



**Whatever it takes:  
Greenpeace's anti-forestry campaign  
in Papua New Guinea**

Report for  
Rimbunan Hijau  
(PNG) Group

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## Acronyms

<b>ADB</b>	Asian Development Bank
<b>DEC</b>	Department of Environment and Conservation
<b>DFID</b>	Department for International Development (United Kingdom)
<b>EFF</b>	Eco-Forestry Programme
<b>EU</b>	European Union
<b>FAO</b>	Food and Agriculture Organization of the United Nations
<b>FERN</b>	Forests and the European Resource Network
<b>FCP</b>	Forest Conservation Project
<b>FLEG</b>	Forest Law Enforcement and Governance
<b>FMA</b>	Forest Management Agreement
<b>FSC</b>	Forest Stewardship Council
<b>GDP</b>	Gross domestic product
<b>GPAL</b>	Governance Promotion Adjustment Loan
<b>GPS</b>	Global positioning system
<b>IRT</b>	Independent Review Team
<b>IRECDP</b>	Islands Region Environment and Community Development Programme
<b>ITTO</b>	International Tropical Timber Organization
<b>IUCN</b>	International Union for the Conservation of Nature (World Conservation Union)
<b>LFA</b>	Local Forest Area
<b>NFB</b>	National Forest Board
<b>NGO</b>	Nongovernmental organisation
<b>PEFC</b>	Programme for the Endorsement of Forest Certification schemes
<b>PFMC</b>	Provincial Forest Management Committee
<b>PNG</b>	Papua New Guinea
<b>PNGFA</b>	Papua New Guinea Forest Authority
<b>RPNGC</b>	Royal Papua New Guinea Constabulary
<b>TNC</b>	Transnational corporation
<b>TRP</b>	Timber Rights Purchase
<b>UK</b>	United Kingdom
<b>UN</b>	United Nations
<b>US</b>	United States
<b>WGTC</b>	Wawoi Guavi Timber Company Limited
<b>WRI</b>	World Resources Institute
<b>WWF</b>	World Wide Fund for Nature

## Executive summary

### A campaign to stop commercial forestry in PNG

Since 2004, Greenpeace has spearheaded an aggressive campaign to stop commercial forestry in Papua New Guinea (PNG). It has conducted the campaign by proxy. It has focussed its attack on Rimbunan Hijau (PNG) Group, the major player in Papua New Guinea's forestry industry.

It has labelled the company a criminal, accused it of treating employees like slaves, and invoked xenophobia because the company is foreign-owned and the owners are Chinese-Malaysian. It has accused the company of corruption and being protected by political patronage, illegal logging and wrecking the environment.

The accusations were made in a report released in 2004 by Greenpeace International, Amsterdam, entitled *The Untouchables: Rimbunan Hijau's world of forest crime and political patronage (The Untouchables)*.

Greenpeace moved the campaign up another gear in 2005 in a second report, *Partners in Crime: the UK timber trade, Chinese sweatshops and Malaysian robber barons in Papua New Guinea's rainforest (Partners in Crime)*. It was released by Greenpeace (United Kingdom). It repeated the charges in the first report and highlighted the claims of illegal logging. It declared most logging in Papua New Guinea (PNG) was illegal and that Rimbunan Hijau was the leading illegal logger.

This was fed into a global campaign run by Greenpeace and the World Wide Fund for Nature (WWF) to stop illegal logging. At the time both organizations were pushing in the United Nations (UN) for agreement to negotiate an international convention to control logging. They failed. However, they continue to urge the European Commission and the British Government to impose trade bans to stop illegal logging.

*Partners in Crime* revealed a strategy to put pressure on retailers of timber products in the UK to cease purchasing products made in China from processed timber, especially veneer, made in turn from logs imported from PNG. It claims in a report released in May 2006, *Rimbunan Hijau Group: Thirty Years of Forest Plunder*, to have succeeded. It listed 14 companies it claims will curtail timber imports from PNG. It clearly regards this as just a start.

### The brunt will fall on the people of PNG

If Greenpeace succeeds, it will be the people of PNG who pay the price. The forestry industry in PNG is an important contributor to the economy. It generates between 5 and 9 percent of GDP, 6 percent of all tax receipts and employs over 10,000 people. It creates roads and airfields, and in rural areas, it provides education and health services. This is infrastructure which is either not provided or not properly maintained by government authorities.

PNG is in trouble. Life expectancy is low, 75 percent of children in rural areas are not in school, public sector governance is poor, growth is low and public debt is high. Economic growth is essential if PNG is to improve the lives of its people.

PNG's forests are a valuable resource which have made and can continue to make an important economic contribution to PNG's growth. Primary forest in PNG can be sustainably logged, and biological diversity can be preserved.

Greenpeace is not interested in economic growth in PNG, or what it means to the people of PNG. Rather, it is trialling eco-forestry and subsistence forestry. This has been tried for 10 years on PNG, and it is not commercially viable.



### **The “illegal logging” sham**

Greenpeace claims most of the “paradise forests” (from Thailand through to the Solomon Islands) will be ‘gone’ within the next decade ‘if the current rate of destruction continues’.<sup>1</sup> No sound analysis exists which demonstrates this claim. It certainly does not apply to PNG, which still has vast tracts of primary forest. There are far more serious threats to primary forest in other parts of the world.

Greenpeace’s rhetoric on forests is about environmental destruction, but its campaign to stop commercial forestry in PNG is not based on that. It is based on “illegal logging”. The environmental case is weak. Greenpeace has produced no substantive analysis of sustainable forestry in PNG.

The case for “illegal logging” in PNG is easy to make because Greenpeace contends that if Governments do not properly administer their laws, any company acting under those laws is acting illegally. Most developing countries do not administer their laws properly. However, that is not a valid reason to close down a wealth-creating industry, no matter how imperfectly it is regulated.

So Greenpeace’s case is that Rimbunan Hijau – a Malaysian-owned and diverse group, the largest forestry company in PNG, and one of the biggest foreign investors – is an illegal logger, and therefore all of PNG forestry is illegal. The case is made luridly with accusations of human rights abuse, enslavement of staff, sexual abuse and police harassment.

Rimbunan Hijau commissioned ITS Global Asia Pacific (ITS Global) to review the Greenpeace campaign and the circumstances. This report is an exhaustive examination of the claims and the supporting evidence. They are set out in this report and annexes. No doubt this report will be criticized as having been paid for by Rimbunan Hijau. It was. But readers can judge for themselves.

A clear pattern emerged in the Greenpeace reports. Each major accusation was based on only one or two claims. In all cases, they were found false, unsubstantiated, severely exaggerated or misrepresented. Yet generalizations were based on these claims. The generalizations were then used as evidence for wider generalizations and then repeated in subsequent reports. The reports are not credible.

### **No human rights abuse**

The claims of abuse of human rights were based on an Australian current affairs TV program, *SBS Dateline*, which produced two television documentaries (one featuring an interview with a former PNG policeman). The claims made were not verified, and SBS subsequently removed the transcripts of the programs from its website.

Claims of abuse of labour rights were based on comments by one official from the Department of Labour and Employment. A formal review of the company’s labour practices by the Department demonstrated that Rimbunan Hijau complied with PNG labour laws.

Claims of corruption and political patronage were based on commercial relationships between Rimbunan Hijau and “landholder companies” who hold timber leases for local communities, and involvement in those companies by PNG politicians and their relatives. A Minister of Justice was chair of one company. He was chair before being elected to Parliament. Rimbunan Hijau is the biggest forestry contractor in PNG. Under law, the forestry companies have to work with landholder companies. No evidence of corruption has been produced.

### **The logging is legal**

The case that logging in PNG is illegal is based on claims that local landholder groups had not been consulted on or consented to the logging, as required under PNG law, and that new timber permits were not legally granted. In any ordinary sense of the word, the logging is legal.

PNG law requires lease arrangements with forestry companies to be signed by landholder companies established by law, or by clan leaders on behalf of and in consultation with the

1 See [www.saveparadisepng.org](http://www.saveparadisepng.org)

community. A company cannot log unless this occurs. It is the statutory responsibility of the Government to negotiate consent with communities, not individual companies. Greenpeace claims many landholders do not know what their leaders are signing them up to. This assertion is unsubstantiated. Even if it were, this would not make the logging illegal.

Greenpeace also claims new rights to logging were not provided legally to Rimbunan Hijau and other companies. The PNG State Solicitor advised the Government has the power to act as it did.

Greenpeace is not using the term “legal” in an ordinary sense. It has expanded it to mean that no transaction is legal unless, at the time of the transaction, all laws and regulations and international treaties have been properly implemented by government, including labour rights, indigenous peoples’ rights, and business’ payment of all taxes and fees. By this test, a large amount of activity at any one time in the industrialized world would be “illegal”. In developing countries where governance is notoriously fickle, most economic activity would by this definition be “illegal”.

### **Whatever it takes**

Greenpeace is running a global campaign against commercial forestry. Its stated aim is to preserve the world’s “ancient forests”. Canada and Russia worldwide account for 50 percent. Nigeria, Finland and Sweden are at the point of eliminating remaining strands of “ancient forest”.

PNG is a pawn in this campaign. Its share of the world’s “ancient forests” is only 1 percent, and they are not endangered.

Greenpeace is not interested in developing sustainable commercial forestry or improving the economic welfare of the people of PNG. It has only two interests in PNG: first, to see it used as a model for its own view of how the world should look; and second, to secure a tactical victory to support its global campaign to stop commercial forestry.

To get its way, it will do whatever it takes.





## 1. Introduction

Greenpeace has singled out Rimbunan Hijau (PNG) Group (hereafter, Rimbunan Hijau), the company with the largest share of PNG's forestry sector, for special treatment in its forestry campaign. Greenpeace has labelled it a "criminal logger", acting as 'ruthless "robber barons" plundering the rainforests with impunity'. It treats its workers like "slaves". Greenpeace accuses Rimbunan Hijau of criminal activity, illegal logging, corruption, environmental destruction and abuse of human and labour rights. This is standard language when Greenpeace pursues its self-designated "corporate criminals".<sup>2</sup>

Since the late 1990s, Greenpeace has been campaigning to protect the world's "ancient forests". A core element of the campaign has been opposition to large-scale native forestry. Greenpeace contends that "ancient forests" are in crisis by depletion and degradation from logging and other developments. It claims the 'global trade in illegal and destructively logged timber is now out of control.'<sup>3</sup>

PNG has a significant primary forest resource and an active forestry sector. It has become a focal point in the Greenpeace campaign. Greenpeace contends that most forestry in PNG is illegal and destructive.

ITS Global was commissioned by Rimbunan Hijau to review the case against the company, evaluate the Greenpeace campaign and provide correct information about the company's activities.

This paper examines two Greenpeace reports which provide the core of the Greenpeace case and have been influential among the nongovernmental organisation (NGO) campaign on illegal logging. They are *The Untouchables: Rimbunan Hijau's world of forest crime and political patronage* (2004)<sup>4</sup> and *Partners in Crime: the UK timber trade, Chinese sweatshops and Malaysian robber barons in Papua New Guinea's rainforest* (2005).<sup>5</sup>

In May 2006, Greenpeace released *Rimbunan Hijau Group: Thirty Years of Forest Plunder*.<sup>6</sup> It repeats the same allegations made in the earlier reports.

This report is based on extensive desk research and field visits to Papua New Guinea. ITS Global consultants visited PNG to conduct interviews with the company, the Government and key stakeholders, gather relevant information and undertake visits to Rimbunan Hijau's timber processing sites in Gulf and Western Provinces.

Rimbunan Hijau provided ITS Global with a substantial amount of unpublished material which contributed to this assessment.

The opinions expressed are the authors'.

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- 2 This is the same sort of language Greenpeace used in its campaigns against Monsanto on genetically modified organisms (GMOs) and against Shell.
  - 3 Greenpeace International (2004) *The Untouchables: Rimbunan Hijau's world of forest crime & political patronage*, Greenpeace International, Amsterdam, 3 February.
  - 4 *Ibid.*
  - 5 Greenpeace UK (2005) *Partners in Crime: The UK timber trade, Chinese sweatshops and Malaysian robber barons in Papua New Guinea's rainforests*, Forest Crime File, Greenpeace UK, London, October.
  - 6 Greenpeace International (2006d) *Rimbunan Hijau Group: Thirty Years of Forest Plunder*, Greenpeace International, Amsterdam.

## 2. Greenpeace's global forestry campaign

Greenpeace is an activist, ideological environmental organisation. Greenpeace has a deep ecological philosophy. Preserving the environment takes priority over all other issues, including economic growth. Greenpeace campaigns only on issues it selects. Today they are climate change, oceans, forests, genetic engineering, toxic chemicals, nuclear power, nuclear weapons and international trade.<sup>7</sup> Greenpeace's global campaign on forestry is to preserve "ancient forests".

Greenpeace has a highly developed capacity to sensationalize issues by using techniques of direct action which frequently entail law-breaking. This attracts media attention which publicizes issues and supports fund raising. Its skilful use of the media results in generally favourable publicity, but it has a record of getting things wrong. Its famous campaign against Shell over pollution in the North Sea was based on erroneous claims.<sup>8</sup> An effort to occupy the offices of ExxonMobil in Texas has resulted in court injunctions against it.<sup>9</sup>

Greenpeace was established by a small group of activists in 1971. Today it has an international structure with an international arm based in the Netherlands, and a patchwork of national operations around the world.

It has had a long presence in the South Pacific, dating from campaigns against nuclear testing. Its contemporary programs in the South Pacific concentrate on climate change and forests.

Greenpeace's campaign against forestry in PNG is part of a global campaign. The reports attacking Rimbunan Hijau were published not in Port Moresby but in London and Amsterdam. The direction and focus of its global campaign need to be appreciated in order to understand its campaign in PNG.

### 2.1 Unrealized ambition

The 1992 United Nations Rio Earth Summit was a disappointment to Greenpeace, the World Wide Fund for Nature (WWF) and other "green" groups because their ambition for a United Nations (UN) Convention on Forests was rebuffed.<sup>10</sup> Appreciating that such an instrument could be used principally to regulate forestry in developing countries (forest cover in most industrialized economies is already low and what remains is generally well managed), developing countries blocked the concept, concerned that Western-based NGOs would not be sympathetic to development objectives in developing countries. Forestry is an important industry to support growth.

It should be noted there already exists an extensive international collaboration and cooperation on management of forestry and development of global practices to achieve sustainability.<sup>11</sup>

A fresh effort to secure a global agreement to negotiate a forestry convention failed again in

7 Greenpeace International, 'How is Greenpeace structured', <http://www.greenpeace.org/international/about/how-is-greenpeace-structured>, accessed 23 March 2006.

8 Kirby, A., 'Brent Spar's long saga', BBC Online Network, 25 November 1998, <http://news.bbc.co.uk/1/low/sci/tech/218527.stm>. A 1995 press release from Shell UK Limited welcomed the letter of apology from Greenpeace in which the pressure group had admitted that their sampling on board the Brent Spar was flawed, and that Greenpeace were wrong in widespread allegations that the Brent Spar contained 5000 tonnes of oil. Shell UK (1995), 'Shell welcomes the letter of apology from Greenpeace', [http://www.shell.com/home/Framework?siteId=uk-en&FC2=/uk-en/html/iwgen/about\\_shell/brentspardossier/pressreleases/brent\\_spar\\_1995\\_press\\_releases/zzz\\_lhn.html&FC3=/uk-en/html/iwgen/about\\_shell/brentspardossier/pressreleases/brent\\_spar\\_1995\\_press\\_releases/letterofapology\\_09111200.html](http://www.shell.com/home/Framework?siteId=uk-en&FC2=/uk-en/html/iwgen/about_shell/brentspardossier/pressreleases/brent_spar_1995_press_releases/zzz_lhn.html&FC3=/uk-en/html/iwgen/about_shell/brentspardossier/pressreleases/brent_spar_1995_press_releases/letterofapology_09111200.html). Accessed 22 March 2006.

9 Birchall, J., 'Activists' hands tied for 7 years', *Financial Times* (London), 25 October 2004.

10 The Summit set out a global program on environment and development. It was a developing country demand that the UN only address environmental issues if they were considered in parallel with measure to promote economic development. The Summit agreed to adopt international conventions on climate change, desertification and biodiversity.

11 The Food and Agricultural Organization on the United Nations (FAO) has long been engaged in activities on forestry, and the International Tropical Timber Organization (ITTO) had developed indicators for sustainability.



May 2005 when the UN Forum of Forests decided to defer the question until 2015. The idea had been pushed strongly by the European Union (EU), Greenpeace and WWF, but it was not supported by the United States (US), Japan, China and most developing countries. This followed an active global campaign during which the question of illegal logging became a leading issue, presumably highlighted to draw attention to the case for a global convention. Greenpeace and WWF have urged that strong action – including trade sanctions – be taken against developing countries which do not stop illegal logging.

While the EU and the UK in particular have supported strong action to address illegal logging (including threats of trade sanctions), the US refused to support such a strategy, preferring instead to support development of sustainable forestry policies in developing countries. As a result, Tony Blair failed to get the matter considered by leaders at the Gleneagles G8 Summit.

Much of the Greenpeace activity on forestry in PNG is driven by its global campaign.

## 2.2 Plan B

Greenpeace and other groups seemed to realize after the Rio Earth Summit that they were not going to be able to persuade governments to implement their preferred environmental policies through international agreements, at least in forestry. An alternative strategy emerged. Techniques were developed to persuade corporations to implement environmental policies in their businesses that governments would not enact.

This contributed to the evolution over the last decade of “Corporate Social Responsibility” and “Triple Bottom Line” policies. Pressure was applied on corporations through Boards, institutional investors, and business partners to adopt such policies.

