



# Partners in crime

*Malaysian loggers,  
timber markets and the  
politics of self-interest in  
Papua New Guinea*

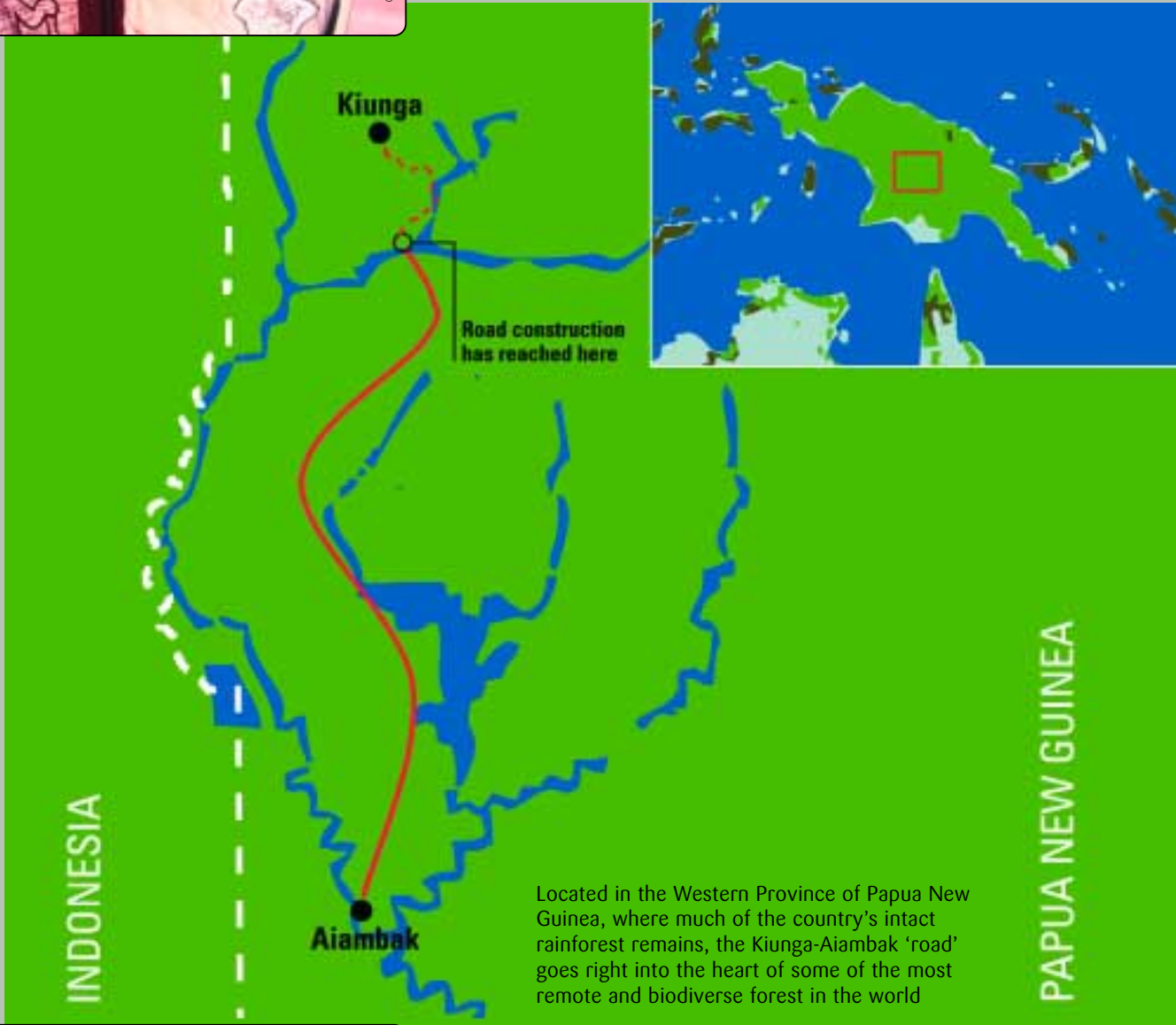
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***“Our bush was really green and healthy [before the company came] - nowadays it is black. The company came and spoilt our environment here. The animals are now far away - before the company came in those animals were close.”***

Baida Bamesa, women’s representative from Middle Fly region, Kiunga-Aiambak area



Located in the Western Province of Papua New Guinea, where much of the country’s intact rainforest remains, the Kiunga-Aiambak ‘road’ goes right into the heart of some of the most remote and biodiverse forest in the world



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***“Because of the many problems that have been caused by Concord Pacific, we do not want any logging activity. We lose our forest and wildlife, including animals, birds, insects ...”***

Lawrence Simeiti, Aiambak landowner

## Executive summary

The Paradise Forests of Papua New Guinea are among the largest and most biologically diverse ancient forests left in the world. The future of these forests, and of the people who depend upon them, is currently at the mercy of an international market whose voracious appetite for cheap timber, furniture and flooring is driving ancient forest destruction. This market, led in Papua New Guinea's case by China's huge demand for raw material for furniture manufacture, turns a blind eye to the human and environmental devastation it is causing. Many of the transnational logging companies that currently dominate Papua New Guinea's forestry industry have moved to these forests after depleting rich forests nearer to home. They come with appalling corporate, environmental and social records. Unsurprisingly, their record to date in Papua New Guinea is no better: promises to local communities are broken while the forest around them is destroyed and good governance is undermined. This report profiles the scandalous Kiunga-Aiambak Road Project as one example of what is going wrong in Papua New Guinea's forests. It also provides a lens through which to examine the impact on those forests of the international trade in furniture, flooring, cheap plywood and other wood products.



