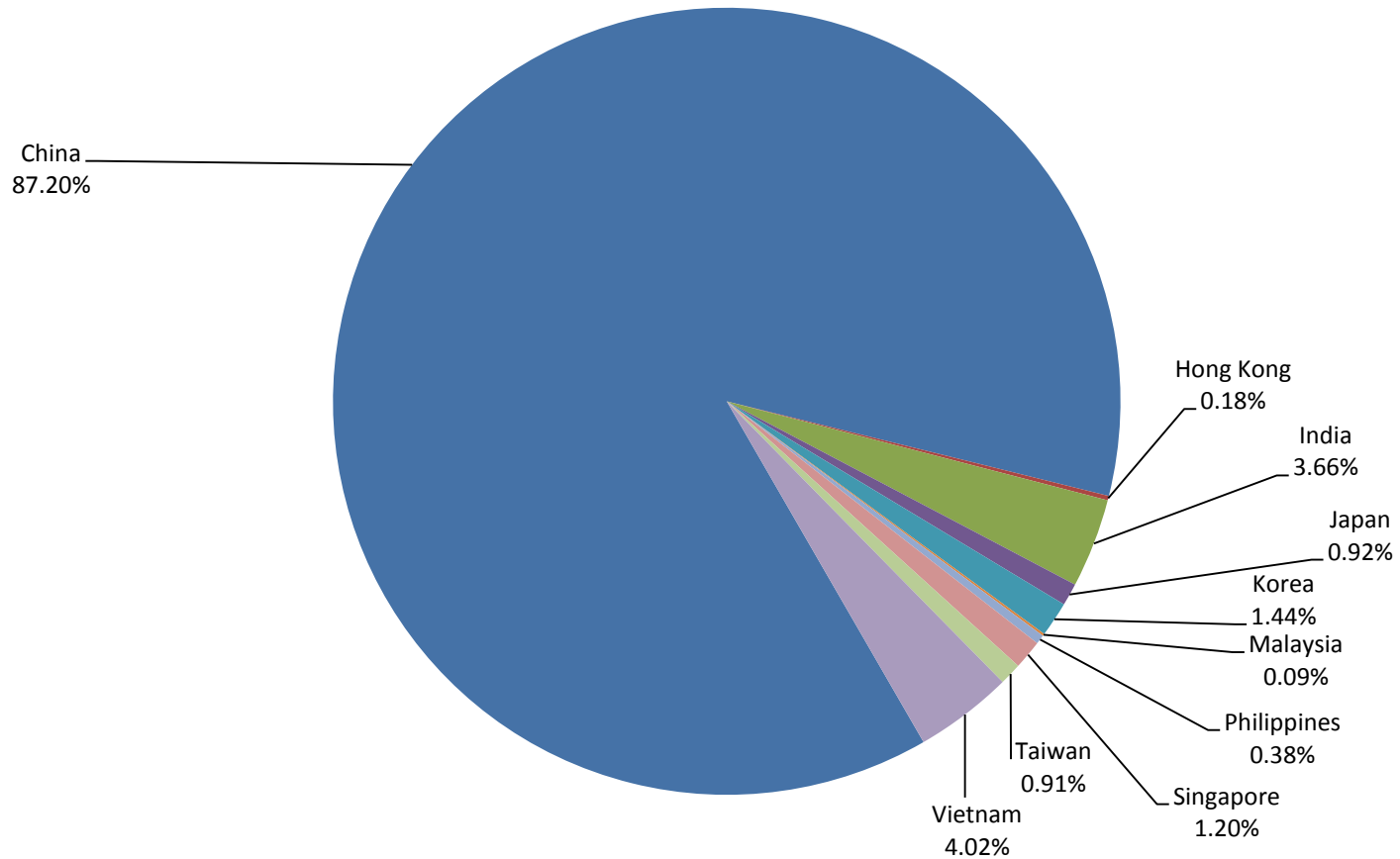
"...we have cancelled all the leases. All the SABL licenses are illegal in this country."
Prime Minister Peter O'Neill at March 2017 press conference



Over the past year, the PNG government has repeatedly stated that SABLs are illegal and will be cancelled, yet no action has been taken to revoke permits or halt logging under SABLs.