A particularly refined model was developed by the WWF in forestry. When governments of nations where logging occurred would not adopt their preferred policies, strategies to pressure buyers of downstream timber products were developed. Pressure would be applied to buyers and retailers, frequently in campaigns run by Greenpeace, who would then be encouraged to join the Forest Stewardship Council (FSC), a body set up and run by WWF, and only buy products from forestry approved by FSC.

PNG is currently in the midst of such a campaign, where Greenpeace is publicly accusing hapless British retailers of supporting illegal logging in PNG because they are purchasing products made from veneer in China which was made from timber imported from PNG. The campaign seems to have succeeded. Greenpeace have recently claimed to have persuaded several companies to agree to curtail timber purchases from PNG. Details of this pressure strategy are provided in Appendix 8.5.

## 2.3 Greenpeace is opposed to “industrial” activity in “ancient forests”

Greenpeace’s position on forests is guided by its opposition to “industrial” activity in “ancient forests”. It defines the latter as forests “which have been shaped largely by natural events and which are impacted little by human activities.”<sup>12</sup> The term does not reflect any scientifically-based environmental value which can guide judgement about how much forest should be protected or harvested (see the box Greenpeace’s “ancient forests” page 12).

By “industrial” activity, Greenpeace means logging and forestry, mining, pipelines, highways, dams and agriculture.

Preservation of “ancient forests” has been a core campaign for Greenpeace since 1999. It has produced reports attacking logging in Brazil, PNG, Indonesia and countries in Africa. In 1999, Greenpeace released a position statement on “ancient forests” which called for ‘a moratorium on industrial developments in ancient forests until appropriately large areas of ancient forest reserves have been established.’<sup>13</sup> “Appropriately large” was never defined.

12 Greenpeace International (1999) *Buying Destruction: A Greenpeace report for corporate consumers of forest products*, Greenpeace International Publications, Amsterdam, p. 113

13 Greenpeace International (1999), *op. cit.*, p. 56

### Greenpeace's "ancient forests"

Greenpeace appears to have evolved the term "ancient forest" from the term "frontier forest" which was coined by the World Resources Institute (WRI) in 1997. It describes ancient forests as a smaller element of "frontier forest".

Greenpeace's campaign on ancient forests began following a report by WRI in 1997 \* which mapped "frontier forests". These were defined as 'the world's remaining large intact natural forest ecosystems,' which are relatively undisturbed and capable of sustaining viable populations of all native plant and animal life. The WRI report was a landmark in mapping "intact" natural forest. It was also an emotive appeal to preserve the remaining areas of original (undisturbed) natural forest, and argued strongly against commercial forestry.

A common and related term is "old growth forest" which is used by other NGOs like WWF. It is common to assert no commercial logging should occur in these forests. The term is imprecise. In Australia, sustainable forestry is practiced in "old growth forests".

FAO prefers the term "primary forest". It is generally taken to mean forest which has been undisturbed by human activity for a significant period.

\*Bryant, D., Nielsen, D. and Tangle, L. (1997) *The Last Frontier Forests: Ecosystems and Economies on the Edge*, World Resources Institute, Washington DC, p.12.

Greenpeace contends 'Commercial logging in these sites often damages or destroys ancient forest ecosystems and demonstrates a consistent pattern of human rights violation.'<sup>14</sup> Its "ancient forest" campaign has targeted business, governments and international organisations.

### 2.4 Greenpeace's global forest "crisis"

Greenpeace's "ancient forests" campaign relies on alarmism. 'We are destroying the world's precious ancient forests at an unprecedented rate. An area of natural forest the size of a football pitch is cut down every two seconds'. This is based on a Greenpeace estimate in 1999 that around 10 million hectares of "ancient forests" are damaged or destroyed each year.<sup>15</sup>

The numbers for this rate of loss are not substantiated<sup>16</sup> and appear exaggerated. The Food and Agriculture Organization of the United Nations (FAO) estimates annual reduction of "primary forest" – a concept which encompasses Greenpeace's "ancient forests" – is 6 million hectares a year.

The FAO also reports that the rate of reduction of all types of forest cover is falling globally and in a number of countries it is starting to extend. It further points out that 11.7 percent of the world's forest cover is reserved to protect biological diversity and that 12.4 percent of the world's forestry is protected. In the 1990s, the International Union for the Conservation of Nature (IUCN) and WWF, Greenpeace's partner in its global forestry campaigns, set the target of seeing 10 percent of the world protected in a representative network of protected areas by 2000. Appendix 8.1, *The improving condition of the world's forests*, summarises the FAO assessment.

Greenpeace also shows a clear bias against commercial timber harvesting. Greenpeace argues 'Industrial-scale logging poses the single largest menace to the forest's survival.'<sup>17</sup> 'Across the

14 Greenpeace International (1999), *op. cit.*, p. 4

15 Greenpeace International (1999), *op. cit.*, p. 2

16 The Greenpeace figure included 7.2 million hectares of forest which Greenpeace says is logged each year, primarily in Canada and Russia. *Ibid.*, p. 11

17 Greenpeace International (2004), *op. cit.*, p. 3. Greenpeace draw on figures from the 1997 WRI report which found that 39 percent of the world's remaining "frontier" forest are under threat. That report stated that of all the threats, logging accounted for 72 percent. The number is misleading because it includes areas where other threats are present as well – agricultural clearing (20 percent) and mining, roads and infrastructure (38 percent). See Bryant, D., Nielsen, D. and Tangle, L. (1997) *op. cit.*, p. 16

globe, trans-national corporations continue to operate destructively, and often outside the law, as they harvest the world's last remaining accessible forest.<sup>18</sup>

The FAO points out what is well known in forestry circles and rarely acknowledged by environmental groups – conversion of forest to agricultural land is the primary cause of deforestation.<sup>19</sup> In disregarding this, Green groups discount the importance of increasing the amount of land available for agriculture for production of food and economic development. Greenpeace chooses to regard deforestation for other developments such as agriculture as “secondary effects” of logging.<sup>20</sup>

There is a legitimate issue for debate. How much forest should be preserved for conservation reasons? Once environmental values are established, the question then is how much should be preserved? This is a matter for choice by each country according to its environmental policies and development priorities.

Unsubstantiated declarations of crisis do not provide rational answers to these questions. Instead, they appear designed to advance a bias against sustainable, commercial forestry and conversion of land for agricultural production (both essential activities to support growth in developing countries).

## 2.5 The global “illegal logging” campaign

Greenpeace (and WWF) have been running a global campaign against illegal logging. Greenpeace argues the ‘global trade in illegal and destructively logged timber is now out of control.’<sup>21</sup> ‘The illegal removal and transport of wood seems to be common-place globally, leading both to indiscriminate forest damage and loss, and to massive losses of revenue which should accrue to producing countries.’<sup>22</sup>

We frequently characterise “illegal” with parenthesis when Greenpeace uses the term because it attributes a special meaning to the word. Greenpeace is on the record with a reasonably standard definition of illegal logging – ‘when the timber is harvested, processed, transported, brought or sold in violation of national laws.’<sup>23</sup> This seems a reasonably standard definition.

However, Greenpeace also means something more. It recently proposed that the World Bank adopt a ‘baseline definition and criteria for “legal” timber and timber products’ which must include workers rights, payment of fees and taxes, compliance with international agreements as well as national laws, tenure and user rights, forest management plans, indigenous peoples’ rights, clear identification of timber, and verification by an independent body.<sup>24</sup>

This is not a definition – it is a political platform. It is a requirement for governments as well as forestry companies to behave in a certain way. Greenpeace is not proposing requirements to comply with national laws, but with laws and policies which it and WWF are trying to mandate.

Greenpeace argues that timber operations should be endorsed by the Forest Stewardship Council. ‘FSC is the only, internationally recognised, forest certification scheme that can give

18 Greenpeace International (2004), *op. cit.*, p. 3

19 FAO (2006a) *Global Forest Resources Assessment 2005: Progress towards sustainable forest management*, FAO Forestry Paper 147, Food and Agriculture Organization of the United Nations, Rome, p. xiv

20 Greenpeace International (1999), *op. cit.*, p. 10. Greenpeace has also argued that official figures of deforestation underestimate the extent of forest loss as they do not include areas degraded by forestry (Greenpeace International (1999), *op. cit.*, p. 14). This line of argument is not accepted by the FAO and does not recognise the difference between permanent production forestry and logging to clear land for the primary purpose of land use change. In practice, areas of primary forest modified by forestry or other practices are included in estimates of primary forest lost and are categorised as modified natural forest.

21 Greenpeace International (2004), *op. cit.*, p. 2

22 Greenpeace International (1999), *op. cit.*, p. 13

23 Greenpeace International (2006b) *Paradise Under Threat*, Greenpeace International, Amsterdam, 28 February, p. 15

24 Greenpeace International (2006c) *Chains of Destruction: The global trade in illegal timber and why Asia-Pacific governments must act now*, Greenpeace International, Amsterdam, March, p. 16

rigorous and credible assurance that timber products come from legal and responsibly managed forests.<sup>25</sup> (The statement itself is not true. A competing system for certification, the Program of the Evaluation of Certification of Forestry – PEFC – exists.) FSC was set up and is controlled by the WWF. Greenpeace is a founding member, and is currently represented on the FSC Board of Directors.

These requirements clearly go above and beyond compliance with relevant national laws. In practice, Greenpeace extends the definition to situations where businesses are operating in an environment where there are failures by government officials to properly execute government law and regulations (a common occurrence in most developing countries).

This penalises companies operating in developing countries where governance is problematic, and sets a standard of performance for a developing country agency which is what would be expected in a first-world country. It is generally accepted by international development institutions that the performance of systems in developing countries need to be measured against local capacity, not first-world standards. The Greenpeace standard is a first-world standard which no developing country would be expected to meet.

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25 Greenpeace International (2006a) *op. cit.*, p. 20



## 3. Forestry in Papua New Guinea

### 3.1 The PNG economy

Papua New Guinea is a developing economy which has weathered economic and political instability. The current coalition Government stands to be the first since independence to complete its term in office.

Gross Domestic Product (GDP) *per capita* in 2002 was 2,423 Kina.<sup>26</sup> The Asian Development Bank (ADB) states that in 2004, *per capita* GDP was about 10 percent lower than at the time of independence in 1975.<sup>27</sup>

PNG has, however, enjoyed a recent economic recovery, driven by fiscal and monetary policy reform.<sup>28</sup> In 2005, real GDP expanded by about 3 percent and non-mineral GDP by about 3.5 percent.<sup>29</sup>

Despite the recent progress in macro-economic management, the overall socio-economic picture in PNG is poor. The proportion of people living below the national poverty line has increased from 37.5 percent in 1996 to 53.5 percent in 2003.<sup>30</sup>

Corruption has been an ongoing political and economic problem in Papua New Guinea. Transparency International's 2005 Corruption Perceptions Index ranked PNG 130th out of 159 countries, where 1 is the least corrupt and 159 is the most corrupt.<sup>31</sup>

Rural development is a pressing challenge. PNG has a population of 5.6 million people, 86 percent of whom are rural.<sup>32</sup> Approximately 97 percent of land and 99 percent of forested land in PNG is held under customary ownership.<sup>33</sup> 'Most people meet their basic needs through subsistence agriculture.<sup>34</sup> Virtually all people engaged in agriculture are also dependent to some degree on forests for their basic livelihood.'<sup>35</sup>

A 2003 report for the ADB found rural *per capita* income to be only about US\$300-350, compared to an average urban income of about US\$3,500. Government services in rural areas were either poor or non-existent. Between 30 and 50 percent of rural children are malnourished, and nearly 75 percent of the rural population has no formal schooling.<sup>36</sup>

In May 2006, the UN Committee for Development Policy recommended Papua New Guinea's designation as a developing country be downgraded to a least-developed country.<sup>37</sup>

26 Asian Development Bank (2005) *Key Indicators of Developing Asian and Pacific Countries, Papua New Guinea*, p. 334, [http://www.adb.org/documents/books/key\\_indicators/2005/pdf/PNG.pdf](http://www.adb.org/documents/books/key_indicators/2005/pdf/PNG.pdf) accessed 12 April 2006.

27 Asian Development Bank (2006) *Papua New Guinea: Country Information*, <http://www.adb.org/papuanewguinea/country-info.asp>, accessed 12 April 2006.

28 In 2005, the government achieved a budget surplus equivalent to 2 percent of GDP. The trade balance remained in surplus, despite an increase in imports which reflected growing domestic demand and consumer confidence. Private sector credit also expanded by about 20 percent, the first increase since 2001. World Bank (2006) *Papua New Guinea: Country Brief*, East Asia Update, March.

29 World Bank (2006) *Papua New Guinea: Country Brief*, East Asia Update, March.

30 Asian Development Bank (2006) *Papua New Guinea: Country Information*, <http://www.adb.org/papuanewguinea/country-info.asp>, accessed 12 April 2006.

31 Transparency International (2005) *TI 2005 Corruption Perceptions Index*, [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2005](http://www.transparency.org/policy_research/surveys_indices/cpi/2005), accessed 22 March 2006.

32 FAO (2006) *op. cit.*, p. 182

33 Filer, C. and Sekhran, N. (1998) *Loggers, donors and resource owners, Policy that works for forests and people series*, International Institute for Environment and Development, UK, p. 30

34 United Nations Development Program PNG (2004) *Papua New Guinea – Millennium Development Goals Progress Report 2004*, UNDP, p. 5

35 The Enterprise Research Institute (2003) *Papua New Guinea – A Private Sector Assessment*, Report prepared by ERI for the Asian Development Bank, June, p. 45

36 *Ibid.*, p. 27

37 United Nations Committee for Development Policy (2006) *Report on the eighth session, 20-24 March 2006*, New York, [www.un.org/esa/policy/devplan/e200633.pdf](http://www.un.org/esa/policy/devplan/e200633.pdf), accessed 5 June 2006.

### 3.2 The importance of forestry to PNG

PNG's forest resources are a valuable contributor to socio-economic development. Forestry provides a major input to export growth, government revenue, employment and social and infrastructure investment, particularly in rural areas. This contribution has not yet been widely acknowledged and has significant potential for a more effective role in local and national development.

#### The forest resource in Papua New Guinea

Papua New Guinea has significant forest resources covering 64 percent of the country. The 2005 Global Forest Resources Assessment by the FAO estimates that there are 29.4 million hectares of forest and 4.5 million hectares of other wooded land in Papua New Guinea.<sup>38,39</sup>

Of the total forest area, 7.3 million hectares (24.8 percent) is designated as production forest,<sup>40</sup> 1.35 million hectares (4.6 percent) is designated for conservation of biological diversity,<sup>41</sup> 1.44 million hectares (4.9 percent) is designated for multiple purpose management,<sup>42</sup> and 19.3 million hectares (65.7 percent) is not classified.<sup>43,44</sup>

The designation of forests for production or maintenance for other values is important because it means the forest is subject to regulation and in some cases active management. The International Tropical Timber Organization (ITTO) recognises that designation of permanent forest areas provides a considerable degree of protection towards maintaining forest resources.<sup>45</sup> This is significant in countries like PNG where customary ownership of forest resources can pose complexities for long term sustainable management.

The majority of PNG forests are primary (old growth). They are estimated at 25.2 million hectares (85 percent of the total forest area). Modified natural forest is estimated to be 4.1 million hectares (14 percent of the resource), with productive plantations covering 0.09 million hectares (0.3 percent of total forest area).<sup>46</sup>

In 2003, industrial roundwood production was 2 million cubic metres. This represents 0.19 percent of the estimated growing stock and 0.38 percent of commercially viable growing stock.<sup>47</sup> In addition, woodfuel extraction was estimated to be 6.4 million cubic metres, consistent with subsistence use of forest resources.

Given the reliance of most of the national population on subsistence forest use and the socio-

38 FAO (2005) *Global Forest Resources Assessment 2005: Papua New Guinea Country Report*, Country Report 097, Food and Agriculture Organization of the United Nations, Rome.

39 Although this estimate is based on extrapolated data from 1975 and 1996 surveys, it is more conservative than many other estimates. For example, the Enterprise Research Institute's report to the Asian Development Bank estimates 36 million hectares of forest (77 percent of total land area). See The Enterprise Research Institute (2003) *Papua New Guinea – A Private Sector Assessment*, Report prepared by ERI for the Asian Development Bank, June, p. 45

40 This includes forest allocated for current and future production. It does not include areas within timber concession which are set aside for conservation of biological diversity, buffer zones, waterway protection and social purposes.

41 This includes areas of protected forest and areas within timber concessions set aside for conservation of biological diversity. Since the year 2000, 10 percent of concession areas have been set aside for the conservation of biological diversity.

42 This indicates the 15 percent of areas within timber concession which is required to be reserved for buffer zones for waterway and watershed protection, and for village and social service areas.

43 This indicates land for which no allocation has been made (10.88 million hectares), forest designated for land use change, land designated for afforestation, and other.

44 FAO (2005) *Global Forest Resources Assessment 2005: Papua New Guinea Country Report*, Country Report 097, Food and Agriculture Organization of the United Nations, Rome.

45 International Tropical Timber Organization (2006) *Status of Tropical Forest Management 2005*, ITTO Technical Series No. 24, Yokohama, p. 13

46 *Ibid.*

47 The growing stock is estimated to be 1035.2 million cubic metres over bark. This figure is limited to trees having a breast height diameter of 50 centimetres and above and is therefore a significant underestimation.



economic and ecological values of the resource, the sustainable use and management of Papua PNG's forests is fundamental to national economic development.