*The bird of paradise, Papua New Guinea's national emblem, seen depicted on a log tag in Zhang Jia Gang port in China and in its natural habitat - ironically, forest product exports to China and elsewhere are destroying the bird's habitat and threatening Papua New Guinea's economic security and social stability*

### Key points

- **Rogue industry:** the controversial Kiunga-Aiambak 'Road Project' has in practice been nothing but a ploy for a Malaysian-owned logging company to access thousands of hectares of Papua New Guinea's rainforest.
- **Politics of self-interest:** the project - which has been unlawful from the very beginning - has been built on relationships between a number of high-ranking Papua New Guinean officials and Malaysian-born Philip Lee, Concord Pacific general manager.
- **Ancient forest destruction:** the seven-year project has had extensive and well-documented environmental, economic and social consequences, including the loss of the forest resource itself, the devastation of traditional food sources and the non-payment of millions of kina in revenue owed to local landowners.
- **International market demand:** the Kiunga-Aiambak Road Project is just one example of everything that is wrong with Papua New Guinea's forestry sector - one that, like the rest of the industry, is driven by demand from the international market for cheap timber. Despite all the evidence of the scandalous nature of the logging industry in Papua New Guinea, countries such as Australia and China are expanding imports of Papua New Guinea forest products.
- **Opportunity for change:** given determined community and national leadership together with international support, local initiatives and larger-scale ecologically responsible forest use could work together to reform Papua New Guinea's defective forestry industry.

### The 2002 Ancient Forest Summit and beyond

The Kiunga-Aiambak Road Project is just the tip of the iceberg. It is but one of countless examples of the failure of the world's governments to ensure the protection of the Paradise Forests, and of ancient forests around the world. Yet Greenpeace believes there is still room for hope. This year, at a series of key meetings including the Ancient Forest Summit at The Hague in April and the Johannesburg Earth Summit in August, world governments will meet to determine the fate of the planet's remaining ancient forests and the people, plants and animals they support. Whether the governments act to stamp out the trade that drives illegal and destructive logging in Papua New Guinea will be but one test of their ability to move beyond rhetoric and into the realm of action. Governments and the people that elect them need to listen to the voices of villagers of Kiunga-Aiambak and other areas hurt by logging. Governments must act to stop the destruction, clean up the timber trade and fund the protection of the world's ancient forests.



*Logs from the Malaysian-owned company Concord Pacific exported from Papua New Guinea to China*

## Introduction

The world's ancient forests are in crisis. Only 20% of the earth's original forest cover remains as large intact areas and more than a third of these are under threat – with industrial-scale logging posing the single largest menace to their survival.<sup>1</sup>

The ancient forest of Papua New Guinea – the world's third-largest tropical rainforest<sup>2</sup> – is no exception, threatened by a logging sector characterised by illegality, social conflict and local economic failure. This sector, dominated by just a few large operators, jeopardises the livelihoods of thousands of forest-dependent communities and destroys habitat critical to countless species of plants and animals. It also costs the Papua New Guinea government millions of dollars each year in lost revenue through widespread transfer pricing, misreporting of log volumes and species, and other forms of tax evasion and theft.<sup>3</sup>

The industry is driven by a complacent international marketplace: consuming nations worldwide, eager to fulfil a relentless demand for wood and paper, turn a blind eye to the social, environmental and legal problems that characterise Papua New Guinea's forestry sector.

One clear example of everything that is wrong with the logging industry in Papua New Guinea is the Kiunga-Aiambak Road Project, located in the Western Province, in the heart of the country's largest tracts of ancient rainforest. This area is legally owned by the local forest-dwelling people and has a population density of less than three persons per square kilometre.<sup>4</sup> Purported to be a 'development project' to further the region's economy, the project – driven by the Malaysian-owned logging company Concord Pacific (controlled by Datuk Yaw of Samling)<sup>5</sup> and justified by them in terms of "improving communications" and "benefits to people"<sup>6</sup> – is in practice nothing more than a licence to log on a large and uncontrolled scale, with no regard for even basic environmental or forest management standards. Over the last seven years the so-called road-building project has yielded over 600,000m<sup>3</sup> of logs with a declared export value of more than US\$60 million.<sup>7</sup> These logs are exported mainly to Japan and China, from where they may well be re-exported as processed products to the US, Europe and around the world.<sup>8</sup>

*The third-largest area of intact tropical forest on earth, the beautiful rainforests of Papua New Guinea support at least 5% of our planet's species as well as providing a home and history for more than four million people*



*© Greenpeace/Sulness*



*Papua New Guinean customary landowners get together after a workshop with NGOs to discuss their constitutional rights, responsibilities and 'integral human development'*

After seven years of logging, however, there is no functional road. Moreover, the logging looks set not only to continue, but also to expand even deeper into the heart of Papua New Guinea's ancient forests.

Nevertheless, Greenpeace, along with Papua New Guinean non-governmental organisations such as the Centre for Environmental Law and Community Rights and the Papua New Guinea Eco-Forestry Forum, believes that there is still hope for Papua New Guinea's magnificent forests. The controversial Kiunga-Aiambak project should be a test case for Papua New Guinea and the international community; a case that can demonstrate whether world leaders are serious about stopping the wholesale destruction of the Earth's remaining ancient forests.

It is well within the power of the Papua New Guinea government, together with the international community and all of us as consumers, to halt the rampant destruction of this ancient forest and bring an end to the abuse of the country's forest-dependent peoples, the destabilisation of Papua New Guinea's governance and economy, and the logging industry's flagrant disregard for the law.