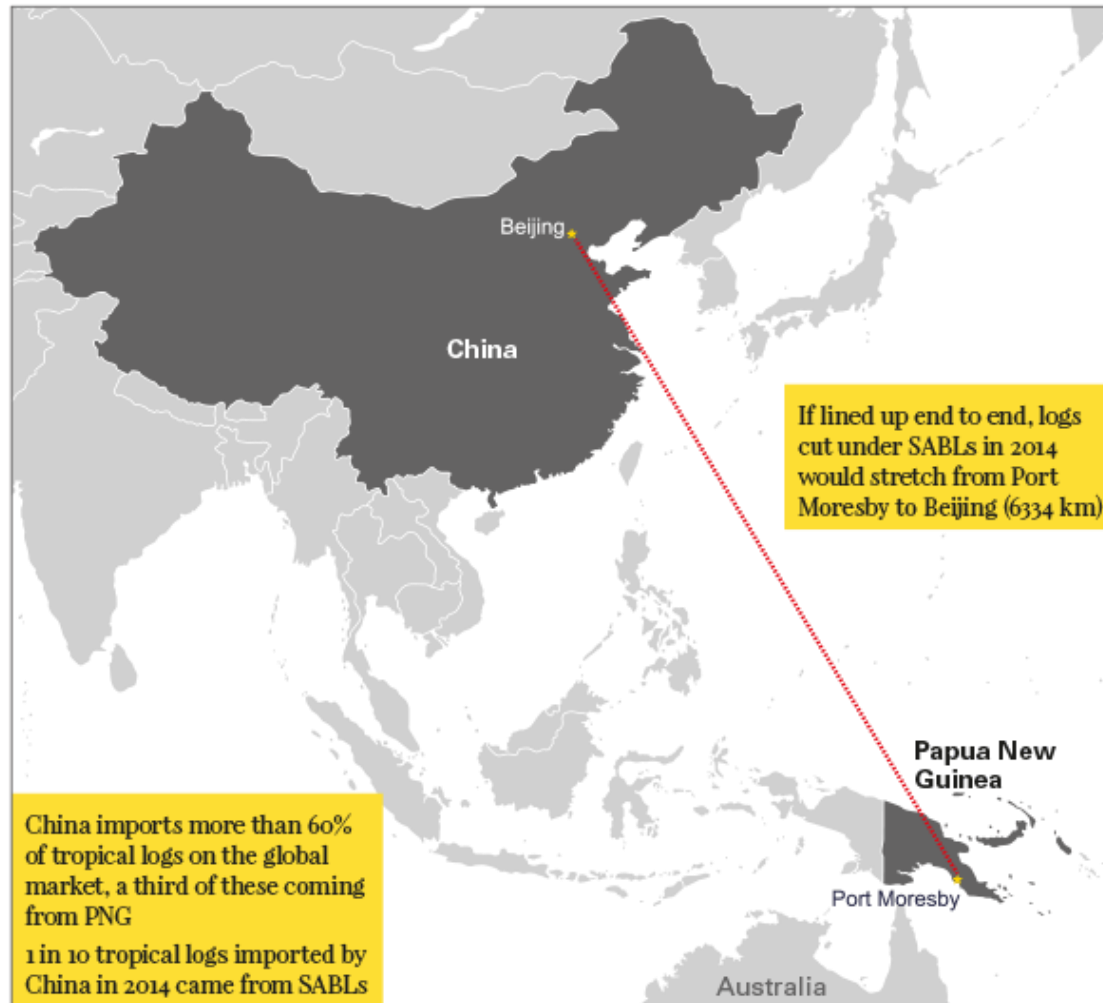
Most of PNG's log are bound for China

Proportion of PNG log exports by destination, 2016



Source: PNG export data published by SGS

Roughly one in ten tropical logs imported by China since 2012 were cut under SABLs



Source: Global Witness, 2015

Chinese importers have close ties to logging operations in PNG

- 15 importers account for 85% of China's log imports from PNG
- Two of the largest Chinese log importers invested directly in SABL logging operations in PNG
- Most log importers did not respond to our request for comment
- A single importer responded to say it had avoided logs from SABLs due to legality risks