### **The contribution of forestry to the national economy**

The FAO estimates the forestry industry's contribution to national GDP is just over five percent. It has been as high as 8.6 percent.<sup>48</sup> Falling prices for timber since the Asian currency crisis and increases in prices for minerals have reduced the share. With changes in commodity prices, its contribution to GDP in the future is likely to increase.

In 2003, exports of forest products from PNG were valued at 416 million Kina, 5.3 percent of total exports. The export value of forest products rose to 428 million Kina in 2004.<sup>49</sup>

Log exports generate taxes that account for about 6 percent of total government tax receipts. The forestry industry provides about 16 percent of indirect tax receipts, including company tax and goods and services tax.<sup>50</sup> The timber royalty generated by forestry (industrial roundwood) activities in 2003 was 21.1 million Kina.<sup>51</sup>

Direct employment in the forestry industry is estimated at 10,650 people. Indirect employment, including transport, industries providing inputs, and social services provided, would be much higher.

The contribution of forestry to the economy at the provincial level in PNG has not been formally quantified, but new work indicates it is significant.<sup>52</sup> Logging companies are required to provide infrastructure and social services according to the specific conditions of each timber resource permit and approved plans. This includes roads, airfields, air services and health and education facilities. They are often provided in areas where there were none before.

However, the value of forestry to development in PNG has been undermined by poor administration, regulation, and a lack of focus on socio-economic benefits and down-stream processing. These are in addition to challenges and constraints facing the forestry sector including weak infrastructure and service delivery, a weak financial sector, customary land tenure,<sup>53</sup> maladministration and a high level of crime. There is significant scope to improve the socio-economic value of forestry to PNG.

A report on the private sector in PNG for the ADB stated that 'about 40 percent of the country is covered with exploitable trees, but a domestic woodworking industry has been slow to develop.'<sup>54</sup> This is not surprising given the difficult operating environment facing the private sector in PNG.

Furthermore, the World Bank's recent programs in PNG have hindered rather than supported development of a sustainable commercial forestry industry (see Appendix 8.3).

### **3.3 The role of Rimbunan Hijau in PNG**

Rimbunan Hijau (PNG) Group is major player in the forestry sector in Papua New Guinea.

Rimbunan Hijau established in PNG in 1988, initially as a logging and marketing contractor. The company is now one of the largest foreign investors in Papua New Guinea with business

48 World Bank (1999) *PNG Forestry and Conservation Project*, Report PID8284, p. 1

49 Asian Development Bank (2005) *Key Indicators of Developing Asian and Pacific Countries, Papua New Guinea*, p. 334, [http://www.adb.org/documents/books/key\\_indicators/2005/pdf/PNG.pdf](http://www.adb.org/documents/books/key_indicators/2005/pdf/PNG.pdf), accessed 12 April 2006

50 Independent Forest Review Team (2004) *Towards Sustainable Timber Production – A Review of Existing Logging Projects*, Draft observations and recommendations report, Volume 1, p. 64

51 FAO (2005) *Global Forest Resources Assessment 2005: Papua New Guinea Country Report*, Country Report 097, Food and Agriculture Organization of the United Nations, Rome, p. 31

52 See ITS Global (2006) *The Economic Importance of the Forestry Industry to Papua New Guinea*, Report for Rimbunan Hijau (PNG) Group (forthcoming).

53 Customary tenure in Papua New Guinea has provided tenurial security, social stability and equity, however it "is complex and poses major challenges to land mobilization for development purposes." The Enterprise Research Institute (2003) *Papua New Guinea – A Private Sector Assessment*, Report prepared by ERI for the Asian Development Bank, June, p. 10

54 *Ibid.*, p. 18

interests in timber extraction and processing, media, shipping, aviation, travel, property development and wholesale and retail trading.

Rimbunan Hijau (PNG) Group is a subsidiary of the Malaysian-owned conglomerate, Rimbunan Hijau, which is based in Sarawak.<sup>55</sup>

#### **Operations**

Rimbunan Hijau is the permit holder or logging contractor for 17 forestry concessions in Papua New Guinea.

Rimbunan Hijau has also established five downstream processing operations. Sawmills are located in Teredau (Gulf Province), Kamusie (Western Province), Edevu (Central Province) and Sagarai-Gadaisu (Milne Bay Province). A sawmill and veneer processing mill is located at Panakawa (Western Province). The Panakawa mill is currently expanding to include plywood processing.<sup>56</sup> These downstream processing plants are export-oriented and represent significant investments; the sawmill at Teredau alone represented a 20 million Kina outlay.<sup>57</sup>

#### **Employment and financial contributions**

The Rimbunan Hijau (PNG) Group employs a total of 4,257 Papua New Guineans. In 2005, it paid 45 million Kina in log export taxes and 11 million Kina in other taxes, premiums and levies. In addition, the company invested 0.8 million Kina in social infrastructure<sup>58</sup> and paid 8.5 million Kina in royalties, which are provided to landowners of the timber concession areas.<sup>59</sup> The forestry projects provide rural employment opportunities and training in remote areas.

#### **Infrastructure and social services**

The Rimbunan Hijau has outlaid over 16 million Kina on infrastructure since 1996. This includes investment in schools, health centres, churches and other social infrastructure, excluding road construction. The company has provided extensive social infrastructure in its areas of operation, including the construction of more than 130 health centres, schools and churches.<sup>60</sup>

There are many instances of important health, education and social services being provided where there were none prior to the operation of Rimbunan Hijau in the area. For example, at the school at Kamusie, 4 teachers educate over 200 children from grade 3 to 8.<sup>61</sup> The teachers' wages are paid by the government but all buildings and supplies are provided by the company. The company's medical post at Panakawa is served by one foreign and one national doctor.<sup>62</sup> They provide free medical services to local communities including immunisation and obstetrics. In many areas the company's medical facilities provide the only available access to medical services.

Rimbunan Hijau has also constructed over two thousand kilometres of roads in Wawoi Guavi alone,<sup>63</sup> as well as ten all-weather air strips across its operations. The plant at Kamusie includes a marine and heavy equipment engineering operation.

The effectiveness of this infrastructure has been limited by the lack of Government support. Provincial governments have been unable to maintain infrastructure such as roads, and schools have lacked teachers (who are paid by the government).

55 The information in this paper relates specifically to Rimbunan Hijau (PNG) Group, which is referred to as Rimbunan Hijau.

56 Information provided by Rimbunan Hijau (PNG) Group.

57 This represents only part of the planned investment.

58 Social infrastructure includes schools and community buildings. It does not include road construction.

59 Information provided by Rimbunan Hijau (PNG) Group. Royalties are paid directly to the Papua New Guinea Forest Authority, which is responsible for providing payments to landowners in accordance with agreements to purchase timber rights.

60 Information provided by Rimbunan Hijau (PNG) Group.

61 ITS Global, visit to Kamusie, 16 March 2006.

62 ITS Global, visit to Panakawa, 16 March 2006.

63 ITS Global, *The Economic Importance of the Forestry Industry to Papua New Guinea*, 2006 (forthcoming).

However, the absence of Government provision of social services and basic infrastructure in rural and remote locations increases the importance of the services and infrastructure provided by Rimbunan Hijau.<sup>64</sup>

### **Vailala Development Trust**

Rimbunan Hijau has developed an alternative model to improve the effectiveness of local benefits at its Vailala forestry concession in Gulf Province. In 2003, Rimbunan Hijau set up the Vailala Development Trust in the Vailala Block 2 and 3 Timber Permit area.

The Trust is based on a corporate structure and aims to foster agricultural enterprises, improved infrastructure and community development. Landowners submit applications for funding for community development projects to the Trust, which is managed by a Board of representative stakeholders. The aim is to facilitate participatory planning and decision-making, to solicit additional funding for development activities from external sources, and to improve coordination between landowners, the company, donors and all levels of government. The Trust contributed more than 100,000 Kina towards payment of school fees in 2005.<sup>65</sup>

In January 2005, Rimbunan Hijau facilitated a second Development Trust at the Vailala Block 1 Timber Permit area. The Trust disbursed 320,000 Kina for the first phase of the Kerema to Ihu road construction project in February 2005.

Rimbunan Hijau has provided receipts for various goods purchased by the company for the benefit of the local community, as part of the trust. The goods included a fibreglass dinghy, an outboard motor, a micro rice mill, a tractor, forty school desks, forty two watertanks, 330 various textbooks, and 1000 treated mosquito nets.<sup>66</sup> The purchases were made within a 7-month period (July 2005 – January 2006).

The Trusts are a positive step towards improving the sustainability of local benefits from forestry. There is significant scope to further adopt and enhance such mechanisms in PNG.

64 ITS Global was advised by a landowner from Gulf Province that the Rimbunan Hijau forestry operation provided services to local people in remote areas where there were no or very basic services before. Education has been a major benefit for local people.

65 Vailala Development Trust (2005). *Financial Statements for the year ended 31st October 2005*. Port Moresby, PNG.

66 Vailala Block 1 Development Trust (2005-2006). *Purchase orders 001, 002, 003, 006, 007, 008, 009*. Port Moresby, PNG.

## 4. Greenpeace's campaign in PNG

### 4.1 Saving “ancient forests”

Greenpeace has dubbed the “ancient forests” ranging from Southeast Asia to Papua New Guinea and the Solomon Islands as the “paradise forests”.<sup>67</sup> ‘Few places can match the biodiversity of the Paradise Forests for volume, variety and biological importance.’<sup>68</sup> Greenpeace argues ‘The Paradise Forests are being destroyed faster than any other on earth.’<sup>69</sup> It cites the 1997 World Resources Institute (WRI) finding that PNG has lost 60 percent of its “frontier” (large intact) forests.<sup>70</sup>

### 4.2 Entrenching eco-forestry

Greenpeace's solution to stopping logging in the “paradise forests” is for local communities to ‘take back the forest’.<sup>71</sup> This includes assisting communities to exclude their land from that available for industrial logging, and promoting “eco-forestry” as an alternative.

Eco-forestry is the use of forest resources by local communities according to ‘ecologically sustainable timber harvesting methods’ to raise their living standards.<sup>72</sup> This includes the small-scale cutting, milling and (potentially) further processing of timber which is cut selectively and replanted. Eco-forestry is often promoted in conjunction with activities such as ecotourism and commercial harvesting of non-timber forest products.

Greenpeace describes eco-forestry as ‘using minimal impact harvesting methods, landowners fell (a) small number of carefully selected trees, process and transport the timber without damaging the surrounding forest.’ Greenpeace claims that “eco” timber ‘provides up to ten times more profit to local communities than large scale logging operations’.<sup>73</sup>

Eco-forestry has been trialled a number of times in PNG with little commercial success. Although it has proven worthwhile in producing timber for local community needs, over ten years of donor support has not yet produced a model which is commercially viable in practice.

Greenpeace condones timber production from forests which are certified by the FSC as sustainably managed. Greenpeace was a founding member of the FSC and has played an important role in shaping the FSC standard so that it does not allow large scale forestry in “ancient forests”.

### 4.3 Does it add up?

Greenpeace's declared aim is to save the world's “ancient forests”. This is the principal justification for the campaign in PNG. As noted above, Greenpeace derives its concept from the WRI concept of “frontier forests”.<sup>74</sup> It has two indexes to measure global state of “frontier” forestry – worldwide coverage and share of “frontier” forestry remaining.

In 1997, WRI found there are 13.5 million square kilometres of “frontier” forestry worldwide. It is distributed by country as follows: Russia 26 percent, Canada 25 percent, Brazil 17 percent, Indonesia 4 percent, Venezuela 2 percent, United States 2 percent and PNG 1 percent.<sup>75</sup>

67 See Greenpeace International, ‘Paradise Forests’, <http://www.greenpeace.org/international/campaigns/forests/asia-pacific>, accessed 10 April 2006.

68 Greenpeace International (2006b) *op. cit.*, p. 6

69 *Ibid.*, p. 10; Greenpeace International (2006a) *op. cit.*, p. 7

70 Greenpeace International (2006b) *op. cit.*, p. 10; Greenpeace International (2006a) *op. cit.*, p. 7

71 It also argues for international regulation of timber trade and widespread adoption of the FSC model for forest management.

72 Hunt, C. (Ed) (2002) *op. cit.*, p. 75

73 Greenpeace International (2006b) *op. cit.*, p. 18

74 Bryant, D., Nielsen, D. and Tangle, L. (1997) *The Last Frontier Forests: Ecosystems and Economies on the Edge*, World Resources Institute, Washington DC.

75 *Ibid.*, p. 45



The WRI ranked countries according to the percentage of “frontier” forest lost and to the proportion of remaining frontier that is moderately or highly threatened. The higher scoring countries have lost most of their “frontier” forest and much of what remains is threatened. The index included the following rankings: Nigeria 99, Finland 99, Laos 98, Vietnam 98, Sweden 97, Argentina 94, New Zealand 91, US 94, Mexico 71, Australia 52 and Papua New Guinea 51. The top five of those countries were ‘on the edge’. The next category included nations where ‘time was running out’. PNG was in that category. For the record there was a category where all “frontier” forest had been lost. It included Spain and the Philippines.<sup>76</sup>

By this index, Papua New Guinea is not in the most critical category, and there is no indication that it is on the verge of losing all “frontier” or “ancient” forest. How much it chooses to keep is a decision for national environment policy. 5.5 percent has already been reserved to protect biodiversity.<sup>77</sup>

Furthermore, despite the headline focus on environmental damage, Greenpeace’s case is strong on rhetoric and weak on substance. Little technical work has been done in PNG on sustainability of forestry.<sup>78</sup> Most of the publicity around the Greenpeace campaign is on “illegal logging”.

If PNG is not among the most critical “ancient forest” areas worldwide, and if its share of global “frontier” forestry is so small, why has Greenpeace made it a major target?

Presumably PNG is seen as a test-bed for trialling eco-forestry. It is also an easy case to push the “illegal logging” argument, the global campaign issue used to promote a global convention on forestry. As well, corruption is a sensitive issue in PNG. Finally, PNG is a small country and unable to defend itself the way Brazil, Indonesia or Malaysia would if there were faced with pressure from the EU or the World Bank.

#### 4.4 The real focus is on “illegal logging” in PNG

According to Greenpeace, ‘virtually all large-scale logging operations in Papua New Guinea can be classified as illegal’.<sup>79</sup> Greenpeace claims most industrial logging operations in PNG:

- do not have the full and informed consent of local customary owners, as is required by the PNG Constitution;<sup>80</sup>
- have not met the requirements of the Forestry Act;
- are being operated in defiance of environmental laws and regulations;
- are being operated in defiance of workers’ rights and basic health and safety regulations; and
- are not sustainable, a specification identified in both the PNG Constitution and the Forestry Act’.<sup>81</sup>

Greenpeace has generated concern about illegal logging in PNG in Australia, New Zealand, the UK and China. As this report shows, illegal logging is not prevalent in PNG.

76 *Ibid.*

77 International Tropical Timber Organization (2006) *op. cit.*, p. 50

78 In 2005, Greenpeace UK cited one report by “Forest Trends”, a centre/consultancy on forest ecosystems services, arguing cutting rates are unsustainable, but that report was based on work by people associated with the eco-forestry movement who oppose commercial forestry. See Appendix 8.4.

79 Greenpeace UK (2005) *op. cit.*, p. 3

80 Greenpeace argues that because “Logging occurs without the full and informed consent of customary landowners ... between 90 and 100 per cent of logging that occurs in the country is therefore illegal.” Greenpeace International (2006c) *op. cit.*, p. 6

81 Greenpeace International (2006c) *op. cit.*, p. 6

## 5. The attack on Rimbunan Hijau

### 5.1 Summary

In 1999, Greenpeace included Rimbunan Hijau in a report which profiled companies (particularly trans-national corporations) operating in areas of “ancient forest.” It described Rimbunan Hijau as ‘the single major TNC [transnational corporation] present in PNG’.<sup>82</sup> Greenpeace had correctly identified the company as controlling around half of PNG’s commercial logging.

Two of the company’s largest forestry concessions are also located in areas which the WRI considers areas of “frontier forest”.

With two reports, Greenpeace launched its attack on Rimbunan Hijau. The first, *The Untouchables: Rimbunan Hijau’s world of forest crime and political patronage*, was published by Greenpeace International in Amsterdam in February 2004. The second, *Partners in Crime: the UK timber trade, Chinese sweatshops and Malaysian robber barons in Papua New Guinea’s rainforest*, was released by Greenpeace UK in London in November 2005.

The first report besmirches the company’s reputation and denigrates its business. The second clearly aims to pressure British retailers into joining the FSC and into pressuring Chinese suppliers of veneer and timber products to cease purchasing product from PNG and Rimbunan Hijau. The second report is probably also designed to encourage the British Government to remain active as a supporter and funder of global efforts to stop illegal logging.

The message in the reports is that PNG’s forests are in danger and Rimbunan Hijau is an illegal and destructive logger.

The case against the company in both reports is similar and draws on the same sources. It is that Rimbunan Hijau has engaged in:

- secretive corporate conduct,
- corruption,
- illegal logging,
- abuses of human rights,
- abuses of labour rights, and
- environmental destruction.

The core case of these allegations and claims are discussed below and examined in detail in Appendix 8.6.

In each case there are one or two core claims. They are then represented as systemic features. Research for this report revealed that most of the core claims are contestable or unwarranted. The majority derive from studies commissioned by the Reviews on aspects of forestry in PNG which were mandated by the World Bank as a condition for providing funding for the Forestry Conservation Project (FCP).<sup>83</sup> Corroboration of the core claims is also frequently by reference to other reports by Greenpeace or other NGOs. There are numerous instances where source material has been framed misleadingly.