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## The Kiunga-Aiambak project:

*a road that is not a road*

*Logs taken from spurring tracks one kilometre or more from the Kiunga-Aiambak road are brought to the log pond at Binge for loading onto barges*

The Kiunga-Aiambak Road Project is a highly controversial and destructive logging operation located in previously intact rainforests in Papua New Guinea's remote Western Province. It was originally presented as a 'development project' to further the region's economy, but it soon became clear that it was no such thing. In fact, it was nothing but a ploy for a Malaysian-owned logging company to gain access to valuable timber stocks legally owned by Papua New Guinea's indigenous forest-dwelling communities.

***“Generally this project is seen as a thinly disguised method employed by a logging company to gain access to logs for export.”***

Independent Review Team,<sup>9</sup> October 2001

Initiated in 1995, the Kiunga-Aiambak project – which has destroyed thousands of hectares of pristine forest over the last seven years – appears to have been unlawful from the very beginning. In 1995, the then Forest Minister for Papua New Guinea, Tim Neville, issued a permit known as a Timber Authority to a company called Paiso Ltd, which professed to be a 'landowner company' representing the local landowners in the region. The Timber Authority is a legal instrument that allows its holder to fell trees 40m on either side of a centre-line to clear a way for road construction: in theory it was a licence for Paiso Ltd to construct a road between the small township of Kiunga and the village of Aiambak.

In practice, however, the story was very different. Paiso Ltd was not a company owned by or representing local landowners. In fact, just two people owned it: Malaysian-born Philip Lee, general manager and major shareholder of Concord Pacific, and a Papua New Guinean called David Kaya.<sup>10</sup> Moreover, Paiso Ltd itself had no intention of logging or of building a road. It was a company in name only, with a paid-up share capital of just 20 kina (about US\$5). The company immediately subcontracted the 'construction work' to Concord Pacific, despite the clear prohibition in the Papua New Guinea Forest Act against transferring rights under a Timber Authority.



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*Barge loaded with Kiunga-Aiambak logs destined for export to China or Japan*

It soon became clear that the proposed 'road project' was simply a pretext for a much larger logging operation. Within a few months, Concord Pacific obtained permission from Minister for Forests Titus Philemon (and later from his successor Fabian Pok) for an unlawful and unlimited extension of the project until "successful completion".<sup>11</sup>

The actual construction of the 'road' began at Aiambak in May 1995. By March 2001, around 179km of forest had been cleared northwards towards Kiunga. But there is not - and never has been - a functional highway. The 'road' is nothing but a bulldozer track through the forest. It has no permanent bridges, hopelessly inadequate drainage and no surfacing - only a network of temporary logging roads pushing deeper into the forest on either side. Already the Aiambak end of the road is impassable, with another 60km to go before reaching Kiunga.<sup>12</sup> Moreover, and as is typical in Papua New Guinea's forestry sector, no prior informed consent from the rightful landowners of the resources was obtained for the project, and minimal royalties or benefits have been provided to them.

***"At no time since the purported issuance of the Timber Authority (logging permit) has any aspect of due process been observed."***

Independent Review Team, October 2001

Astonishingly, Concord Pacific has somehow managed to secure a far-reaching court injunction, which is restraining the Papua New Guinea Forest Authority (PNGFA) from closing the illicit project down. It also prohibits the PNGFA from seizing logs or delaying export permits, even though the timber is being illegally extracted. To date, the government has made no attempt to overturn the injunction or even to challenge the substantive issues of the case.

*Despite Concord Pacific's claimed goal of "improving communication", the road is already impassable in many areas*



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## The impact of the road:

*“A disaster from day one”<sup>13</sup>*

*The Huon Tree Kangaroo (Dendrolagus matschiei) – 18 living species of tree kangaroo are found on the island of New Guinea*

***“In many cases the timber industry has made life harder for the landowners at all levels. Not only do they have to face destruction of their environment, but they face the destruction of their society.”***

Justice Thomas Barnett, 1987

Over the last seven years, the extensive environmental, economic and social consequences of the Kiunga-Aiambak project have been well documented. Papua New Guinea’s Centre for Environmental Law and Community Rights, representatives from local communities and the Independent Review Team (see page 10) have all given accounts of the nature and extent of these impacts. These include the loss of the forest resource itself, the loss to local communities of millions of kina<sup>14</sup> in potential revenue due the unlawful removal of logs, the increased scarcity of game animals traditionally hunted for food, and the loss of clean water supplies, traditional building materials and medicines. All these factors lead to conflict and cultural and social breakdown.<sup>15</sup>

*Papua New Guinea’s insect biodiversity is staggering – most species depend upon forests for their survival*







*Papua New Guinea's forests have a plant diversity among the highest in the world, with over 15,000 species, including the greatest diversity of orchids on earth*

## Impacts on the forest

The tropical rainforests of Papua New Guinea range from mangrove, coastal and swamp forests in the lowlands to monsoon and deciduous forests in the drier, more mountainous regions. In the lowland region of the Kiunga-Aiambak project the forests are primarily evergreen, and like other ancient forests around the world they shelter unusually high biodiversity, including many plants and animals that are found nowhere else. These forests also fulfil essential environmental functions, controlling rainfall, maintaining water supplies and stabilising soils.

The consequences of damaging or destroying these forests can therefore include loss of rare species, changes in rainfall patterns and the occurrence of 'natural' disasters such as floods and landslides. In the region of the Kiunga-Aiambak project, local people have already reported losses of wildlife – including important sources of protein on which local people have depended for generations.<sup>16</sup>

## Impacts on local communities

Representatives from local communities have described the destructive and dangerous activities of Concord Pacific, complaining that the company “came in to destroy, not to bring revenue to the people”.<sup>17</sup> The report by the Independent Review Team confirms these complaints and adds that some landowners were deliberately misled from the very beginning of the project, while others were simply not consulted.