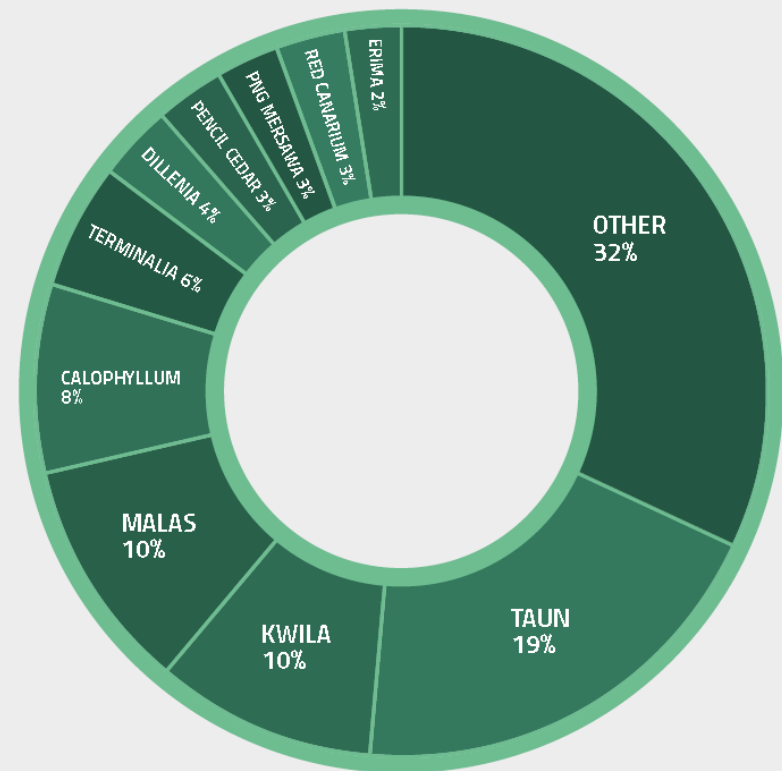
Right, WeChat post by Chinese importer announcing arrival of logs from an SABL



PNG exports many commercial timber species

- PNG's most common commercial species – *taun* or *Pometia pinnata* – is mainly used to make flooring
- Other species used for plywood, furniture, paneling, many other wood products
- We researched the *taun* flooring supply chain in 2015-16
- An estimated 15-20% of *taun* on Chinese markets came from SABLs in recent years

10 MOST COMMONLY EXPORTED SPECIES FROM PNG IN 2016



Proportion of non-plantation logs exported in 2016 (all log grades, total volume 3,406,104 m³)

SGS tags on logs from PNG identify logging permit type and allow tracing along supply chain



Complex solid wood flooring manufacturing supply chains; little traceability

- Flooring hub of Nanxun has around 300 flooring ‘blank’ manufacturers
- Almost no effort to verify legality or even keep track of country of origin (eg. PNG or Solomon Islands)
- Visited >30 blank manufacturers using PNG species, identified SABL logs at half the facilities visited
- Most flooring finishing companies buy from numerous blank manufacturers, relationships often fluid



Evidence of high risk flooring exports in U.S.

- Majority of *taun* flooring made from PNG species is sold in China – some exported including to U.S. and Canada, but not Europe
- Interviewed ~16 Chinese flooring manufacturers; some said large U.S. companies worried about legality after Lumber Liquidators case, but smaller importers not concerned about Lacey Act
- Wrote to 10 North American companies selling *taun* flooring in U.S. under trade names like Pacific Mahogany