Allegations of corruption and illegality generally relate to aspects of PNG law or governance. In many respects, the company is a proxy for attacks on corruption in the PNG government.

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82 Greenpeace International (1999) *op. cit.*, p. 46. The estimate of Rimbunan Hijau’s concessions and production in the report were provided by Brian Brunton of Greenpeace Pacific.

83 The FCP was very controversial. Among other things, it aimed to institutionalize NGO involvement in management of forestry and forest biodiversity. The Reviews supporting it were never adopted. The World Bank cancelled the project in 2005. See Appendix 8.3 for further details.



## 5.2 Secretive corporate conduct

### The allegation

'Rimbunan Hijau maintains a veil of secrecy over the true extent of its logging and other business interests' (*The Untouchables*).<sup>84</sup> 'These (foreign) logging companies are often registered as family-owned, allowing them to operate secretly' (*Partners in Crime*).<sup>85</sup> 'The ownership and control of the rest is obscured by undisclosed buyouts, proxy directors and shareholders, outdated company records, foreign ownership and widespread use of tax haven' (*The Untouchables*).<sup>86</sup>

### Commentary

Companies in the Rimbunan Hijau (PNG) Group are private, not public. PNG company law is similar to Australia's. Private companies are not required to make the same disclosure as public companies. The public record shows the company probably exceeds normal expectations of disclosure of the details of private companies. It is relatively easy to identify the company's larger businesses.

It is not credible in the UK, Australia or PNG to label a company as 'secretive' on the grounds it is privately owned. Claims by Greenpeace reflect a bias against the private sector.

There is also a streak of xenophobia in the manner in which the reports encourage inferences to be drawn by the references to "foreign" ownership of the business and even to the Chinese ethnicity of its owners. Given the recent disturbances in the Solomon Islands, these elements in the reports are not only unsavoury, but would be seen by some as inflammatory.

## 5.3 Corruption

### The allegation

Greenpeace reports impute corrupt activity by the company. *The Untouchables* claims the company has undue influence on officials and politicians in Papua New Guinea, including the Minister for Forests and the Minister for Justice,<sup>87</sup> and that 'networks of political patronage protect RH'.<sup>88</sup> It claims 'one recent Deputy Prime Minister was criticised in an Ombudsman investigation for unlawfully pressuring the National Forest Board (NFB) to favour Rimbunan Hijau with an illegal permit extension'.<sup>89</sup>

These claims are repeated in *Partners in Crime*. The sources are the same. *The Untouchables* also asserts Ministers and relatives have shares and interests in landowner companies and logging companies with logging concessions, and that one Minister chairs a landowner company in East Kikori which employs Rimbunan Hijau as the logging contractor.<sup>90</sup>

### Commentary

Corruption is alleged. The evidence is inference. Greenpeace misleadingly imply Rimbunan Hijau's involvement in corruption through highlighting the business interests of a small number of politicians. In the case of East Kikori, the arrangement was in place prior to the Minister becoming a member of parliament. It is logical that a leading logging contractor would be employed where the permit holder outsourced the harvesting operation.

84 Greenpeace International (2004), *op. cit.*, p. 6

85 Greenpeace UK (2005), *op. cit.*, p. 14

86 Greenpeace International (2004), *op. cit.*, p. 4

87 Greenpeace International (2004), *op. cit.*, pp. 5-6

88 Greenpeace International (2004), *op. cit.*, p. 2

89 Greenpeace International (2004), *op. cit.*, p. 5

90 It asserts the Prime Minister holds a 50 percent share and the Minister for Privatisation holds shares in a landowner corporation which holds a logging permit for the Lower Sepik Local Forest Agreement. The Minister for Planning's wife, the Chief Secretary and the Minister for Justice are also named as having shares or roles in companies with logging permits. (Greenpeace International (2004), *op. cit.*, pp. 5-6). It also contends Gopera Investments Pty Ltd, of which the Minister for Justice is Chair, employs Rimbunan Hijau as a logging contractor for the East Kikori concession (Greenpeace International (2004), *op. cit.*, p. 6).

The permit extension is a case where the NFB awarded a Rimbunan Hijau subsidiary the first right to submit a proposal for an area to be developed for forestry. The area is adjacent to an existing Rimbunan Hijau forestry concession. The Ombudsman Commission investigated and was critical of Government processes. It recommended the area be re-tendered. The Commission did not recognise that the decision still required the tender be subject to standard assessment and allocation processes. If the tender is successful, the decision supports the consolidation of the two permits in line with the Forestry Act 1991. The decision was not illegal. There was no evidence of corruption by the company.

Attacks on Rimbunan Hijau are a proxy for attacks on the government and the system of administration.

## 5.4 Illegal logging

### The general allegation

The principal allegations about illegal logging are made in *Partners in Crime* and two later reports issued by Greenpeace<sup>91</sup> which were published in 2006. They appear designed to promote Greenpeace's global campaign against illegal logging.

Greenpeace claims Rimbunan Hijau's logging is illegal because:

- the company did not have the consent of from traditional landowners for logging operations as required by law;
- extensions to timber permits were illegal; and
- forestry and environmental laws were breached in the execution of timber permits.

Greenpeace contends that illegal logging 'is the norm' and that 'At the heart of forest crime in Papua New Guinea, we find Rimbunan Hijau'.<sup>92</sup> The claim of illegal logging is the basis for justifying the claim that companies in developed countries should not purchase timber from Rimbunan Hijau and Papua New Guinea.

### Commentary

There is no evidence of systemic failure to consult local landowners. Instances of failure by Government to follow all its procedures do not mean the actions taken by a company under approvals granted in those circumstances are illegal. This applies to instances of some landowners not being consulted, or, as Greenpeace has claimed, some people being unaware what they were being consulted about.

Greenpeace also claims three major permits were "illegally" extended by the Government, and that the company does not comply with forestry and environmental regulations.

The Government received legal advice that it had authority under law to extend the permits concerned. Rimbunan Hijau's activities do comply with environmental and other regulatory requirements.

These complaints by Greenpeace are about the efficacy of Government administration. When it is inefficacious (as is often the case in low income developing countries), this does not make logging or any other activity governed by inefficaciously applied laws and regulations illegal.

### The specific allegations

#### A. No consent by landowners

The core allegation is that 'Logging occurs without the full and informed consent of customary landowners',<sup>93</sup> which is required under PNG law. Greenpeace alleges that forest agreements are

91 Greenpeace International (2006b) *Paradise under Threat*, Greenpeace International, Amsterdam, 28 February.  
Greenpeace International (2006c) *Chains of Destruction: The global trade in illegal timber and why Asia-Pacific governments must act now*, Greenpeace International, Amsterdam, March.

92 Greenpeace UK (2005), *op. cit.*, pp. 15 & 2

93 Greenpeace International (2006c), *op. cit.*, p. 6



not approved by the customary landowner group but by individuals, that landowners do not understand the contracts, and that bribery is often involved. 'Greenpeace estimates that between 90 to 100 per cent of the logging that occurs in the country is therefore illegal'.<sup>94</sup>

### Commentary

Landowners are consulted and provide consent for logging on their land according to PNG law. Full details are set out in Appendix 8.6. The PNG Forest Authority (PNGFA) and the Provincial Forest Management Committees (PFMCs) have the statutory responsibility for negotiating these arrangements with landowners. This is not the responsibility of individual companies.

Consent by landowners has in the past been generally provided by clan leaders on behalf of their clan and according to custom, not by individuals. The current FMA requirements are more transparent.

Whether or not PNG law meets Greenpeace's requirements for effectiveness does not make it illegal. Nor does it warrant the allegation the company is engaged in illegal logging.

### B. Extension of permits not legal

*The Untouchables* alleges that three logging projects operated by Rimbunan Hijau<sup>95</sup> were given "illegal" permit extensions. It contends that the original permits which predated the Forestry Act 1991 were never intended to be extended. The Government extended them after the Act came into force and therefore the permits are illegal.<sup>96</sup>

### Commentary

Legal advice obtained by the Government of Papua New Guinea confirms that the Act does create power for the Government to provide extensions for permits predating the Forestry Act 1991.<sup>97</sup>

### C. Breach of environmental and other obligations

*The Untouchables* also asserts that Rimbunan Hijau's logging concessions do not operate in accordance with the PNG Forestry Act 1991 and the Logging Code of Practice. It states that logging operations in Papua New Guinea operate 'in almost complete defiance of environmental laws and regulations'.<sup>98</sup>

### Commentary

Rimbunan Hijau has provided a number of documents produced by PNGFA and Department of Environment and Conservation (DEC), which verify its compliance with the Forestry Act and other relevant legislations.<sup>99</sup> DEC confirmed occasional minor divergences from the norm are promptly dealt with by the company.<sup>100</sup> The compliance of individual timber permits with regulatory requirements is reviewed by the NFB on an annual basis.

94 Greenpeace International (2006c), *op. cit.*, p. 6

95 The Wawoi Guavi, Vailala Blocks 2 and 3 and Passismanua projects.

96 Greenpeace International (2004), *op. cit.*, p. 7

97 State Solicitor, 'Re: Extension of timber permits under sections 137(1) and 78 of the Forestry Act, Letter to the Managing Director of the PNG Forest Authority, Office of the State Solicitor, Department of Justice and Attorney General, 25 February 2004.

98 Greenpeace International (2004), *op. cit.*, p. 7

99 For example, Thomas Nen (Managing Director, National Forest Service, PNGFA), "Approval of third phase five-year Forest Working Plan (2005-2007) over Vailala Block 2&3 FMA Project (TP 2-16)". Letter to Mr Yeap Yun Yuat (General Manager, Frontier Holdings Ltd, PNG), 18 February 2002; Dr. Wari Iamo (Secretary, Department of Environment and Conservation), "Waste Management Plan approval for Wawoi Guavi TRP, Western Province". Letter to Mr. Yeap Yun Huat (Managing Director, Wawoi Guavi Timber Company Ltd), 4 February 2005.

100 John Sambeok, *Rimbunan Hijau Group of Companies (RH) Ongoing Logging Operations, Southern Region*, a field compliance monitoring & inspection report no: 2:2003, prepared for the Department of Environment and Conservation, PNG, 2003.

## 5.5 Human rights abuses

### The allegation

*The Untouchables* and *Partners in Crime* accuse Rimbunan Hijau of human rights abuses: bribing the police to intimidate landowners and workers through physical abuse, torture and unlawful detention.<sup>101</sup> Most claims relate to the actions of the police, but Rimbunan Hijau is accused of using the police force for its own purposes, using firearms to intimidate the local population. Rape of female employees by company managers is alleged.<sup>102</sup>

### Commentary

These reports are scurrilous. They derive primarily from two programs broadcasted by an Australian television current affairs program, *SBS Dateline*, which aired allegations of violence by a former policeman. These allegations could not be verified by formal investigations. SBS has removed the transcripts from its website.

Rimbunan Hijau is regularly called upon by local authorities and the police force to transport police to remote areas to maintain order. Maintenance of law and orders is a perpetual problem in PNG. Private sector support for the presence of law and order at remote operations is necessary and routine in countries without adequate police resources. In no way does it indicate that Rimbunan Hijau employs or is responsible for the actions of the police force. The support by the company for the local community has been deliberately misrepresented by Greenpeace.

## 5.6 Labour rights abuses

### The allegation

*Partners in Crime* accuses Rimbunan Hijau of appalling health and safety standards, selling food from company run stores at exorbitant prices, and not providing workers killed at a logging site with a proper burial.<sup>103</sup> It quotes a draft inspection report on the Wawoi Guavi concession area, undertaken by a Department of Labour and Employment employee which stated ‘The company’s treatment of its citizen employees reflect labour exploitation and slavery and should be condemned at all levels’.<sup>104</sup>

### Commentary

The report in question was never adopted. A subsequent review by the Department of Labour and Employment found the company’s record on labour issues was good.<sup>105</sup> A letter from the Minister for Labour and Industrial relations advised the first report was “biased”, did ‘not accurately reflect the actual position in the Wawoi Guavi Timber Co.’, and that the Company’s operations at the site in question were in compliance with relevant laws.<sup>106</sup>

## 5.7 Environmental impacts

### The allegation

In *The Untouchables*, Greenpeace argues that ‘logging by Rimbunan Hijau in Papua New Guinea is among the most environmentally destructive of any selective logging operations studied

101 International (2004), *op. cit.*, p. 8; Greenpeace UK (2005), *op. cit.*, p. 3

102 Greenpeace International (2004), *op. cit.*, p. 8

103 Greenpeace UK (2005) *op. cit.*, p. 16

104 Greenpeace UK (2005) *op. cit.*, p. 16, quoting from Donald Lunen, ‘Inspection report – Wawoi Guavi Timbers’, Department of Labour and Employment, 14 May 2004.

105 Messers Lohia Bodibo, Aloyisus Aoae, Moses Make, *General labour inspection – Kamusi and Panakawa logging camps*, report prepared for the Department of Labour and Employment, PNG, 2004.

106 Minister for Labour and Industrial Relations, ‘The World Bank Commissioned Labour Inspection Report Dated 21st March 2004, Letter to Rimbunan Hijau Group of Companies, 29 October 2004.

anywhere on the planet.”<sup>107</sup> It says, ‘Losses to the residual stand have been recorded at more than 100 trees per hectare. What is supposed to be selective logging is effectively clearfelling.’<sup>108</sup>

### **Commentary**

These sensationalist claims are not substantiated. Two of the reports relate to a concession operated by another company (Vanimo). Another is a study by a PNG post-graduate student about a Rimbunan Hijau concession on Manus Island which copies much of its content and its findings from one of the reports on Vanimo.

The other two reports were environmental impacts assessments commissioned by Greenpeace and undertaken without the consent of Rimbunan Hijau. They cite extensive breaches of law but do not provide any details of the alleged breaches. The reports have not been released.

The evidence provided is dubious and deceptively presented. Greenpeace’s opposition to industrial activity in “ancient forests” (including Western Province) clearly precludes any objective assessment of the environmental impact of Rimbunan Hijau’s forestry operations.

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107 Greenpeace International (2004), *op. cit.*, p. 9

108 *Ibid.*

## 6. Conclusion

Rimbunan Hijau is a target because its activities conflict directly with Greenpeace's eco-centric ideology. Greenpeace has built its case against the company on bias and weak evidence but has made sensationalist claims about corruption, environmental destruction, human rights abuses and illegal logging.

The case against Rimbunan Hijau is a case against commercial forestry in PNG. The emphasis on illegal logging is part of an unsuccessful global campaign to build support for an international convention on forestry.

Greenpeace is using the same tactics against Rimbunan Hijau that it employs to influence international forest policy and the trade and purchasing policies of governments and companies. Greenpeace aims to foster commercial pressure by downstream timber industries on loggers to stop forestry that is not endorsed by Greenpeace.

Rimbunan Hijau is a proxy for an attack on the PNG Government and a strategy to secure cessation of commercial forestry in PNG.

Greenpeace evidently considers that cessation of commercial logging in PNG is worth any cost, including damage to efforts to raise living standards, increase life expectancy, and improve child literacy in Papua New Guinea.

Greenpeace is treating Papua New Guinea like an environmental and social test-bed.

It is sobering to discover that the approach of the World Bank has contributed to legitimization of the Greenpeace campaign.



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## 8. Appendices

### 8.1 The improving condition of the world's forests

Despite the ominous warnings about a global forest crisis, recent findings from the FAO confirm a more positive state of global forests. The rate of deforestation and net forest loss is slowing, and the standard of forest management is beginning to improve.<sup>109</sup>

The trend indicates a move towards better forest management and an increase in quantity and quality of forests in many industrialised countries. However, deforestation is still occurring at a disturbing rate.

Forests cover 30 percent of Earth's land area.<sup>110</sup> According to the FAO, the conversion of forests to agricultural land (not forestry) is the primary cause of deforestation, which is continuing at 13 million hectares per year.<sup>111, 112</sup>

Although the rate of deforestation continues to be very high, the rate of forest expansion is increasing through more forest planting, landscape restoration and natural expansion. This has reduced the net loss of forest area, which is estimated to be 7.3 million hectares per year for the period 2000-2005. This is down from a net loss of 8.9 million hectares per year for the period 1990 – 2000.<sup>113</sup>

In many parts of the world, the area of forest cover is increasing. China reported a net gain of 1 million hectares per year from 2000-2005, driven primarily by large-scale afforestation.<sup>114</sup> Other countries recording an expansion in forest area include several European countries, the United States, New Zealand and Vietnam.<sup>115</sup>

The quality of forests is also important. Primary forests<sup>116</sup> account for 36 percent of global forest area.<sup>117</sup> They are important because they provide a baseline for forest ecosystem functions and can support a high level of biological diversity, as well as having economic, social, cultural and existence values.<sup>118</sup>

About 6 million hectares of primary forest has been lost through deforestation or modified through logging and human activity each year since 1990. Brazil and Indonesia account for an annual loss of primary forest of 4.9 million hectares. There is no indication that this rate is slowing.<sup>119</sup> Forest which is modified becomes modified natural forests, which accounts for 52.7 percent of forest area globally.<sup>120</sup>

In the absence of human intervention, forests can naturally evolve over time to exhibit the characteristics of primary forests. Indeed the area of primary forest is increasing in several European countries, as well as Japan.<sup>121</sup>

109 The recent FAO findings also indicate that previous estimates slightly underestimated the total forest area and overestimated net annual forest loss. FAO (2006a) *op. cit.*, p. xvi

110 FAO (2006a) *op. cit.*, p. 15

111 The FAO notes that deforestation implies that forests are cleared by people and the land converted to other land uses. The cutting of forests which is replanted (reforestation) or subject to natural regeneration does not cause a net change in forest area.