The area of forest affected by the Kiunga-Aiambak project supports the culture and livelihoods of the forest-dwelling communities who are the region's legal landowners. These people depend on the forest for food, medicines, building materials and clean water as well as for their cultural and spiritual life. The activities of Concord Pacific and the damage that has been done to the forest have had a substantial impact on these communities. They are the victims not only of broken promises and the theft of their logs, but also of threats to their food security, rising ill-health, harsher living conditions, failed safety standards and abuses of basic human rights.

*“Some workers went blind because of dust from chainsaws in their eyes and because no safety goggles were issued. Others were wounded by falling branches because no helmets were issued. Some were even killed. But no compensation was paid.”*

*Charles Dambara, clan chief of Aewa village and a former employee of Concord Pacific*





Logging truck bringing logs down the Kiunga-Aiambak road for export - it is likely this is the only use the 'road' will get

## Looking ahead

Despite Concord Pacific's documented record of deceit, fraud, trespass, environmental destruction and human rights abuses,<sup>18</sup> the project not only continues unabated, but could actually be set to expand. In May 2000 Concord Pacific prepared a new submission to the Papua New Guinea Government seeking permission to build a further 875km of 'roads' over the next 15 years. This proposal would cut a swathe of destruction from Kiunga to the Central Highlands, opening vast new tracts of pristine forest to irresponsible logging and subsequent cultural and environmental degradation. The new proposal is based on a totally flawed assessment of the development value of the present logging operation. It has involved no consultation with local landowners and does not have their informed consent.<sup>19</sup>

***"The people were tricked ... the road has brought no real and good changes. Life has worsened. In the past animals and food were plentiful. Now they have decreased dramatically, and the water is very dirty."***

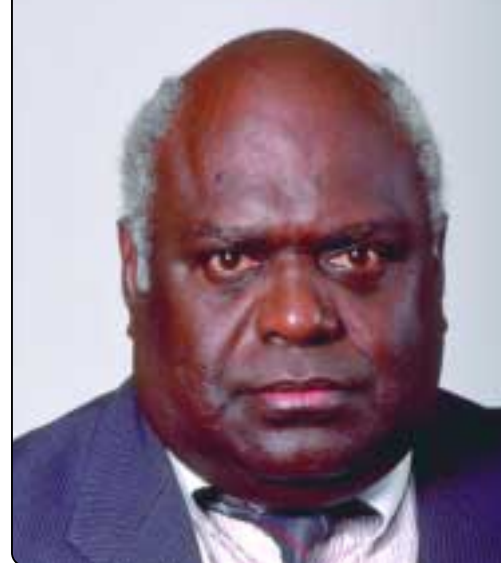
Enup Sep, Baboa village businessman



Hunter bringing home a wild pig - a main source of protein for many Papua New Guinea forest communities, and one which depends on healthy forests

## Partners in crime:

*international markets,  
poor forest management and the  
politics of self-interest*



*Forest Minister and Deputy Prime Minister Michael Ogio has pushed through tax breaks for Concord Pacific's Kiunga-Aiambak Project on two occasions while the Prime Minister was overseas - both tax breaks were later overturned*

In a landscape dominated by powerful Malaysian-owned companies and financed by the international demand for cheap tropical timber, Papua New Guinea's defective forestry sector is driven by the behaviour of self-interested timber barons, propped up by corrupt governmental interests. Published accounts of widespread unlawful logging and trade in illegally extracted logs abound.<sup>20</sup>

### **The forestry sector and “pervasive forest crime”**

A key underlying factor which has allowed, and continues to allow, disastrous projects like the Kiunga-Aiambak ‘road’ to occur is the state of Papua New Guinea's forestry industry.

In 1988-1989 Justice Thomas Barnett<sup>21</sup> led the country's seminal ‘Commission of Inquiry into Aspects of the Timber Industry in Papua New Guinea’, prompted by the widespread corruption and scandal arising from the industry. After two years of close study, Barnett produced a definitive report documenting “pervasive forest crime” ranging from the granting of illegal permits to companies to massive transfer pricing and other forms of tax evasion.

**“Logging companies are the worst offenders for corruption. Some of the managing directors of these companies have a direct line to our national leaders, while I as a senior minister had problems reaching them.”**

Jerry Nalau, Labour and Employment Minister, in his 1995 resignation speech

*Unlawful and destructive logging and forest conversion is the main threat to these forests - it has been recorded that for every tree that is removed up to 45 more are destroyed*



© Greenpeace/Sumner



*Papua New Guinea's Logging Code of Practice mandates that only trees above 50cm may be cut, but violations of this and other rules are commonplace in the country's forestry sector*

## After Barnett - problems and possibilities<sup>22</sup>

*"Governance has been particularly poor in the area of forestry, with the side effect of promoting corrupt practices and undermining environmental sustainability in logging activities. The Government is committed to introducing a moratorium on all new forestry licenses, extensions and conversions, and to proceed with a review of all existing licenses, to ensure that proper procedures are followed, that logging practices are not carried out in an unsustainable way, and that landowners get their share of fair benefits from resource use."*

Sir Mekere Morauta, Prime Minister of Papua New Guinea<sup>23</sup>

In 1999 Papua New Guinea's Prime Minister, Sir Mekere Morauta, announced a moratorium on new logging concessions as a measure to address the continuing chaos and corruption in the forestry sector. His cabinet also authorised a review of proposed new logging projects. The review was carried out by an Independent Review Team,<sup>24</sup> commissioned by the World Bank and funded by the Australian Agency for International Development, Ausaid.