Company responses - Asia

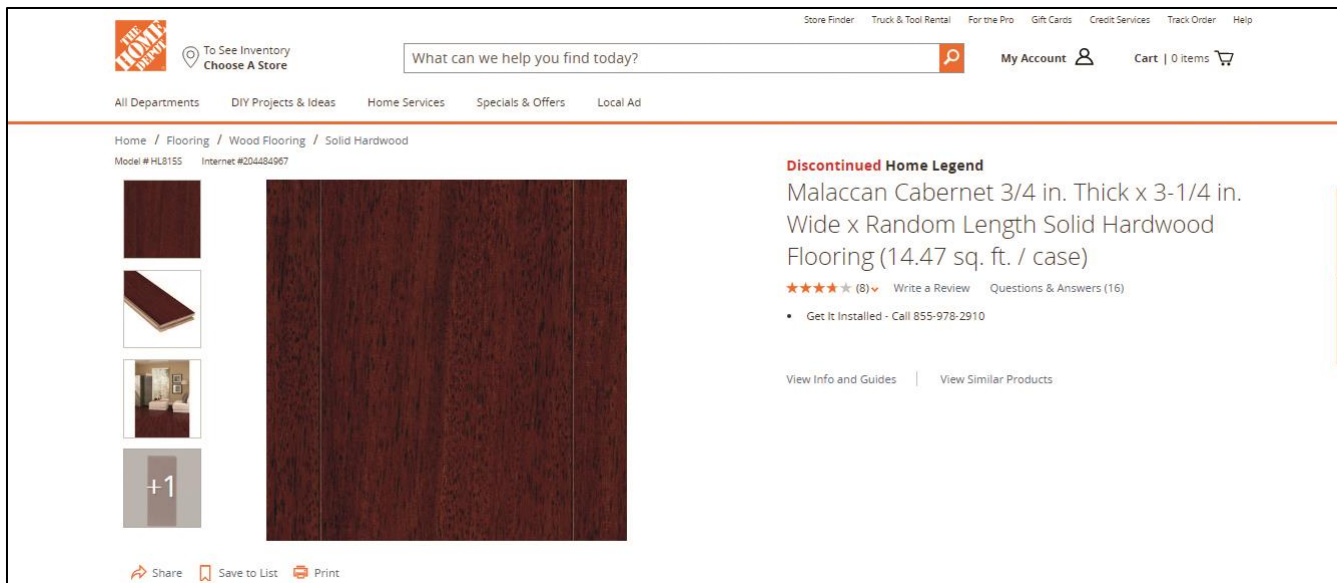
- Nature Home, China's largest flooring brand and member of WWF's GFTN, said it would "pause" new procurement of *taun* flooring by its U.S. subsidiary while reviewing its sourcing policy, and would not allow manufacturers to use wood from SABLs
- Other flooring manufacturers didn't respond or denied use of illegal wood
- Major Japanese trading company Sojitz Corporation stated it would stop buying logs from SABLs
- Most buyers of logs from SABLs did not respond (some were front companies in offshore jurisdictions)

Full responses from companies are included in our Stained Trade report:

<https://www.globalwitness.org/en/campaigns/forests/stained-trade/>

Company responses – U.S.

- Home Depot's supplier Home Legend said it would stop selling flooring made from wood sourced in PNG and Solomon Islands, committed to reviewing and publishing sourcing policy; both companies said they complied with the Lacey Act but have stopped selling the flooring
- Other *taun* flooring sellers in U.S. did not respond (Ark Floors International, Country Wood Flooring, Hara Bamboo Flooring Trading, Menards, Brianmel)



Response from Chinese government

Chen Young, Deputy Director, Center for International Forest Product Trade, SFA, was quoted in *Southern Weekly* article about PNG (10 August 2017) outlining three step approach to tackling the trade in illegal timber:

“Step One, producing country-specific timber legality assessment guide whilst conducting training and capacity building for enterprises, with the aim to enhance legal operation of companies and raise awareness of self-discipline of the industry; Step Two, developing management measures by relevant supervisor in the industry to enhance the management and regulation of timber legality. If proven effective, these measures go into Step Three: legislation. Legislation is important to combating illegal logging and supporting relevant trade measures.”

Translated by Global Witness

Update from PNG

- More than 6.3 million m³ of logs from SABLs exported since 2009; ~40% from leases COI recommended by revoked
- Logging under some SABLs continues, but down >40% from 2016
- New clearance permits (FCAs) for “road line” and large-scale agricultural projects being issued; targeting intact forests; infrastructure/agricultural ambitions often dubious
- Secretive and opaque allocation processes – government does not respond to our requests or publish information
- No evidence underlying issues leading to customary land rights violations have been address
- New Lands Minister has promised to investigate corruption, set up new committee to review SABLs and cancel fraudulent ones

Thank you!

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