112 FAO (2006a) *op. cit.*, p. xiv

113 *Ibid.*, p. 13

114 *Ibid.*, p. 13

115 *Ibid.*, p. 21

116 This includes areas of subsistence use, provided the human impact is small. FAO (2006) *op. cit.*, p. 171

117 Primary forests are those forests of native species in which there are no clearly visible indications of human activity and ecological processes are not significantly disturbed. The FAO notes that primary forests do not always support high levels of biological diversity – in some boreal and temperate zones, modified natural and semi-natural forests can support higher levels of biological diversity. However, they fulfil many other essential ecosystem functions such as soil and water conservation. FAO (2006) *op. cit.*, p. 40

118 *Ibid.*

119 FAO (2006) *op. cit.*, p. 26

120 *Ibid.*, p. 13

121 *Ibid.*, p. 26

12.4 percent of the world's forests are now protected. The area of global forest which is designated primarily for biodiversity conservation is significant. It is 11.2 percent (400 million hectares) of the total forest area. These forests are mainly but not exclusively located within protected areas. However, the estimate of the total area designated for conservation was nearly three times the area designated for having conservation as its primary function.<sup>122</sup>

There is no intrinsic environmental value in protecting all primary forest, as explained in the footnotes. Sustainable forest management aims to ensure the ecological integrity of production forest.

## 8.2 Greenpeace's associations

Although Greenpeace is often seen as a more radical environmental nongovernmental organisation, it collaborates with other established, specialised and local environmental nongovernmental organisations. Greenpeace's position on forests has, through cooperation, had significant influence on NGO and World Bank positions on sustainable forest management and illegal logging, as well as forest policy more generally.

Greenpeace was a founding member of the Forest Stewardship Council when it was set up by the WWF in the early 1990s, and argues that it is the "only international certification and labelling system which uses globally endorsed ecological performance standards" and is "the only system which ensures a traceable chain-of-custody from production to final consumption."<sup>123</sup>

'Greenpeace is working with the FSC to make sure that its standards for ancient and other high conservation-value forests are strictly interpreted and applied so that these forests can maintain their biological and cultural diversity'.<sup>124</sup>

Greenpeace has worked with WWF and other NGOs, including FERN<sup>125</sup> and Friends of the Earth, to promote the FSC and to persuade forestry consumers and producers to support it. WWF, Greenpeace and FERN harmonised their positions on illegal logging and have been campaigning collaboratively on this issue internationally.<sup>126</sup>

WWF was a founding member of the FSC and is the driving force behind its international expansion.<sup>127</sup> It has also had significant influence over World Bank forest policy through its Forest Alliance with the World Bank, which was formed in 1998.<sup>128</sup>

WWF and the World Bank initiated the Eco-Forestry Forum in PNG in 2000, and have been heavily involved in promoting eco-forestry and attempting to reform the large-scale logging sector. A number of local NGOs in PNG are involved with the eco-forestry movement, including the Foundation for People and Community Development (also the national FSC representative), and the Village and Development Trust. They are also involved in the European Union Eco-forestry Programme (EU EFP) which has been running in PNG since 1995 (see Appendix 8.4 for further information on the EU EFP).

Recently, Forest Trends (an international organisation focusing on forestry and market-based instruments in environmental management) has become involved in the NGO campaign against

122 *Ibid.*, p. 45

123 Greenpeace International (1999) *op. cit.*, p. 3

124 *Ibid.*, p. 3

125 FERN stands for Forests and the European Resource Network. It is a UK-based NGO specialising in forest policy. It is a member of the FSC and conducts research and advocacy activities on forest certification and illegal logging.

126 WWF, Greenpeace and FERN published a Joint NGO Statement on Controlling Timber Imports into the EU with 162 other NGOs, including Oxfam, the Australian Conservation Foundation and the PNG Eco-Forestry Forum. Joint NGO Statement (2005) *Controlling Timber Imports into the EU*.

127 WWF manages the Global Forest and Trade Network – the groups of companies committed to purchasing FSC-certified products and producers committed to certifying their production forests. WWF has also financially and technically supported the development of national FSC schemes and pilot projects internationally. These often take the form of aid projects.

128 In 1998 WWF and the World Bank formed a Forest Alliance to promote forest certification and protection. The Alliance was renewed in 2005 with a focus on reducing deforestation and illegal logging.

commercial forestry in PNG. Forest Trends has close links to the World Bank through financial support and through its senior staff, many of whom are ex-World Bank employees. Greenpeace, WWF and the World Bank also sit on the Forest Trends Board.

### 8.3 The World Bank's Forestry and Conservation Project

The World Bank's proposal for a Forestry and Conservation Project (FCP)<sup>129</sup> was its second recent project on forestry in Papua New Guinea. The first was the Governance Promotion Adjustment Loan (GPAL).<sup>130</sup>

As a result of these World Bank projects, five Reviews of aspects of the management of forestry in PNG were undertaken: two as conditions for providing GPAL<sup>131</sup> between 2000 and 2002, and three as conditions for funding the FCP<sup>132</sup> between 2003 and 2005.

The FCP has been controversial. It was initiated in 2000 and cancelled before being implemented in 2005. The way the project was set up and managed has contributed to the development of adverse public perceptions of the forest industry in PNG.

Following formation of the Forestry Alliance with WWF in 1998, the Bank started to emphasize the environment over growth in forestry policy. This was reflected in its policy to towards FCP.

The conditions attached to the loan for the Forest Conservation Project required the Government to implement a range of governance issues in the forestry industry which gave priority to environmental objectives over economic growth.<sup>133</sup> They included a temporary moratorium on new logging projects. The components of the project were landowner decision-making; establishment of a Conservation Trust Fund; sustainable forest management; and environmental monitoring and assessment.

As part of the implementation of that Loan, an "Independent Review Team" (IRT) was established to examine logging projects. The aim of that Review was to 'identify weaknesses and problems within the operation, monitoring and control of the PNG forest sector, which may be hindering progress towards meeting the Government's key forestry objectives, which include ensuring "the management of the nation's forest resources as a renewable natural asset"'.<sup>134</sup> The Review<sup>135</sup> was never completed. A draft report was prepared for consultation and review by stakeholders. This did not occur.

129 Under this project reviews were undertaken for: forest harvesting projects being developed towards a timber permit or timber authority; the forest revenue system; disputed timber permits and permit extensions; current logging projects; and compliance audits.

130 This loan, for \$US90 million, was approved by the World Bank in 2000. It provided "balance of payments support to the government in exchange for progress on reforms including improved fiscal management, strengthening of governance and measures to combat corruption over a 14-month period". By accepting the loan, the government agreed to: "an independent review of the forest revenue system"; "an independent review of pending applications for timber harvesting, in line with the moratorium on all proposals for new forestry licences, extensions and conversions"; and "amendments to the Forestry Act covering: (a) the regulatory framework for the clearance of forestry land; (b) non-commercial disclosure by the Forestry Board; (c) delegation of the powers of the Board to an individual; and (d) composition of the Forestry Board". See Section B of *The World Bank and the Forests in Papua New Guinea*, at <http://siteresources.worldbank.org/INTPAPUANUEWGUINEA/Data%20and%20Reference/20211798/NB+Forestry+Brief.pdf>

131 Reviews of "Forest harvesting projects being developed towards a timber permit or timber authority" and of "The forest revenue system".

132 Reviews of "Disputed timber permits and permit extensions"; "Current logging projects"; and "Compliance audits".

133 See for example a letter to former Prime Minister Skate and Treasury and Planning Minister Lasaro by the former World Bank Country Director of PNG and the East Asia and Pacific Regions, Klaus Rohland, which states that "Rapidly declining standards of governance and transparency in PNG's forest sector is very much against the principles and understandings under which we expressed our support for the government's economic reform programs". This was reported in the Independent newspaper on May 14, 1999 and is at [http://forests.org/archived\\_site/today/recent/1999/wbfundpr.htm](http://forests.org/archived_site/today/recent/1999/wbfundpr.htm).

134 *Op cit.*, Volume 2, p. 2

135 *Towards Sustainable Timber Production – A Review of Existing Logging Projects: Draft Observations and Recommendations Report (Prepared for Stakeholder and Wider Public Consideration and Comment)*. (May 2004.) Volume 1 is the Main Report. Volume 2 contains the Appendices.

In the end, the PNG Government objected to the set of conditions the Bank had sought for the FCP, and the project was cancelled in 2005.<sup>136</sup> The IRT report was never finished.

Nevertheless, the IRT work has had a significant (and arguably disproportional) impact on forestry policy in PNG. A key conclusion in the draft IRT report was that ‘timber production as currently practiced is not sustainable’.<sup>137</sup> To support this claim, the report cited current market conditions, current levels of log export tax, non-compliance with the environmental standards, and inadequate monitoring and control by the Government regulating agencies. The economic analysis which justified this conclusion by the IRT is defective. The methodology and data used in this report do not justify the key conclusions.<sup>138</sup> It is clear that the report was never subject to the standard process of review by officials, which would expose such weaknesses.

The draft IRT report has been used by green NGOs to give credence to their contentions that commercial forestry in PNG is economically unsustainable. This has in turn undermined public perceptions of what the industry can offer to Papua New Guinea.<sup>139</sup>

How did a formal review of Government policy mandated by the World Bank produce such material? Some have argued that World Bank in PNG had previously gone to some lengths to accommodate NGOs.<sup>140</sup>

In Washington, the Bank had sought to accommodate NGOs in very formal ways. In 1998, it formed a Forest Alliance with the WWF to promote forest certification and protection. This was renewed in 2005, with a focus on reducing deforestation and illegal logging.<sup>141</sup>

The influence of green NGOs on World Bank policy towards forestry in PNG and other borrowing countries is the subject of an extensive literature.<sup>142</sup> Hunt argues that ‘The World Bank has recently been more receptive than hitherto to representations from the Washington offices of these NGOs (WWF, Conservation International, Greenpeace and the Nature Conservancy) concerning forest conservation and policy. It is expected therefore that the concerns of NGOs will be translated into policy through the leverage that the World Bank has over Papua New Guinea’s forest policy via the structural adjustment programme’.<sup>143</sup>

There appears to be evidence of this in the terms of reference for the FCP. As it always does, the Bank sets eradication of poverty as the goal. However, the focus of the program is on changing governance. A key objective is to strengthen understanding of communal land rights holders of how effective governance can deliver better returns.

Another leading focus is on institutionalizing NGO involvement in management of forestry resources via the establishment of an independent agency with funding of around US \$20 million

136 PNG Chief Secretary Kalinoe objected publicly to what he called the World Bank’s “blackmail technique”. ‘PNG rejects World Bank ‘blackmail’ on forests’, *Sydney Morning Herald*, 29 October 2002.

137 Independent Forest Review Team (2004). *Towards Sustainable Timber Production – A Review of Existing Logging Projects*. Draft observations and recommendations report, prepared for the Government of Papua New Guinea. p. ix

138 A critique of the economic analysis used by the IRT is under preparation ITS Global on *The Economic Importance of the Forestry Industry to Papua New Guinea*.

139 Research and audits of individual issues commissioned by the IRT were the source for the majority of the raft of claims made against Rimbunan Hijau by Greenpeace and other radical activists.

140 Quoting a 1989 World Bank document, Filer et al argue that “In order to accommodate its critics, the Bank was obliged to recognise the political value of national NGOs as ‘the essential linkage’ between the PNG Government and ‘affected interest groups, and later to support the inclusion of their peak body, the National Alliance of NGOs, as a key stakeholder in the NFAP (National Forestry Action Plan)”. *Op. cit.*, p. 14. Referring to the late 1980s and the Economic Recovery Program, Filer et al argue that “The *growing profile* (Filer et al’s italics) of the ‘sustainable development’ conditions during the life of the ERP could perhaps be seen, in retrospect, as a rather cynical ploy by the Bank (or its Task Manager) to win over the support of ‘civil society’, rather than being the product of a genuine belief that these conditions were central to the whole package.” *Op. cit.*, p. 96

141 See <http://www.forest-alliance.org>.

142 For example Filer et al conclude that “... the Bank took the borrower’s deficient sense of ‘ownership’ as the pretext for an effort to broaden the boundaries of its national constituency – an effort which received the personal endorsement of the new President, James Wolfenson, who had come to regard this form of consultation as a key component of the “new Bank’s” global strategy”. *Op. cit.*, p. 42

143 Hunt, C. (Ed) (2002) *Production, privatisation and preservation in PNG forestry Instruments for sustainable private sector forestry series*, Institute for Environment and Development, London, p. 17

(managed by NGOs) to run biodiversity policy in forestry. There is nothing in the project on whether or not external policies and the economic environment are optimal to ensure the forestry sector delivers an appropriate development dividend. Instead, the project indicates that eco-forestry and related models will be fostered.

The inclination to focus on “alternative” economic models for forestry was shown in the work of the draft report of the IRT. It commissioned a natural resource economist, Christopher LaFranchi, to assess the economic viability of the forestry industry. His conclusions – that the industry was not commercially viable – were repeated in the Review. They were weakly argued.<sup>144</sup> Nor was it revealed by the IRT that LaFranchi had previously jointly authored a report with Greenpeace Pacific on resource development in the Solomon Islands which promoted the benefits to society of subsistence forestry over commercial forestry.<sup>145</sup>

Another World Bank consultant on the FCP was an expert on forests and environment in PNG who has since started an anti-forestry website (<http://forests.org/>).

Navroz Dubash and Colin Filer argue there was clear evidence that WWF prevailed in getting the World Bank to include the moratorium on new logging concessions as one of the conditions for the FCP loan.<sup>146</sup> They also argued that during a meeting with environmental NGOs in Australia, World Bank President James Wolfensohn ‘reportedly pledged to make PNG a test case for how the World Bank did business with NGOs’.<sup>147</sup>

Our research also demonstrates that the majority of the most serious accusations levied against Rimbunan Hijau are drawn from research and materials developed by the IRT Reviews of logging in PNG. For example, Forest Trends, a research group with a marked bias against commercial forestry in PNG, recently drew on the IRT report to source claims that most logging projects in PNG were illegal.<sup>148</sup> As noted elsewhere in this report, the basis of the most serious allegations are not substantiated.

We are not suggesting that the World Bank shares the objectives of green NGOs in denigrating commercial forestry and trying to close it down. In the past the Bank has treated commercial forestry as an important resource industry in PNG. However, in the pursuit of its environmental objectives in PNG, and in working closely with green NGOs, the World Bank’s programs have had the effect of enabling these groups to exert considerable influence on development of policy in PNG on commercial forestry.

## 8.4 Eco-forestry in Papua New Guinea

Eco-forestry and forest certification are being promoted by WWF, Greenpeace and other NGOs as a commercially-viable and ecologically-preferable model of forestry in PNG instead of large-scale forestry.

Eco-forestry is the use of forest resources by local communities according to ‘ecologically sustainable timber harvesting methods’ to raise their living standards.<sup>149</sup> This includes the small-scale cutting, milling and (potentially) further processing of timber which is cut selectively and replanted. Eco-forestry is often promoted in conjunction with activities such as ecotourism and commercial harvesting of non-timber forest products.

Greenpeace condones timber production from forests certified as being sustainably managed by the FSC scheme. Greenpeace was a founding member of the FSC and has played an important role in shaping the FSC standard so that it does not allow large scale forestry in “high conservation value” or “ancient” forests.

144 Remarkably, he attempted to use accounting methodologies to draw results from which he inferred macroeconomic welfare effects.

145 IUCN refers to him as being part of Greenpeace Pacific. See <http://www.iucn.org/themes/fcp/publications/arborvitae/avnewsletter/arborvitae11.pdf>.

146 Dubash, N. and Filer, C. (2000) *The Right Conditions: The World Bank, Structural Adjustment and Forest Policy Reform*, World Resources Institute, Washington D.C., p. 48

147 *Ibid.*, p. 47

148 Forest Trends (2006) *Logging, Legality, and Livelihoods in Papua New Guinea: Synthesis of the Large-Scale Logging Industry*, Jakarta.

149 Hunt, C. (Ed) (2002) *op. cit.*, p. 75

Greenpeace recently set up a “Global Forest Rescue Station” in the Western Province of Papua New Guinea. Its aim was to work with local communities to demarcate their forest land and produce a Global Positioning System map to exclude that area from future industrial logging.<sup>150</sup>

### **The eco-forestry experience in Papua New Guinea**

There have been several eco-forestry initiatives in Papua New Guinea since the early 1990s. According to WWF, more than 2000 small-scale sawmills had been purchased by or for village communities and 90 groups involved in eco-forestry support programs by 2000.<sup>151</sup>

Notably, the European Union funded the Islands Region Environment and Community Development Programme (IRECDP) which ran from 1995 to 2001. It was succeeded by the Eco-Forestry Programme (EFP). These programmes have provided technical and financial support for selected community groups to begin eco-forestry enterprises. The EU has procured portable sawmills, provided training and organisational assistance, marketing services and supported forest certification. It has also conducted policy activities to promote eco-forestry at a national level.

WWF has also promoted eco-forestry in PNG. WWF US, the MacArthur Foundation and the International Finance Corporation (World Bank) funded the establishment of a commercial milling company to receive logs from local community logging projects.

The PNG Eco-Forestry Forum, a local NGO which promotes eco-forestry and forest certification and argues against industrial logging, was set up following a 1999 WWF and World Bank workshop on Strategies for Sustainable Forestry.