By the time the Independent Review Team finished its work in 2001, it had exposed many examples of illegality, fraud and mismanagement throughout the 32 logging concessions it investigated. While the review team reported that the Kiunga-Aiambak project was the worst example of these – "a disaster from day one" – it was certainly not an isolated case. The review team found:

- breaches of the law and/or failure to follow procedure in the processing of all 32 concessions investigated;
- inadequate involvement of local landowners in decision-making, or even their complete exclusion;
- incompetence at almost every level of the Papua New Guinea Forest Authority;
- significant logging areas within Fragile Forest;<sup>25</sup>
- more than a third of the operations to be fundamentally illegal in that they were not included in the country's official National Forest Plan;
- 22 of the 32 proposed projects have insufficient timber to be viable or provide sustainable yields.

While the review team's recommendations are aimed at addressing problems in the forestry sector, they have no legal weight and fall short of what is needed to tackle the myriad of abuses endemic in the sector. The government has made commitments to implement the review's recommendations. However a further shift in political will and key actions by the international community and marketplace are needed to achieve forest conservation and ecologically and socially responsible forest use.

Following the publication of the Barnett Report, throughout the 1990s and up until the present, the Papua New Guinea Government has worked with the support of the World Bank and the international community to develop a series of new laws, regulations and measures. Its goals have been to capture equitable rents, to ensure sustainable yields and to conserve this valuable forest resource for current and future generations of the communities to whom the lands belong. But in practice the impact of these measures has been insufficient, as logging companies like Concord Pacific have found new ways to avoid complying with the regulations and to gain unlawful and uncontrolled access to the country's valuable timber supply. Demonstrating courageous leadership, Papua New Guinea's Prime Minister responded to this situation in 1999 by declaring a moratorium and initiating an independent review of new logging projects. This review revealed that little has changed since Barnett's Commission of Inquiry. But hope remains, as long as there is continued action towards genuine reform.

## Datuk Yaw Teck Seng - the man behind the destruction

Concord Pacific's Director and controlling shareholder (60%) is Datuk Yaw Teck Seng, the Chinese-Malaysian timber tycoon who founded the multinational Samling Corporation 30 years ago. Datuk Yaw and his Samling companies now control around 1.5 million ha of forest in Sarawak (Malaysia) and have additional forest lands in Guyana and Cambodia. Samling's logging operations in Sarawak have caused massive environmental damage as well as serious social and economic problems for the Penan communities whose traditional livelihoods are almost totally dependent on forest products.<sup>26</sup>



Datuk Yaw Teck Seng

## Beyond the law - key corporate and government players

There are a number of individuals - within logging companies and within the Papua New Guinea government - who let personal interests override their professional responsibilities when it comes to making decisions of national importance.<sup>27</sup> This situation is further exacerbated by the inaction of other government officials whose jobs would be threatened if they were to challenge the status quo.

In the case of the Kiunga-Aiambak project itself, this group of high-ranking individuals has included four Ministers for Forests, a Deputy Prime Minister, a Minister for Commerce and an Attorney General, as well as a representative of Concord Pacific.<sup>28</sup>

The close relationship between Concord Pacific associates and Papua New Guinea politicians is clearly illustrated by an episode in August 2001. Having been found to hold five different passports - three of which were Papua New Guinean - Concord Pacific's Malaysian-born general manager and major shareholder Mr Philip Lee was deported from Papua New Guinea for holding illegal passports.<sup>29</sup> The Minister for Foreign Affairs, John Pudari, who bravely ordered Mr Lee's deportation, has since been sacked.<sup>30</sup> His successor, John Waiko, who admitted he had shares in the same company as Lee, had the deportation order reviewed.<sup>31</sup>

*Philip Lee, general manager and major shareholder of Concord Pacific, was found in possession of three Papua New Guinea passports like this one in 2001*

***“Some of the [logging] companies... are now roaming the countryside with the assurance of robber barons; bribing politicians and leaders, creating social disharmony and ignoring laws...”***

Justice Thomas Barnett, 1987



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## Driving destruction: *the international marketplace*

Perhaps the most potent component of the scandal – and a key driver in perpetuating this corrupt, destructive and unscrupulous approach to timber extraction – is the demand from the international marketplace:

- **the demand from importing nations** around the world who turn a blind eye to the industry's problems in their eagerness to maintain cheap supplies of tropical timber;
- **the demand from corporate and individual consumers** who buy plywood and furniture with no thought for the massive destruction and human misery that the trade in these products causes in one of the world's last remaining ancient forests.

Indeed, despite all the evidence of the scandalous state of Papua New Guinea's forestry sector, some countries not only continue their imports but actually look set to increase them, while lending tacit support to the current illegal practices by adopting a 'business as usual' approach. For example, the Australian Trade Commission recently offered to organise a forestry trade fair in the Papua New Guinean capital Port Moresby, to run alongside a Papua New Guinea Forest Industry Association seminar promoting overseas investment and the development of new markets – a missed opportunity to insist on the sort of far-reaching industry reforms advocated by Australia's own overseas aid agency Ausaid.<sup>32</sup>

The vast majority of Papua New Guinea's valuable timber is exported as low-value raw logs.<sup>33</sup> This means that in addition to suffering the effects of the destructive and unsustainable manner in which the wood is obtained, the country misses out on the economic benefits brought by value-added timber processing industries. In 2001 the major market for these logs was China and Hong Kong (49%) followed by Japan (28%) and Korea (16%).<sup>34</sup> Another significant export market is Australia, which imports the bulk of Papua New Guinea's sawn timber. Although accounting for less than 2% of exports by volume, sawn wood generates almost one-tenth of exports in terms of value.<sup>35</sup>

*The main markets for Papua New Guinea logs are China and Hong Kong, followed by Japan and Korea; driving log imports to China is a rapidly growing export market for Chinese furniture to markets in the USA, Hong Kong, Japan and the EU*



Timber species from Papua New Guinea, including those logged by Concord Pacific, are extensively employed in the production of furniture, flooring and cheap plywood, often used only once – as concrete mouldings on construction sites – before it is thrown away. Many higher-value processed products are manufactured in China and then exported to the US and Europe.<sup>36</sup>

Companies known to be trading directly with Concord Pacific are the Japanese trading firms Nissho Iwai and Marubeni Corporation, and the Chinese importers Lei Shing Heng Ltd, Kam Hing Trading and Wayne Wood (HK) Ltd. Any trader or manufacturer buying from these companies should therefore be aware that they could also be buying from Concord Pacific. In addition, any company – or country – importing plywood, furniture or other products from China should note that there is no guarantee that the products have not come from companies engaged in unlawful and destructive activities unless the products they buy are certified at least to the standards required by the Forest Stewardship Council (FSC).<sup>37</sup>



*“We asked for housing, water supply, health and education. Our expectation was that our demand would be carried out. But up to this day we haven’t seen any development from [Concord Pacific] of any sort.”*

*Joe Lukas, former community educator, Manda village*

## Concord Pacific, China and the rest of the world

Until 1994, China imported around 60,000m<sup>3</sup> of logs and timber annually from Papua New Guinea; by 2000 it was importing around 740,000m<sup>3</sup> – a twelve-fold increase over six years. Driving this huge increase in consumption have been two significant factors – the introduction of new forestry laws in China and an increase in worldwide demand for Chinese furniture.

In 1998, China introduced a new forestry law banning logging in the remaining natural forests of the country’s western provinces. This legislation was brought in essentially to protect the upper reaches of its main rivers after logging was identified as the principal cause of the huge floods the country suffered that year.

At the same time, China has recently seen a rapid growth in its furniture sector, which is currently worth over US\$12 billion a year. Dominated by foreign joint-venture companies, the export trade for this furniture is estimated to be worth more than a third of that total, with major markets in the US (55%), Hong Kong (15%), Japan (10%) and the EU (11.8%).<sup>38</sup> One of the main regions for furniture production within China is around Shanghai, where manufacturers are provided with easy access to the largest log port in China – Zhang Jia Gang. It is here that the majority of logs exported from Papua New Guinea to China are destined to go; it is also the main export destination for Concord Pacific’s Papua New Guinean logs.<sup>39</sup>



*Logs of Calophyllum from Concord Pacific in China’s largest port, Zhang Jia Gang; Calophyllum is mainly used in the production of plywood and furniture, both of which are extensively exported to the US, Europe and Japan*



*Community Eco-Forestry Team at the end of a long day, West New Britain, Papua New Guinea - eco-forestry is a growing enterprise in Papua New Guinea*

## Turning things around

Despite the scandalous nature of projects such as the Kiunga-Aiambak 'road' and questions about Papua New Guinea's forestry sector as a whole, the country's forest management is currently at something of a crossroads. On the one hand there is a continuing state of chaos and corruption within the sector, potentially exacerbated by the government's recent lifting of its earlier moratorium on new logging concessions; on the other hand there is growing support for improving existing policies and practices and expanding community-centred alternatives.<sup>40</sup>

The present government has developed a forest action plan, with specific timelines, to implement selected recommendations of the Independent Review Team. It has also secured a package of grants and loans from the World Bank to improve the forestry sector.<sup>41</sup> At the same time, a growing number of communities are rejecting large-scale destructive logging in order to develop their own alternatives and conserve their natural resources.

There is an urgent need to build on this shift in domestic political will, and to secure support from the international community – citizens, trading partners and governments – to follow the responsible path.

### **Towards just and sustainable forest use**

Despite its problems, Papua New Guinea presents a unique opportunity to set a global example in effecting such a turnaround. More than 95% of its area is privately held under customary ancestral land tenure, which is upheld by the country's constitution, and cannot be alienated or sold. Moreover, half of the country's ancient forests still remain unallocated in large tracts. The country also boasts a greater diversity of intact, largely self-reliant subsistence cultures than anywhere on earth, a relatively independent judiciary, a free press and some extraordinary and visionary leaders. Given these circumstances there is a real chance to develop an alternative future for Papua New Guinea – and to achieve genuine community-centred forest conservation and sustainable forest use. The result would be the protection of more than 5% of the earth's terrestrial species, along with the spearheading of innovative and effective models for ecologically and socially responsible development.



*A shipment of community-produced eco-timber from a Greenpeace-supported project in the Solomon Islands - by specifying products certified by the Forest Stewardship Council, consumers can be part of the solution rather than the problem*



*Maisin woman performing a welcome celebration at Collingwood Bay - Papua New Guinea's Maisin community have rejected large-scale destructive logging on their land and become leaders in developing conservation and alternative sources of income*



© Nick Bowmes

Across Melanesia there are now many examples of community-centred initiatives that can both sustain the environment and earn revenue. Ecotourism, the production of plant extracts and the sale of indigenous arts and crafts are being linked with customary and subsistence activities in groundbreaking ways. In addition, eco-forestry – a unique partnership between local communities, NGOs, ‘green’ consumers and sometimes governments – has, in recent years, proved an appropriate and viable alternative to industrial-scale forest exploitation.<sup>42</sup> Indeed, economic studies in the neighbouring Solomon Islands have found that the value to communities of small-scale enterprise and subsistence activities can be more than three times that of industrial logging and oil palm plantations.<sup>43</sup>

To secure such a future it is necessary to break the political stalemate that blocks forest conservation and reform. With determined community and national leadership, and with international support, conservation, eco-forestry and other community initiatives can be combined with larger-scale socially and ecologically responsible forest use.<sup>44</sup> Together with land-use planning led by and involving informed local communities, this approach could provide a real alternative both for Papua New Guinea’s forestry sector and for the millions of people who own and depend on the country’s forests.