Local NGOs have also been active in promoting small-scale forestry activities. The Foundation for People and Community Development has been promoting the use of portable sawmills since the early 1990s and has helped establish local eco-forestry groups. The Village Development Trust was established in 1990 with the objective to provide training for portable sawmill owners. Other projects include the German aid agency’s (GTZ) Landowner Awareness Project and Ok Tedi’s Community Forestry Program.

### **The financial viability of eco-forestry is not established**

Greenpeace claims that “eco” timber ‘provides up to ten times more profit to local communities than large scale logging operations’.<sup>152</sup> Experience with eco-forestry has not demonstrated that it is commercially viable in PNG. This is reflected in research and recognized by WWF in a report published in 2000, *A Future for our Forests: Strategies for Community-based Conservation in Papua New Guinea*.<sup>153</sup>

WWF and eco-forestry expert Colin Hunt argued that eco-forestry could be financially viable if business establishment, marketing and certification were financially supported by donors. They found that community groups were unable to succeed where they had to borrow the full cost of the equipment and required over 50 percent of equity to manage the debt.

WWF stated ‘Financial analysis verifies that eco-forestry in PNG struggles to remain viable if they do not receive training and technical support in areas such as business management, equipment maintenance, forest management, certification and marketing.’<sup>154</sup>

WWF and Hunt contend that where eco-forestry projects are subsidised, they can provide

150 Greenpeace International (2006) ‘Global Forest Rescue Station’, <http://www.greenpeace.org/international/campaigns/forests/asia-pacific/working-in-paradise/gfrs>, accessed 4 April 2006; Greenpeace Australia Pacific (2006) ‘Feature: Remote PNG people welcome sawmill’, [http://www.greenpeace.org.au/features/features\\_details.html?site\\_id=45&news\\_id=1932](http://www.greenpeace.org.au/features/features_details.html?site_id=45&news_id=1932), accessed 27 March 2006

151 WWF (2000) *A Future for our Forests: Strategies for Community-based Conservation in Papua New Guinea*, World Wide Fund for Nature, South Pacific Program, Suva, p. 16 & 45

152 Greenpeace International (2006b) *op. cit.*, p. 18

153 WWF (2000) *A Future for our Forests: Strategies for Community-based Conservation in Papua New Guinea*, World Wide Fund for Nature, South Pacific Program, Suva.

154 *Ibid.*, p. 8

greater cash benefits to landowners than would an industrial logging operation on the same forest area on a 35 year cutting cycle. Furthermore, 'Environmental and economic benefits of eco-forestry are highest when it replaces large-scale, industrial logging.'<sup>155, 156</sup>

These conclusions were based on basic economic modelling undertaken by Hunt to estimate the net present value of forestry alternatives.<sup>157</sup> The conclusions relate to subsidised eco-forestry where log tax is not paid. In this analysis, Hunt acknowledges a significant opportunity cost for the PNG Government if areas allocated to logging were to be instead allocated to eco-forestry, due to the loss in government revenue. However, he argues that non-market (environmental) values of forests are better conserved under an eco-forestry management regime and attempts to draw on international estimates to quantify such benefits.

### **Evidence from eco-forestry pilot initiatives**

Two WWF-supported projects in the Kikori area have encountered financial problems. WWF argued poor business management practices undermined the performance of one enterprise and a high debt load was blamed in the other, which caused the collapse of the enterprise despite WWF meeting the loan payments for a period.<sup>158</sup>

In its 2000 report, WWF stated the EU IRECDP was an example of a successful eco-forestry project with one group exporting some timber, moving towards FSC certification and managing profits responsibly.<sup>159</sup> However, the IRECDP was phased out in 2001, and replaced by EFP. A mid-term review of the EFP observed it was 'not yet finally proven whether the weaknesses observed during 2001-2003 are inherent to the model or whether they can be corrected with further training and other forms of capacity building and support.'<sup>160</sup> The EFP built on IRECDP community eco-forestry project model and increased support for marketing of eco-forestry products and policy changes<sup>161</sup> to facilitate commercial forestry in Papua New Guinea. The project had a budget of 7.5 million Euro over 5 years and involved 18 local communities, 11 being from IRECDP projects.<sup>162</sup>

The mid-term review argued the eco-forestry approach was viable, and recommended further funding to extend the project and to develop an exit strategy.<sup>163</sup> However, the evaluation of progress found timber production to be "disappointing" at a total of 641 cubic metres for 2001-2004, and other activities (such as ecotourism) had made little impact.<sup>164</sup>

Communities had produced sufficient timber for local needs but were dependent on the project for sales, fuel and spare parts. The report argued that longer term sustainability could be achieved with sufficient support from the Government and the private sector but that such support arrangements did not yet exist.<sup>165</sup>

The review included a producer viability analysis prepared by the company contracted to undertake certification services (Forcert). Financing of the mills and road (transport) costs are significant impediments to the financial viability of eco-forestry projects. The analysis found that projects required 50 percent equity or fully owned mills to be viable, and if a new feeder road was

155 *Ibid.*, p. 9

156 *Ibid.*, p. 8

157 Hunt, C. (Ed) (2002) *op. cit.*

158 WWF (2000) *op. cit.*, pp. 48-49

159 *Ibid.*, p. 49

160 Agrisystems Limited (2004) *Eco-Forestry Programme Mid-Term Review Mission*, Final Report to the European Commission – Papua New Guinea, Bucks, UK, p. 5

161 The EFP supported the development of a National Eco-forestry Policy in June 2004. However, the mid-term review contended that operational guidelines were still required to give effect to the policy and other policy and institutional goals were yet to be achieved.

162 4 communities have ceased production.

163 Agrisystems Limited (2004) *op. cit.*, p. vii

164 *Ibid.*, pp. 23-24

165 *Ibid.*, p. 27

required, the project could only be viable (at a very slim margin) if the mill was fully owned.<sup>166</sup> Furthermore, the communities had not yet operated under commercial conditions.

The foregoing demonstrates that eco-forestry does appear to be effective in supplying subsistence and local timber needs. It is not a viable alternative to large-scale logging in PNG. There are reports that some eco-forestry projects have in cases been environmentally unsustainable.<sup>167</sup>

### 8.5 Greenpeace strategy – pressuring buyers

Greenpeace advances its “ancient forests” campaign agenda by exerting pressure on buyers of timber and timber products in industrialised economies. It argues the demand for timber and timber products in industrialised economies is fuelling illegal and destructive logging (logging in “ancient forests”).

It aims to shape government and corporate policy in these countries to prevent the purchase of illegally or destructively logged timber, including timber from “ancient forests” such as in PNG. Greenpeace wants companies to only purchase timber from FSC-certified forests and for governments to ban the import of all timber and timber products which are not positively verified as being legally and sustainably produced (through FSC-certification).<sup>168</sup>

Greenpeace has used protests, boycotts, activists and media campaigns to target and shame companies which import and retail timber and timber products from potentially illegal or destructive sources. Greenpeace has pressured companies to join WWF’s Global Forest and Trade Network<sup>169</sup> and commit to purchasing FSC-certified timber.<sup>170</sup>

In the case of Rimbunan Hijau, Greenpeace has conducted campaigns against affiliates in Australia and New Zealand which import timber from Rimbunan Hijau concessions in Papua New Guinea.<sup>171</sup> Greenpeace has engaged in direct action (protests and blockades) against a Rimbunan Hijau subsidiary in Australia.<sup>172</sup>

It has also targeted importers and retailers in the UK which import timber from China, sourced from PNG. Greenpeace UK’s 2005 report ‘expose(s) how part of the UK timber trade continues recklessly to fuel the illegal destruction of the world’s ancient forests, jeopardising the legitimate trade in legal, environmentally responsible, socially just timber’.<sup>173</sup> Greenpeace names plywood importers and retailers and attempts to shame them by linking their products to unscrupulous importing and manufacturing practices in China and forest crime in Papua New Guinea.<sup>174</sup>

166 *Ibid.*, Annex 9, p. 3

167 This includes a WWF-backed project which some claim facilitated illegal logging of mangroves in Kikori. Andy Rowell, “No way to Save Trees”, *Sydney Morning Herald*, 2 March 2001; Regional Community Forestry Training Centre for Asia and the Pacific (2001), *WWF Eco-Forestry Project Operating Without Approval*, [http://www.recoftc.org/site/fileadmin/docs/e-letter-documents/e-letter2001/E-letter\\_0104.html](http://www.recoftc.org/site/fileadmin/docs/e-letter-documents/e-letter2001/E-letter_0104.html), accessed 8 June 2006.

168 Greenpeace’s 1999 report, ‘Buying Destruction: A Greenpeace report for corporate consumers of forest products’ aimed to change corporate purchasing behaviour. It argued for the “establishment and widespread use of certification and labelling for forest products coming from socially and ecologically responsible forest use” – the Forest Stewardship Council (FSC). Greenpeace International (1999) *op. cit.*, p. 3

169 The Global Forest and Trade Network are groups of companies committed to purchasing FSC-certified products and producers committed to certifying their production forests. It was established and is primarily managed by WWF.

170 For example, Greenpeace claims one of its victories in 2003 was “Australia’s largest hardware retailer, Bunnings, agrees to stop selling destructively logged tropical timbers from Melanesia and Asia, following intense lobbying by environment groups.” Greenpeace Australia Pacific (undated) ‘Victories’, <http://greenpeace.org.au/aboutus/victories.html>, accessed 11 April 2006.

171 Greenpeace International (2004) *op. cit.*, p. 17

172 PNG: *Five Greenpeace protestors arrested during logging protest*, broadcasted on 15 November 2004 by ABC Radio Australia. Reported by Sean Dorney. Transcript obtained on ABC website, <http://www.abc.net.au/ra/asiapac/programs/s1244209.htm>.

173 Greenpeace UK (2005) *op. cit.*, p. 1

174 For example, Greenpeace argues that “Despite its claims on legality and certification, Wolseley is a major partner in forest crimes.” *Ibid.*, p. 5



This campaign appears to have had some success. In May 2006, Greenpeace International released another report, *Rimbunan Hijau: Thirty years of Forest Plunder*, in which it listed several companies whom it claims have agreed to restrict imports of timber from Papua New Guinea.<sup>175</sup>

Greenpeace is also currently lobbying governments in industrialised economies to ban imports of timber and timber products which can not be verified as being legally and sustainably produced. Greenpeace and WWF are leading an NGO campaign to ban imports of timber into the EU which can not be credibly verified as being legally produced (by FSC certification).<sup>176</sup>

Greenpeace UK's 2005 report argues 'The continued failure of the UK Government and European Commission to put in place legislation banning the import of illegal timber and wood products gives unscrupulous traders a carte blanche for the illegal destruction of ancient forests'.<sup>177</sup>

Greenpeace has also been lobbying the Australian Government to ban the import of illegal and unsustainable forest products.

In March 2006, Greenpeace called on Governments participating in the World Bank Forest Law Enforcement and Governance (FLEG) process to adopt a strong definition of legality, impose legislation to ban imports of illegal timber, ensure government procurement policies 'address the proliferation of illegal timber' and in the long-term, support and promote the development of a multilateral legal agreement on forest trade.<sup>178</sup>

The pressure Greenpeace is exerting on companies and governments in industrialised countries is designed to indirectly pressure forestry operators such as Rimbunan Hijau and producer countries such as Papua New Guinea. The campaign aims to reduce market access for uncertified products and to encourage corporate consumers to demand forest certification from producers.

Greenpeace argues 'Rimbunan Hijau is a transnational corporation that represents everything that is wrong with the way in which forest resources are being managed. Rimbunan Hijau presents the perfect test against which to judge the resolve of the international community to deal effectively with the problems of forest crime and the trade in illegal timber'.<sup>179</sup> This statement reveals that Rimbunan Hijau is simply a test case to further Greenpeace's campaign on illegal logging and ultimately their preservationist vision for "ancient forests".

## 8.6 The case against the company

The following is a detailed analysis of the charges against the company in the Greenpeace reports, *The Untouchables: Rimbunan Hijau's world of forest crime and political patronage* and *Partners in Crime: the UK timber trade, Chinese sweatshops and Malaysian robber barons in Papua New Guinea's rainforest*.

The case against the company in both reports is similar and draws on the same sources. It is that Rimbunan Hijau has engaged in:

- secretive corporate conduct,
- corruption,
- illegal logging,
- abuse of human rights,
- abuse of labour rights, and
- environmental destruction.

175 Greenpeace International, Amsterdam 2006, "Rimbunan Hijau Group: Thirty Years of Forest Plunder", p. 11

176 Greenpeace and WWF were key proponents of the EU's Forest Law Enforcement and Governance (FLEG) initiative which subjects timber imports into the EU to an EU-approved legal verification system and an import licensing system where producer countries sign partnership agreements with the EU. Greenpeace, WWF and FERN (a UK ENGO) have produced reports and held conferences recommending an EU regulation to prohibit the import of timber and timber products not independently verified as legal. All three are members and promoters of the FSC.

177 Greenpeace UK (2005) *op. cit.*, p. 3

178 Greenpeace International (2006c) *op. cit.*, p. 16

179 Greenpeace International (2004) *op. cit.*, p. 18

### A. Secretive corporate conduct

Greenpeace accuses Rimbunan Hijau of failing to disclose the ownership and control of its affiliates in Papua New Guinea.<sup>180</sup> ‘Rimbunan Hijau maintains a veil of secrecy over the true extent of its logging and other business interests,’<sup>181</sup> writes Greenpeace in *The Untouchables*. In *Partners in Crime*, Greenpeace asserts ‘These (foreign) logging companies are often registered as family-owned, allowing them to operate secretly’.<sup>182</sup>

Greenpeace argues it has identified over 60 individual companies in PNG which are owned by or affiliated with the Tiong family, and that only a small minority are openly acknowledged as being part of the Rimbunan Hijau group. ‘The ownership and control of the rest is obscured by undisclosed buyouts, proxy directors and shareholders, outdated company records, foreign ownership and widespread use of tax haven.’<sup>183</sup>

As a private company, Rimbunan Hijau is not required to publish details of its business interests. This level of disclosure is standard practice for private companies in Australia, the UK and PNG, and does not support claims of “secrecy”. In fact, the company reveals a lot of information about its activities in timber extraction, timber processing, media, general trading, shipping, aviation, travel and property development in Papua New Guinea.<sup>184</sup>

### B. Corruption

Greenpeace argues that Rimbunan Hijau is closely connected to the political elite in PNG. It contends that Rimbunan Hijau has undue influence on officials and politicians in PNG, including the Minister for Forests and the Minister for Justice.<sup>185</sup>

*The Untouchables* includes claims about political interference in due process for timber permits and business interests of politicians in the logging industry. However, there is no evidence provided that Rimbunan Hijau participated in corruption.

Greenpeace asserts the Prime Minister holds a 50 percent share and the Minister for Privatisation holds shares in a landowner corporation which holds a logging permit for the Lower Sepik Local Forest Agreement. The Minister for Planning’s wife, the Chief Secretary and the Minister for Justice are also named as having shares or roles in companies with logging permits.<sup>186</sup>

Greenpeace contends the company (Gopera Investments Limited) of which the former Minister for Justice<sup>187</sup> is Chair employs Rimbunan Hijau as a logging contractor for the East Kikori concession.<sup>188</sup> It is not unusual that a concession holder would contract the company with the most significant logging expertise to conduct timber extraction. These arrangements were in place prior to Minister Maipakai becoming a member of parliament.

Although Greenpeace highlights relevant concerns about political governance in PNG, it misleadingly implies the involvement of Rimbunan Hijau.

Broad claims that ‘the company appears to be protected by political patronage and its forest crimes go unchecked’ are included in Greenpeace reports.<sup>189</sup> These claims are referenced to Masalai i Tokaut, a web-based newsletter. The newsletter is anonymous. Its material is

180 Greenpeace International (2004), *op. cit.*, p. 4

181 Greenpeace International (2004), *op. cit.*, p. 6

182 Greenpeace UK (2005), *op. cit.*, p. 14

183 Greenpeace International (2004), *op. cit.*, p. 4

184 Rimbunan Hijau (PNG) Group of Companies (undated), ‘About Us’, <http://www.rhpng.com.pg/aboutus.htm>; accessed 5 April 2006.

185 Greenpeace International (2004), *op. cit.*, pp. 5-6

186 Greenpeace International (2004), *op. cit.*, pp. 5-6

187 The Honourable Mark Maipakai was the Minister for Justice when this allegation was made by Greenpeace. He is currently the Minister for Housing.

188 Greenpeace International (2004), *op. cit.*, p. 6

189 Greenpeace UK (2005), *op. cit.*, p. 3

### The National Forest Board decision on Kamula Doso

Kamula Doso is an area of forest covering 791,000 hectares, located adjacent to the Wawoi Guavi Timber Resource Permit area in Western Province PNG. It was identified by 1995-1996 Provincial Forest Management Plan for potential for forest development.

The National Forest Board approved the Forest Management Agreement (FMA) between the landowners and the PNG Forest Authority on 19 February 1998.

On 4 February 1999, the National Forest Board invited Wawoi Guavi Timber Company to submit a project proposal for the Kamula Doso area as an extension to the Wawoi Guavi area under section 64(3) of the Forestry Act. The effect of this decision was giving WGTC the first right to submit a development proposal (tender) for the FMA in accordance with the Kamula Doso project guidelines. The guidelines are set by the PNGFA and the Provincial Forest Management Committee (PFMC) in consultation with the landowners.

The proposal would be subject to the same assessment and allocation procedures as for open tenders. The project would be publicly advertised if the development proposal was not accepted. If the proposal was accepted the remaining steps of the allocation process would have to be complied with and if completed the Kamula Doso Forest Management Area would become an extension to the existing Wawoi Guavi operation (Timber Permit No. 1-7).

unverifiable. The Prime Minister and the Minister for Forests of Papua New Guinea have criticised the Masalai i Tokaut for making unsubstantiated and scurrilous accusations.<sup>190</sup>

### The Kamula Doso forestry area<sup>191</sup>

Greenpeace claims that Rimbunan Hijau attempted to 'unlawfully secure the logging rights for Kamula Dosa',<sup>192</sup> an area made available for timber harvesting adjacent to an existing Rimbunan Hijau logging concession, Wawoi Guavi.

The first rights to submit a project proposal to develop the Kamula Doso concession area were awarded to Wawoi Guavi Timber Company Limited (WGTC, a subsidiary of Rimbunan Hijau) in 1999 by the National Forest Board, as an extension to the Wawoi Guavi concession area.

The Ombudsman Commission of Papua New Guinea investigated the decision of the National Forest Board. It argued there were a number of irregularities and incidences of undue conduct associated with the decision.<sup>193</sup> A key concern was the size of the Kamula Doso concession relative (791,000 ha) to the Wawoi Guavi area (432,400 ha). Although land area of Kamula Doso is much larger than Wawoi Guavi, the annual allowable cut at Kamula Doso (322,000 cubic metres) is, in fact, smaller than that at Wawoi Guavi (350,000 cubic metres).<sup>194</sup>

The PNGFA has subsequently addressed the problems with the Forest Management Agreement for Kamula Doso. The Forestry Act was amended in 2000 to clarify criteria for awarding forest areas as extensions to existing concessions.

The findings of the Ombudsman Commission highlight common problems of governance,

190 Hon. Patrick Pruaitch, MP, Press release responding to allegations made by anonymous groups under the pseudonym of 'Masalai i Tokaut' and 'Forest Watch', Ministry of Forests, Papua New Guinea, 13 February 2004; 'Pruaitch defiant – maintains loggers doing the right thing', Papua New Guinea Post-Courier, 16 March 2005; 'Logging critics using double standards: PM', The National, 3 April 2006, p. 4; Rheeny, A., 'Chief hits NGOs', Papua new Guinea Post-Courier, 31 March-2 April 2006 Edition.

191 In official documentation and Greenpeace reports the area is referred to as Kamula Dosa and Kamula Doso. The correct spelling is believed to be Kamula Doso. Quotes from these sources reflect the differences in spelling. The area in question is the same.

192 Greenpeace International (2004), *op. cit.*

193 Ombudsman Commission of Papua New Guinea (2002) *Investigation into a Decision of the National Forest Board to Award Kamula Dosa to Wawoi Guavi Timber Company (a Subsidiary of Rimbunan Hijau) as an Extension to the Wawoi Guavi Timber Resource Permit*, Final Report, July.

194 Information provided by Rimbunan Hijau.

### The Ombudsman Commission report on Kamula Doso

According to the Ombudsman Commission, the decision had been justified on the basis of many landowners requesting the area be developed, the economic value of the Panakawa processing mill at the Wawoi Guavi concession and for expediency.

The Commission found that the Forest Management Agreement concluded between the PNGFA and the landowners was void. This was because the signatures consent by Incorporated Land Groups was, in a few cases (12, to be precise), provided by ordinary members, not the Chairmen of the groups as required by the Forestry Act 1991.

The Commission perceived the decision of the NFB was awarding the Kamula Doso area as an extension to the Wawoi Guavi timber permit area and recommended the decision be revoked and the allocation of the concession advertised. It also criticised the conduct of two Ministers for Forests and members of the NFB who acted inappropriately by facilitating the decision.

(This perception is disputed in Government: the claimed intention was to create a first right to submit a development proposal).

which can be attributed to many factors, including lack of clarity in the policy and regulatory framework and the dominance of economic factors in decision making.

Greenpeace claims the report from the Ombudsman Commission verifies its assertion that the decision was wrong and corrupt. Greenpeace cites the report to claim officials and politicians acted unlawfully to pressure the NFB ‘to favour Rimbunan Hijau with an illegal permit extension.’<sup>195</sup> There is no evidence that Rimbunan Hijau acted inappropriately or engaged in corruption.

### C. Illegal logging

Greenpeace contends that illegal logging ‘is the norm’ and that ‘at the heart of forest crime in Papua New Guinea, we find Rimbunan Hijau’.<sup>196</sup> The claim of illegal logging is justification for pressing companies in developed countries not to purchase timber from Rimbunan Hijau and Papua New Guinea.

Greenpeace alleges: lack of consent of from traditional landowners for logging operations; illegal extensions to timber permits; and breaches of forestry laws in the execution of timber permits.

These claims are serious. However, they are not accurate. The first two relate to the legal framework for land tenure and forestry in PNG and how those frameworks are implemented by the national Government. Rimbunan Hijau has provided evidence that all of its timber concessions possess valid timber permits under the Forestry Act 1991.

Greenpeace is attempting to discredit Rimbunan Hijau because it disagrees with regulatory frameworks underpinning forestry in Papua New Guinea.

### Consent of landowners

Greenpeace argues that ‘Logging occurs without the full and informed consent of customary landowners.’<sup>197</sup> It alleges that forest agreements are not approved by the customary landowner group, but by individuals, that landowners do not understand the contracts, and that bribery is often involved. ‘Greenpeace estimates that between 90 to 100 per cent of the logging that occurs in the country is therefore illegal.’<sup>198</sup>

Greenpeace’s claim is incorrect and lacks recognition and understanding of the legal frameworks

195 Greenpeace International (2004), *op. cit.*, p. 5

196 Greenpeace UK (2005), *op. cit.*, pp. 15 & 2

197 Greenpeace International (2006c), *op. cit.*, p. 6

198 Greenpeace International (2006c), *op. cit.*, p. 6

frameworks in Papua New Guinea for landowner consent for forestry operations. As noted above, 96.7 percent of land in PNG is held under customary (clan-based) tenure. The Forestry Act provides that ‘The rights of customary owners of a forest resource shall be fully recognized and respected in all transactions affecting the resource.’<sup>199</sup>

There are three types of arrangements for landowner consent governing current forestry operations: Forest Management Agreements (FMAs), Timber Rights Purchase Agreements (TRPs) and Local Forest Area Agreements (LFAs). FMAs are the current legal requirement and are mandatory for all new commercial forestry operations.<sup>200</sup> All three arrangements provide for landowner consultation and consent. They set out the terms of the lease and the activities allowed under the Agreement as well as the monetary and other benefits to be provided to land owners.

FMAs specify the rights and responsibilities of parties to the Agreement, and have prescriptive requirements for decision-making and consent among landowners. TRPs and LFAs were previous arrangements that relied on customary decision making structures. These characteristics have been exploited to insinuate non-consent of landowners based on the consent of clan leaders (agents), who have been misrepresented as individuals, rather than the customary representatives of clans. None of the arrangements affect customary owners’ title to their land.

According to the Act, the PNGFA negotiates with landowners to acquire timber rights for commercial forestry operations on behalf of the government.<sup>201</sup> This is not the responsibility of individual companies. The rights are acquired through a Forest Management Agreement, which must also be approved by the Minister for Forests.

Customary landowners must form incorporated land groups (in accordance with the Land Groups Incorporation Act) prior to negotiating and signing a Forest Management Agreement. Alternatively, registered title holders or authorised representatives of customary owners can negotiate a Forest Management Agreement. In the latter case, 75 percent of adult member residents on the land of each customary group must provide written consent.<sup>202</sup> The PFMC certifies that it is satisfied of the authenticity of tenure of the land claims and the willingness of landowners to enter into the Agreement.<sup>203</sup>

The PNGFA must also consult the Provincial government, the local government, and relevant members of parliament.<sup>204</sup>

Where FMAs have been concluded, logging companies can obtain Timber Permits which, together with the project agreements, set out the rights and obligations for timber harvesting, forest management and provision of infrastructure and social services.<sup>205</sup>

Timber Permit holders are not and have never been responsible for negotiating prior and informed consent from landowners. This is the statutory function of the PNGFA and PFMCs.<sup>206</sup>

Greenpeace has argued that the original Timber Permits for Vailala Blocks 2 and 3 and Wawoi Guavi were unlawful because the timber rights had not been properly acquired from the landowners.<sup>207</sup>

There have been instances of irregularities in the negotiation of Forest Management Agreement that have undermined the execution of Timber Resource Permits. This was a problem for the Kamula Doso area as highlighted above.

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199 Section 46, Forestry Act

200 Forest industry activities are also permitted on customary land where a timber authority or a clearing authority has been granted.

201 Section 56, Forestry Act

202 Section 57, Forestry Act

203 Section 58(f), Forestry Act

204 Section 57(3), Forestry Act

205 See Section 77, Forestry Act

206 Provincial Forest Management Committees generally consist of the Provincial Administrator, a PNGFA representative, a NGO representative, and two landowner representatives. During project negotiations, two additional landowner representatives are present.

207 Greenpeace International (2004), *op. cit.*, p. 7

The PNGFA had not acquired the timber rights from landowners in the Vailala Block 2 and 3 prior to issuing a Timber Permit to Rimbunan Hijau in 1991. Rimbunan Hijau did not enter the area until the FMA between the landowners and the PNGFA had been legally concluded in December 1995. The FMA is consistent with the Forestry Act.<sup>208</sup>

Rimbunan Hijau inherited the Timber Rights Purchase Agreement for the Wawoi Guavi concession, which was concluded in the early 1980s, before Rimbunan Hijau began operating in PNG. The TRP is legal according to the Papua New Guinean law.

It is the responsibility of the government to properly negotiate FMAs (and TRPs in the past). Companies can not and should not be held accountable for the processes of negotiation between the government and landowners for FMAs.

### Permit extensions

Greenpeace also alleges that three logging projects operated by Rimbunan Hijau were given “illegal” permit extensions. Greenpeace cites the report of the Independent Review Team (IRT) on logging which was commissioned by the World Bank as part of its FCP. It argued that the permit extensions for the Wawoi Guavi, Vailala Blocks 2 and 3 and Passismanua projects were obtained in breach of the Forestry Act 1991.<sup>209</sup>

The IRT argued that logging concessions granted before the passage of the 1991 Forestry Act (“saved permits”, which form the majority of Rimbunan Hijau operations) were never meant to be extended. The Timber Permits for Wawoi Guavi, Vailala Blocks 2 and 3 and Passismanua concluded before the 1991 Act entered into force and are ‘saved’ under section 137 of the Act.<sup>210</sup>

The IRT stated that ‘there is no mention in either section 2 or 137 (*Saving of Existing Permits, etc*) of the right to extend or renew a saved timber permit. To apply section 78 (*Extension or Renewal of Timber Permit*) to a saved timber permit is to extend the period in which the provisions of the current Act will have no application to that project.’<sup>211</sup>

However, legal advice provided by the PNG State Solicitor confirms that this is an incorrect interpretation of the Act. In a letter to the PNGFA Managing Director, the State Solicitor asserts, ‘I now confirm that a timber permit saved under S.137(1) may be extended under S.78.’<sup>212</sup>

In the case of Passismanua TRP, the Timber Permit was held by a landowner company. When the Permit was extended in 2003, the company was deregistered for late lodgement of taxation documentation. The extended Permit was vested in the PNG Registrar of Companies. The landowner company, in accordance with the Company’s Act, applied for and was granted re-registration. However, during this time the PNGFA had cancelled the Timber Permit on the basis of incorrect IRT advice that the permit extension was illegal. The landowner company subsequently pursued the matter in court and successfully obtained orders reinstating its Timber Permit.

The IRT also claimed there was a lack of due process in granting the extension to the Wawoi Guavi concession.<sup>213</sup> It argued that due process was not followed in the granting of the extension, as the Managing Director of the National Forest Service acted outside his jurisdiction by making recommendations on behalf of the Service (with reference to Section 4 of the Forestry (Amendment) Act 2000).

208 Forest Management Agreement (2005) Vailala Block 2 Forest Management Area, Ihu District, Gulf Province; Forest Management Agreement (2005) Vailala Block 3 Forest Management Area, Ihu District, Gulf Province.

209 Greenpeace International (2004), *op. cit.*, p. 7

210 This is taken by Greenpeace to mean the extensions of the permits were not legal.

211 Independent Review Team, Final Project Report – Wawoi Guavi Blocks 1, 2 & 3 (consolidated), Western Province, 11-13; and Final Project Report – Vailala TRP Blocks 2 & 3, Gulf Province, 11-13.

212 State Solicitor, ‘Re: Extension of timber permits under sections 137(1) and 78 of the Forestry Act, Letter to the Managing Director of the PNG Forest Authority, Office of the State Solicitor, Department of Justice and Attorney General, 25 February 2004.

213 Independent Review Team, Final Project Report – Wawoi Guavi Blocks 1, 2 & 3 (consolidated), Western Province, p. 7

This claim is incorrect. Section 19 of the Forest Act (as amended in 2000) states that ‘the Board may, by instrument, delegate to the Managing Director all or any of its powers and functions under this Act (except this power of delegation).’ This is what occurred and is the legal basis of the extensions.

### Legal compliance

Greenpeace also asserts that Rimbunan Hijau’s logging concessions do not operate in accordance with the PNG Forestry Act 1991 and the Logging Code of Practice. It states that logging operations in Papua New Guinea operate “in almost complete defiance of environmental laws and regulations.”<sup>214</sup>

Rimbunan Hijau has provided a number of documents produced by PNGFA and Department of Environment and Conservation, which verify its close compliance with the Forestry Act and other relevant legislations.<sup>215</sup> DEC confirmed occasional minor divergences from the norm are promptly dealt with by the company.<sup>216</sup>

The compliance of individual forestry permits with regulatory requirements is reviewed by the National Forest Board on an annual basis.

### D. Abuse of Human Rights

Greenpeace accuses Rimbunan Hijau of human rights abuses: bribing the police to intimidate landowners and workers through physical abuse, torture and unlawful detention.<sup>217</sup> Most claims relate to the actions of the police but Rimbunan Hijau is accused of using the police force for its own purposes and company managers are accused of rape of female employees and the use of firearms to intimidate the local population.<sup>218</sup>

These accusations are serious. The claims raised are integral to the ability of Rimbunan Hijau to maintain its legal and social licence to operate in Papua New Guinea.

### SBS reports

Greenpeace bases the majority of the above claims on two broadcasts by the *SBS Dateline* program in Australia: *Papua New Guinea – Wilderness laid waste by corruption*<sup>219</sup> (2001), and *PNG – Jungle Justice*<sup>220</sup> (2004).

The transcripts and all references to these broadcasts have been removed from the SBS website. They are no longer publicly available from SBS.<sup>221</sup> The conduct of an SBS journalist became a subject of controversy with PNG authorities.<sup>222</sup> Transcripts are available on other websites, but it is not possible to verify if they are authentic.<sup>223</sup>

214 Greenpeace International (2004), *op. cit.*, p. 7

215 For example, Thomas Nen (Managing Director, National Forest Service, PNGFA), “Approval of third phase five-year Forest Working Plan (2005-2007) over Vailala Block 2&3 FMA Project (TP 2-16)”. Letter to Mr Yeap Yun Yuat (General Manager, Frontier Holdings Ltd, PNG), 18 February 2002; Dr. Wari Iamo (Secretary, Department of Environment and Conservation), “Waste Management Plan approval for Wawoi Guavi TRP, Western Province”. Letter to Mr. Yeap Yun Huat (Managing Director, Wawoi Guavi Timber Company Ltd), 4 February 2005.

216 John Sambeok, *Rimbunan Hijau Group of Companies (RH) Ongoing Logging Operations, Southern Region*, a field compliance monitoring & inspection report no: 2:2003, prepared for the Department of Environment and Conservation, PNG, 2003.

217 Greenpeace International (2004), *op. cit.*, p. 8; Greenpeace UK (2005), *op. cit.*, p. 3

218 Greenpeace International (2004), *op. cit.*, p. 8

219 SBS Dateline, *Papua New Guinea – Wilderness laid waste by corruption*. Broadcast on 2 May 2001.

220 SBS Dateline, *PNG: Jungle Justice*. Broadcast on 3 November 2004.

221 Advice from SBS Dateline 2 March 2006.

222 Bronwyn Adcock, the reporter for the broadcast ‘PNG – Jungle Justice’, was detained and her passport confiscated for national security reasons by the Papua New Guinea Government before she left the country in 2004. See ‘PNG Govt furious over logging corruption report’, 4 November 2004, ABC Online, *PM*, reported by Shane McLeod, <http://www.abc.net.au/pm/content/2004/s1235088.htm>; ‘Decision to withhold scribe’s passport right’, *The National*, 5 November 2004.

223 A transcript claiming to be the 2001 report was found at [www.forest.org](http://www.forest.org). Rimbunan Hijau Watch PNG (<http://www.rimbunan-hijau-watch.org>) had posted a transcript claiming to be the 2004 report. The authenticity of the transcripts has not been confirmed by SBS.

### Allegations of gun-running and human rights abuses

A recent report by a radical West Papuan independence activist (*Terror-razing the Forest*) accused Rimbunan Hijau of drug and gun running and serious human rights abuses. It quotes the President of the East Sepik Women's Council (ESCOW) and a former Premier of East Sepik province of accusing Rimbunan Hijau of undertaking illegal and immoral activities in the East Sepik Province. Rimbunan Hijau does not operate and has no business interests in the province. The report also claims the company, the Indonesian Army and Prime Minister of PNG are conspiring to organize invasion of PNG by Indonesia. It describes the Australian Government as racists and rapists and accuses AusAID of building a road to support the invasion. The author thanked Greenpeace for its support in preparing the report.