*Future generations of Papua New Guineans require ecologically and socially responsible decisions from their leaders to ensure that the heritage passed down from their ancestors remains in their hands*



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## Time for action, not words

In the run-up to the forthcoming Ancient Forest Summit,<sup>46</sup> the Earth Summit II<sup>47</sup> and beyond, Greenpeace is urging governments of all importing countries to bring an immediate end to their role in the destruction of Papua New Guinea's ancient forests, by committing to the following actions:

- **stop the destruction**  
by stopping any further industrial activities in intact ancient forest until responsible plans for forest conservation and sustainable use have been agreed.
- **clean up the timber trade**  
by ensuring that timber is produced and traded in a legal and ecologically responsible way; by refusing to trade with companies known to be operating illegally or destructively; and by demanding that all wood and wood products entering national ports must come from legal and well-managed forest operations with high social and ecological standards.<sup>48</sup>
- **come up with the money**  
by providing at least US\$15 billion each year to pay for forest conservation and sustainable development.

*Greenpeace is calling on governments around the world to end their role in driving this unscrupulous industry*

***“Forest law cannot be effectively enforced in the absence of good governance. Good governance begins with strong political will, demonstrated by solid and consistent commitment at the highest level of government.”***

Mark Baird, World Bank, September 2001<sup>45</sup>

### Greenpeace recommendations on the Kiunga-Aiambak project

Greenpeace is calling for action from consumers, trading partners and governments around the world to end their role in driving the illegal and destructive activities of unscrupulous forestry companies. In the case of Concord Pacific's Kiunga-Aiambak logging project this requires:

- the Papua New Guinea Government to implement the Independent Review Team's recommendation to shut down the Kiunga-Aiambak project and seize the assets of Concord Pacific in order to reimburse landowners for their losses;
- the Papua New Guinea Government to act on the Independent Review Team's recommendation that any application to extend the scope and term of the project should be roundly rejected;
- the Papua New Guinea Government and the international community to investigate fully and prosecute those involved in the scandal;
- the Papua New Guinea Government permanently to revoke Concord Pacific's status as a 'Forest Industries Participant';
- nations around the world to prohibit the import – whether direct or indirect – of Concord Pacific's products;
- Concord Pacific's current trading partners to refuse to purchase any more of its products.

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# Endnotes

- 1 Greenpeace defines ancient forest as "the world's remaining forests which have been shaped largely by natural events and which are little impacted by human activities". Logging is a threat to 72% of the world's threatened frontier forests, compared to 20% threatened by agricultural clearance and 38% by mining and road-building. Sources: Greenpeace (1999a); Bryant et al. (1997).
- 2 After the Amazon and the Congo Basin.
- 3 "Review of Papua New Guinea's Forest Revenue System", Papua New Guinea-appointed, World Bank-commissioned inquiry, draft report 2001.
- 4 Mike Wood, Associate Professor of Anthropology, James Cook University, pers. comm.
- 5 Datuk Yaw Teck Seng, of Malaysian logging giant Samling Group, is the controlling shareholder of Concord Pacific.
- 6 Submission to the National Executive Council signed by the Ministers for Transport and Civil Aviation, Forest, Works and Implementation and Deputy Prime Minister (9 May 2000).
- 7 PNGFA (2001).
- 8 CSIL (2001).
- 9 Independent Review Team (2001a). The Independent Review Team was appointed by the Papua New Guinea government and commissioned by the World Bank to review proposed new logging concessions in 2000-01.
- 10 Information supplied by the Registrar of Companies. David Kaya is from the Pari Village in an area close to the road. However, although the Pari have usufructuary rights they are not landowners in the area of the project. On 28 April 2000, Philip Lee swore an affidavit in which he stated: "I am the General Manager of the First Plaintiff Company, Concord Pacific Ltd, and I have the concern and carriage of affairs of the said Company"; Post Courier (2002b).
- 11 Letter from Minister for Forests, Dr Fabian Pok, to Paiso Ltd, dated 21 September 1997.
- 12 As witnessed during Greenpeace field investigations (2001).
- 13 Independent Review Team (2001a).
- 14 There are approximately 4 kina to one US\$.
- 15 Papua New Guinea Forest Watch (2002). Additional impacts of the project have included loss of life due to inadequate safety precautions taken by Concord Pacific and the human rights abuse of individuals speaking out against the project. Source: Videod testimonies to Greenpeace interviewers. There are alleged links between project employees and the illegal trade in guns and drugs between Papua New Guinea and Australia. Source: PNGFW (2002).
- 16 Videod testimonies to Greenpeace interviewers.
- 17 Lawrence Simeti, Aiambak landowner, pers. comm.
- 18 The consequences are clearly explained in a letter from Papua New Guinea's Center for Environmental Law and Community Rights to the World Bank: "Landowners have had their land damaged by illegal logging along the Kiunga Aiambak Road. Logs worth millions of kina have been unlawfully removed and our clients have suffered much damage. The Independent State of Papua New Guinea uses its police force to terrorise our clients. Some of our clients have been unlawfully imprisoned, beaten and tortured by police, who receive support from the logging company in this area." Source: CELCOR (2001a).
- 19 Independent Review Team (2001a).
- 20 See for example Barnett (1987); Duncan (1994); Independent Review Team (2001a). A report published by the Australian International Development Assistance Bureau in 1994 reported the prevalence of transfer pricing, under-reporting of log prices and tax exemptions commonly used to reduce both company tax payments and in-country profits (Duncan 1994). Papua New Guinea Forest Watch has also investigated cases of unlawful logging, most notably in Tuwapu and Pondo in West Sepik and East New Britain provinces respectively.
- 21 Barnett, a judge of the National Court, was appointed as a Commissioner under the Commission of Inquiries Act.
- 22 Independent Review Team (2001a) Independent Review Team (2001b); Papua New Guinea Eco-Forestry Forum (2001).
- 23 CELCOR (2001b).
- 24 According to the Independent Review Team, "The TA holder, Paiso Company Limited, fraudulently represented itself as a landowner company. It is owned equally by one landowner and an expatriate... In the meeting held at Kiunga on the 14th of February in the presence of two members of the review team, the Aiambak landowners denied having been sufficiently consulted during the discussion phase of the project, nor were they represented in the PFMC meeting when the decision was made to proceed with the project." Source: Independent Review Team (2001a).
- 25 Fragile forests, as defined by the Office of Environment and Conservation, are "forest types that do not have the potential to regenerate and which consequently are unsuited to sustained wood production". Source: Review Team Observations and Recommendations Report, Appendix 3, page 2. Fragile forests are not recognised explicitly in forestry planning laws or regulations.
- 26 Forbes (1995); Forests Monitor/ World Rainforest Movement (1998).
- 27 For example, Minister for Forests Andrew Posai was found to be living in a 335,000 kina (US\$83,750) home funded by a logging company. Posai was later found guilty of 26 counts of misconduct and abuse of ministerial power (from a previous ministry). Source: Kakas (1995). Reporter Dominic Kakas won a Pacific Investigative Journalism Award for the investigation.
- 28 The current Minister for Forests and Deputy Prime Minister, Michael Ogio, has twice granted improper tax concessions to Concord Pacific. Papua New Guinea's current Attorney General Francis Damen obtained Concord Pacific's injunction against the PNGFA while acting as attorney for the company when still in private practice. (Damen Lawyers obtained the injunction on behalf of the first and second plaintiffs, Concord Pacific and Paiso Ltd respectively. Francis Damen of Damen Lawyers was the attorney who represented the plaintiffs in court. Moreover, the Independent Review Team (2001a) remarked, "It should be noted that the Attorney General has previously acted in a private capacity for the logging operator (Concord Pacific) in relation to these proceedings.") Former Minister for Forests Tim Neville improperly gave out the original Timber Authority No. 24 and Minister for Commerce Nakikuss Konga improperly granted tax concessions to Concord Pacific. (In both cases Prime Minister Sir Mekere Morauta intervened to reverse these illicit tax breaks after strong press condemnation.) Source: Post-Courier (2001b). Two Ministers for Forests - Fabian Pok and Titus Philemon - approved the original extension of Timber Authority No. 24. (In a letter to Paiso Ltd dated 21 September 1997, Pok wrote, "As directed, I hereby grant and approve the extension of the validity of the Timber Authority TA 024 until the completion of the road and allowable Timber Volume is harvested.") Concord Pacific's application for a further extension to log the 875km Trans-Highland Highway was endorsed and signed by Ministers Bart Phileman, Michael Ogio, Alfred Pogo and Mao Zeming.
- 29 Mr Lee claims to be a naturalised Papua New Guinean - an issue that is currently before the Papua New Guinea courts - but the illegal possession of a passport is an offence irrespective of whether he is a naturalised citizen. Note that Philip Lee was also one of the two owners of Paiso Ltd, the company that was awarded the initial Timber Authority for the Kiunga-Aiambak project.
- 30 Post Courier (2001c).
- 31 Post Courier (2002a).
- 32 Burton (2002).
- 33 Over the past decade raw logs have accounted for roughly 97% of the value of all exports of 'forest products' from Papua New Guinea. Source: Filer et al. (1999).
- 34 Other importers include the Philippines (5%) and Taiwan (2%). Source: PNGFA (2001).
- 35 PNGFA & FIA (2001).
- 36 Jiangsu Economical & Technical Cooperation (2001); CSIL (2001).
- 37 The FSC is currently the only international certification and labelling system that uses globally endorsed ecological performance standards, ensures a traceable chain-of-custody from production to final consumption and brings together a broad range of environmental, social and economic stakeholder interests. Some ecoforestry projects such as the ecotimber projects in the Solomon Islands' Guadalcanal Island operate to standards exceeding those of the FSC. Source: Greenpeace (1996).
- 38 Additional markets include Canada (2%) and Australia (1%). Source: CSIL (2001).
- 39 CSIL (2001).
- 40 See for example Bismark Ramu Group (2002).
- 41 World Bank (2001).
- 42 Local communities manage the forest and mill ecotimber, NGOs provide information, training and support, and the 'green' buyers preferentially seek ecotimber and other timber which is certified to at least the standards required by the FSC.
- 43 Greenpeace (1996; 1999b).
- 44 As promoted by the FSC.
- 45 ENS (2001).
- 46 The Ancient Forest Summit is the sixth Conference of Parties to the Convention on Biological Diversity. It will be held in April 2002, in The Hague, The Netherlands and will have a mandate to agree a ten year forests programme in preparation for the Earth Summit II.
- 47 The Earth Summit II is the United Nations' World Summit on Sustainable Development which will take place in Johannesburg in August/September 2002.
- 48 In other words, from sources certified to at least the standards required by the FSC.

*"Forests provide the basis of livelihood and cultural life to the 80% of Papua New Guineans who still live in rural communities."*

World Bank, Forestry and Conservation Project Appraisal Document, November 2001



*"The company [Concord Pacific] came in to destroy, not to bring revenue to the people."*

Lawrence Simeti, Aiambak landowner

March 2002

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Cover photo: Like many of the country's forestry laws, the stipulation that jobs for bulldozer drivers and machine operators be reserved for Papua New Guineans is often ignored by the logging industry © Greenpeace/Solness

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