The unverified transcript of the 2001 SBS report alleges that landowners had not consented to the FMA; they were forced to sign agreements at gunpoint; police had engaged in violence and torture against the local population; that the police were the 'private enforcers' of the logging company and were on its payroll; and that forestry officials and Ministers were corrupt. The allegations stem from statements made by a small number of landowners at Rimbunan Hijau's Wawoi Guavi timber concession in Western Province.

The claims are unsubstantiated and their credibility remains unestablished. An investigation into the police actions in the Western Province had stalled due to the lack of collaborative statements from alleged victims and witnesses.<sup>224</sup>

The purported transcript of the 2004 broadcast, "PNG – Jungle Justice", focused on the conduct of the Papua New Guinea police force. The report relied almost entirely on the testimony of Emmanuel Bani, a former member of the Southern Command (Police) Taskforce. According to the transcript, Bani claimed that he and his colleagues committed acts of violence against logging workers and landowners at the Kamusie township and that they took orders from Rimbunan Hijau.<sup>225</sup>

According to the statement made by the PNG Prime Minister Sir Michael Somare, Mr Bani was previously suspended from the police force for corrupt activity.<sup>226</sup> Purported transcripts on NGO websites raise doubts about Mr Bani's motivations.<sup>227</sup> Prior to giving the interview, Mr. Bani and his family have relocated to an undisclosed location outside PNG. In a repeat of 2001, an inquiry into police actions had failed to validate the claims.<sup>228</sup>

### Law and order in Papua New Guinea

It is clear that the law and order situation in PNG is appalling and there are serious problems with the conduct of security activities. A report to the Asian Development Bank noted, 'Crime is catastrophe in Papua New Guinea. Law and order has deteriorated to a level at least as bad as anywhere in the world, with profound consequence on the integrity of property rights and business activity.'<sup>229</sup>

224 Police brutality probe stalls, PNG Post Courier, 15/11/2004  
<http://www.postcourier.com.pg/20041115/news09.htm>

225 The Kamusie township is centred around a Rimbunan Hijau timber processing plant.

226 'PNG Govt furious over logging corruption report', 4 November 2004, ABC Online, *PM*, reported by Shane McLeod, <http://www.abc.net.au/pm/content/2004/s1235088.htm>

227 'I felt that the police force couldn't give me this type of money, and money was my life... when I knew that the orders were not good for the benefit of our country, I did it because I knew I would be paid well'  
[www.Rimbunan-hijau-watch.org](http://www.rimbunan-hijau-watch.org) <<http://www.rimbunan-hijau-watch.org/>>, (Emmanuel Bani, in SBS 2004, p. 4)

228 'PNG Govt furious over logging corruption report', 4 November 2004, ABC Online, *PM*, reported by Shane McLeod, <http://www.abc.net.au/pm/content/2004/s1235088.htm>

229 The Enterprise Research Institute (2003) *Papua New Guinea – A Private Sector Assessment*, Report prepared by ERI for the Asian Development Bank, June, p. 10



A 2004 report by the Royal Papua New Guinea Constabulary (RPNGC) Administrative Review Committee<sup>230</sup> found the law and order situation in PNG has deteriorated in recent years, often due to lack of government funding of the police force.<sup>231</sup> Lawlessness is most acute in isolated areas (such as the Western Province), where there is a serious lack of police presence.

As a result, forestry and mining companies generally have to provide financial and logistical assistance to the local government and police to establish a police presence at townships in remote operations (such as Wawoi Guavi in Western Province).<sup>232</sup> Instances of such support (including transport of police and suspects) are well documented.<sup>233</sup>

Private sector support for the presence of law and order at remote operations is routine in countries without adequate police resources. However, it does not ensue that companies are responsible for the actions of the Government police force or that they direct those actions.

It appears that Greenpeace and other NGOs have deliberately misrepresented Rimbunan Hijau's support for law and order at its operations to create an impression of corruption and police patronage.<sup>234</sup>

### E. Abuse of labour rights

Rimbunan Hijau is accused of labour rights abuses at its logging concessions and processing operations. Greenpeace contends Rimbunan Hijau is guilty of appalling health and safety standards, selling food from company run stores at exorbitant prices, and not providing workers killed at a logging site with a proper burial.<sup>235</sup>

The sources of Greenpeace's claims are reviews undertaken for the World Bank IRT into the Royal Papua New Guinea Constabulary<sup>236</sup> and a draft inspection report on the Wawoi Guavi concession area, undertaken by a Department of Labour and Employment employee.<sup>237</sup>

Greenpeace quotes the draft inspection report as stating 'The company's treatment of its citizen employees reflect labour exploitation and slavery and should be condemned at all levels.'<sup>238</sup>

Neither report has been adopted or endorsed by the PNG government. The statements made in the labour inspection report were subsequently discredited in a letter from the Minister for Labour and Industrial relations to Rimbunan Hijau. The letter stated the report was 'biased', and the allegations 'do not accurately reflect the actual position in the Wawoi Guavi Timber Co.'<sup>239</sup>

230 The Committee included a former Commissioner of the Australian Police Force.

231 'The effectiveness of the constabulary in maintaining law and order is in a state of decline, and the pace of deterioration is accelerating... Government funding to police has not kept pace with population growth... an injection of resources is now essential if the Police are to be able to make serious inroads into the law and order situation'. RPNGC Administrative Review Committee, *Report of the Royal Papua New Guinea Constabulary Administrative Review Committee to the Minister for Internal Security Hon. Bire Kimisopa*. (Port Moresby: Government of Papua New Guinea, 2004), 7, 49.

232 For example, Rimbunan Hijau was approached by the Provincial Government in a request for financial and logistical support, in order to establish police presence in the Ihu District of the Gulf Province. The request followed complaints of unattended crime ranging from murders, rape, and arson in the area. Rimbunan Hijau fulfilled the request, contributing more than 200,000K towards the project, which included construction and rehabilitation of police stations and barracks. Hon. Charles Maiu, MPA (Deputy Governor, Gulf Province, PNG). Untitled letter to Mr. Axel Wilhelm, Rimbunan Hijau (PNG), 2 February 2004.

233 J. Andrew (Assistant Commissioner, Southern Division Command, RPNGC), "Deployment to Purari / Escort on MV Swift II, 17/1/2001". Letter to Rimbunan Hijau (PNG), 16 January 2001; J. Andrew (Assistant Commissioner, Southern Division Command, RPNGC), "Re: Request assistance to airlift eight (8) drug suspects from Baimuru to Kerema". Letter to Rimbunan Hijau (PNG), 3 May 2001.

234 See, for example, Masalai i Tokaut, "Masalai 34 – Police Chief Inguba covering for Rimbunan Hijau atrocities". <http://www.masalai-i-Tokaut.com/index.html>

235 Greenpeace UK (2005) *op. cit.*, p. 16

236 Tom Diwai Vigus, *Report to the Independent Review committee into the operations of the RPNGC*.

237 Donald Lunen, 'Inspection report – Wawoi Guavi Timbers', Department of Labour and Employment, 14 May 2004.

238 Greenpeace UK (2005) *op. cit.*, p. 16, quoting from Donald Lunen, 'Inspection report – Wawoi Guavi Timbers', Department of Labour and employment, 14 May 2004.

239 Minister for Labour and Industrial Relations, 'The World Bank Commissioned Labour Inspection Report Dated 21st March 2004, Letter to Rimbunan Hijau Group of Companies, 29th October 2004.

The Minister also confirmed that Wawoi Guavi Timber Company's operations were in compliance with relevant laws.<sup>240</sup>

Rimbunan Hijau has also denied all charges made in the report, stating that its operations are in accordance with all relevant labour laws.<sup>241</sup> The compliance of the Wawoi Guavi operation with labour laws was confirmed by a subsequent Department of Labour report on the concession.<sup>242</sup> The report found all wage rates paid by the company to be 'over and above the current determined minimum wage rates,'<sup>243</sup> subject to annual increases, and that differences in wages occurred solely due to occupational classifications (unskilled, semi-skilled and tradesman). It also confirmed that 'the company supplies free food rations for all its workers at its respective camps.'<sup>244</sup>

These findings were recently confirmed by ITS Global during a visit to Rimbunan Hijau's processing plants at Teredau, Panakawa and Kamusie. ITS Global verified that local workers at these plants are paid above minimum wage rates with superannuation and they receive periodic wage increases and productivity incentives. Workers are provided with in-kind accommodation, meals and health care.<sup>245</sup> Occupational training and pilot projects (for example, horticulture) were on-going.<sup>246</sup>

Overall, the claims of labour abuses at Rimbunan Hijau concessions are unsubstantiated and inflammatory.

## F. Environmental Destruction

In *The Untouchables*, Greenpeace argues that 'logging by Rimbunan Hijau in Papua New Guinea is among the most environmentally destructive of any selective logging operations studied anywhere on the planet.'<sup>247</sup> It says, 'Losses to the residual stand have been recorded at more than 100 trees per hectare. What is supposed to be selective logging is effectively clearfelling.'<sup>248</sup>

These sensational claims are, however, not supported by evidence. Five sources were cited to support these claims. However, the sources are unreliable, irrelevant or unpublished report commissioned by Greenpeace itself.

In a 2005 report, Greenpeace UK stated,

'A UK Government funded report finds that 30% of current concessions will be logged out in three years. According to the report, the 'cutting cycle in operation in Papua New Guinea is neither based on ecological parameters nor respected ... forests are being cut at a rate far in excess of what could possibly be justified on any principle of sustainable management.'<sup>249</sup>

The report in question was published by Forest Trends.<sup>250</sup> Although it was funded by the UK Department for International Development (DFID), its findings are not endorsed as those of the UK government. All three authors are representatives of organisations connected with WWF and the PNG eco-forestry movement.<sup>251</sup> The sources for Greenpeace's arguments are wholly sourced

240 *Ibid.*

241 James Lau (Managing Director, Rimbunan Hijau (PNG) Group), "Re: Draft observations and recommendations report/Responses from Rimbunan Hijau (PNG)". Letter to Mr. Ben Everts, Review of Current Logging Projects, PNG, 6 August 2004.

242 Messers Lohia Bodibo, Aloysius Aoae, Moses Make, *General labour inspection – Kamusi and Panakawa logging camps*, report prepared for the Department of Labour and Employment, PNG, 2004.

243 *Ibid.*

244 *Ibid.*

245 ITS Global, visit to Teredau, Panakawa and Kamusia, 16 March 2006.

246 ITS Global, visit to Teredau, Panakawa and Kamusia, 16 March 2006.

247 Greenpeace International (2004), *op. cit.*, p. 9

248 *Ibid.*

249 Greenpeace UK (2005) *op. cit.*, p. 15

250 Bun, Y., King, T. and Shearman, P. (2004) 'China's Impact on Papua New Guinea's Forestry Industry', *China and Forest Trade in the Asia-Pacific Region: Implications for Forests and Livelihoods*, Forest Trends

251 The authors are representatives of or past employees of: the Foundation for People and Community Development and FSC-Papua New Guinea (Y. Bun); the Pacific Heritage Foundation, an eco-forestry NGO (T. King); and WWF South Pacific (P. Shearman).

from the PNG eco-forestry movement.<sup>252</sup> Furthermore, a significant amount of the material in this report replicates (unreferenced) the findings of a previous report for the Papua New Guinea Eco-Forestry Forum by one of the same authors.<sup>253</sup>

### Lack of evidence

Three of the five reports referred to above actually relate to the Vanimo concession which is operated by a company with no links to Rimbunan Hijau.<sup>254</sup> Another is a study by a PNG post-graduate student about a Rimbunan Hijau concession on Manus Island which copies much of its content and its findings from one of the reports on Vanimo.<sup>255</sup> It could not be considered reliable or independent.

Two reports relate to the Wawoi Guavi concession area, operated by the Wawoi Guavi Timber Company, a subsidiary of Rimbunan Hijau.

Greenpeace commissioned a *Preliminary Environmental Investigation of Logging Operation in the Wawoi Guavi Area, Western Province* in 2003.<sup>256</sup> The report by David Melick apparently found 261 breaches of 18 key logging standards in the PNG Logging Code of Practice.<sup>257</sup> The report has not yet been published and no details of specific breaches or incidences of environmental damage have been provided by Greenpeace. This is puzzling given the strength of Greenpeace's claims about Rimbunan Hijau's environmental performance.

The final report is an Environmental Impact Assessment of Logging Operations in Block 3 of the Wawoi Guavi TRP.<sup>258</sup> It was commissioned in 1999 by Greenpeace Pacific and ICRAF.<sup>259</sup> It and has not been published.

It appears unlikely that permission was granted for Greenpeace to undertake either of the environmental assessments at the Wawoi Guavi concession. An examination of operations and the area to the degree of identifying 261 breaches of logging standards would require an extensive field assessment and support from field staff. Such an assessment appears prohibitive. Indeed, Greenpeace's arguments that the forestry industry in Papua New Guinea is unsustainable appear to be based on dubious evidence.

None of the reports are cited in *Partners in Crime*, which contains no specific allegations of environmental destruction caused by Rimbunan Hijau.

### PNG forestry regulations

Papua New Guinea has a framework of legislation<sup>260</sup> and codes of practice<sup>261</sup> which govern the planning, operation and decommissioning of forestry operations.

252 Eco-forestry in Papua New Guinea is discussed in detail in Annex 8.4.

253 Shearman, P. and Cannon, J. (2002) 'PNG Forest Resources and the Log Export Industry: An quantitative analysis of forest resources, the impact of commercial logging and the future of the log export industry', Working Paper, The Papua New Guinea Eco-Forestry Forum, funded by Conservation International.

254 Erskine (1999) Environmental and social impact assessment of logging operations in the Vanimo Timber Area, Sandaun Province, Papua New Guinea; Kocher-Schmidt (1999) Vanimo-Kilimeri Intensive Interdisciplinary Research Report; Kocher-Schmidt (2000) Lessons learned from the Vanimo Timber Rights Purchase area.

255 Pwesi (2000) Environmental and social impact assessment of logging operations in the West Coast of Manus Area, Manus Province.

256 Melick, D. (2003) A Preliminary Environmental Investigation of the Logging Operations in the Wawoi Guavi Area, Western Province, Papua New Guinea, Unpublished report for Greenpeace.

257 Greenpeace International (2004), *op. cit.*, p. 9

258 Erskine, P (1999) *An Environmental Impact Assessment of Logging Operations in Block 3 of the Wawoi Guavi TRP, Kamusie, Western Province, Papua New Guinea.*

259 An organization run by Brian Brunton of Greenpeace Pacific.

260 Legislation includes: Forestry Act 1991 and Amendments (1993, 1996, 2000, 2005); Forestry Regulations 1998 and Amendments (2000); Environmental Planning Act 1978; Conservation Areas Act; Water Resources Act; Environment Act 2000.

261 Relevant codes are: Logging Code of Practice 1996; Planning and Control Procedures for Natural Forest Logging Operations under Timber Permit; Key Standards for Selection Logging in PNG 1996; Procedures for Exporting Logs 1996; Procedures for the Identification, Scaling and Reporting (including Royalty Self-Assessment) on Logs Harvested from Natural Forest Logging Operations 1996; Procedures for Assessing Post Logging Waste within a Set-Up 1996.

Forestry operations in PNG operate according to a sustained yield principle. This applies to both saved permits and those established under the 1991 Forestry Act. Permit areas are selectively logged according to a 35 year cutting cycle.<sup>262</sup>

The annual harvestable quota is set by the PNGFA, to which companies pay a reforestation levy. PNGFA is responsible for ongoing management of the harvested forest area under the Forest Management Agreements and Timber Resource Permits.<sup>263</sup>

The Logging Code of Practice stipulates standards for selection harvesting practices; waterway protection and management; buffer zone management; road construction, maintenance and decommissioning; soil management; drainage; bridges; and waste management.

Specific requirements for forest management and harvesting practices at each concession are set out in the timber permits.

Companies must submit and have approved 5 year and annual logging plans which must be consistent with the relevant legislation and codes of practice.

Rimbunan Hijau has produced documentation to verify compliance with the relevant laws and codes of practice.<sup>264</sup>

Greenpeace's opposition in principle to industrial activity in forest areas (including Western Province) prevent it from being able to assess objectively the environmental impact of Rimbunan Hijau's forestry operations.

262 The cutting cycle is set out 40 years in the legislation. 35 years has been the working model set by the PNGFA.

263 In the case of many saved permits, the harvestable quotas set by the PNGFA were overestimations and the harvesting plans were not based on permanent production of the area with 1/35 of the area being logged each year. As a result, many permits have a life of substantially less than 35 years. This is not an indication that the harvesting regime was unsustainable in the long-term but that these timber permits were designed to be left to regenerate after harvesting. In some cases, parts of these permit areas were to be transformed for alternative land use, such as agriculture.

264 Thomas Nen (Managing Director, National Forest Service, PNGFA), "Approval of third phase five-year Forest Working Plan (2005-2007) over Vailala Block 2&3 FMA Project (TP 2-16)". Letter to Mr Yeap Yun Yuat (General Manager, Frontier Holdings Ltd, PNG), 18 February 2002. Brown H. Kiki (Acting Managing Director, National Forest Service, PNGFA), "Approval of 2005-2006 Annual Logging Plan, Vailala Blocks 2&3 TRP (TP2-16). Letter to the Forest Manager, Frontier Holdings Ltd, PNG, 2 September 2005. Dr. Wari Iamo (Secretary, Department of Environment and Conservation), "Waste Management Plan approval for Vailala Blocks 2&3 TRP Project, Gulf Province". Letter to Mr. Yeap Yun Huat (Managing Director, Frontier Holdings Ltd), 10 May 2005.