

PARTNERS IN CRIME: HOW DUTCH TIMBER TRADERS BREAK THEIR PROMISES, TRADE ILLEGAL TIMBER AND FUEL DESTRUCTION OF THE PARADISE FORESTS

A staggering 80% of the world's ancient forests have already been destroyed or degraded and much of what remains is under threat from illegal and destructive logging. The member states of the European Union (EU) play a key role in fuelling the international demand for timber products from illegal and destructive logging. Being a large importer and trader of timber in the EU, the Dutch timber industry also plays a significant role.

As early as 2001, the Dutch Government indicated its intention in the 4th National Environmental Policy Plan (NMP4) to stop the trade in illegal timber.

At the end of 2003, a motion submitted by the Christian Union party was approved by an overwhelming majority of the Lower Chamber of Parliament. All the parties asked the Government to take a stand in support of a European import ban on illegally felled timber. To this date, no action has been taken to implement this motion, indicating that the previous Government did not appear to take the issue particularly seriously.

We call for the government to make every effort to ban the trade in illegal timber and to aim for an import ban on illegally harvested timber

Motion served by Mrs Huizinga-Heringa, member of Parliament, (29 200 XI, no. 51) 13 November 2003

Sustainability is listed as one of the most important cornerstones of the new Government's policies; it would seem that working to stop the sale and trade of illegal timber on the Dutch market would be the least it could do. The Christian Union submitted a strong motion in 2003 when it was in opposition; Greenpeace challenges it to live up to its own motion as a government partner and remain true to its own principles.

The Dutch Ministry of Agriculture, Nature and Food Quality (LNV) conducted a study in 2005 on the options that current criminal law offers for dealing with the trade in illegal timber. The study concluded "when the occasion arises, the current legislation offers insufficient grounds for prosecuting companies which import timber that was felled illegally."¹

In order to highlight the inadequacies of the Dutch law to address the import of illegal timber, Greenpeace turned itself into the



Papua New Guinea forest destroyed by logging. © Greenpeace/Solness

authorities after it was able to purchase illegal timber in 2006. The Public Prosecutor made a serious attempt to prosecute the case, but reached the same conclusion as LNV: *current criminal law is insufficient and Greenpeace could not be prosecuted*².

Rather than indicating that its conclusion necessitates new legislation, LNV has focused on voluntary proposals. The most tangible measure currently being developed are Voluntary Partnership Agreements (VPAs) that the EU may enter with individual timber producing countries.

These Partnership agreements will not prevent the international trade in illegal timber, as only a small percentage, about 5% of the wood that enters the Netherlands,³ would be verified by the licensing schemes developed under any such bilateral agreements.

The Dutch government is seeking a second alternative in supporting private initiatives in the wood sector itself. One striking detail here is the fact that the sector itself admitted publicly that it could not resolve the problem of the illegal timber trade on its own and called for the government to develop legislation.

"..when the occasion arises, the current legislation offers insufficient grounds for prosecuting companies which import timber that was felled illegally."

Dutch Ministry of Agriculture, Nature and Food Quality, 2005



Waterfall, Kamula Dosa, Lake Murray, Papua New Guinea. © Greenpeace/Birch 2005

The last letter from the Ministry of Housing, Spatial Planning and the Environment (VROM) was characteristic of the low ambitions of the previous Government:⁴

"Research has shown that consumers expect that only good products will be permitted to enter the market. That would mean that the government would have to prohibit the sale of timber that cannot be proven to be legal, and perhaps even timber that cannot be proven to be harvested in a sustainable manner. However, an import ban is not feasible in the general legal frameworks of the WTO and the EU."

At no point does it offer an explanation as to where control of the sale of illegal and destructive timber would conflict with EU and WTO regulations. The statement remains unsupported, despite the fact that NGOs had already presented a study two years earlier⁵ clearly showing that controlling the import of illegal timber was within the realms of possibility and did not conflict with WTO regulations.

"Cheap imports of illegal timber and the non-compliance of some firms with basic social and environmental standards destabilise international markets, threaten jobs and create unfair competition. Without a clear European legal framework, companies that behave responsibly and want to invest in sustainable practices will always be disadvantaged."

André de Boer, Director of the Dutch Timber Trade Federation, during the announcement of the Industry Statement on Illegal Logging.

In conclusion, the previous Government had no ambition to make an actual effort to eliminate the trade in illegal timber or to work at a European level to implement law to stop the trade in wood from illegal logging. However, the new Government sets great store by sustainability; the expectations are that this Government will take up the gauntlet and truly work to tackle the problem of international trade in illegal and destructive timber.

THE DUTCH MARKET

The percentage of Chinese plywood on the Dutch market increased rapidly between 2000 and 2005. In 2000, the Netherlands imported Chinese plywood worth € 71,000; in 2005 it had already increased to € 24 million⁶.

In response to a report that Greenpeace Netherlands published in 2006⁷ on red canarium and bintangor plywood processed in China that was made with timber illegally logged in Papua New Guinea (PNG), the timber sector seemed slightly less excited about the Chinese wood; import statistics showed that the imports had stagnated, decreasing slightly to € 23.5 million in 2006⁸

Dutch traders PontMeyer, the Oldenboom group and Hoek Lopik actually declared to phase out such products connected to forest destruction in PNG.

CHAINS OF DESTRUCTION

To verify the commitments made by the Dutch industry, Greenpeace conducted further research, in late 2006 and early 2007, on the presence of wood from PNG that is processed into plywood sheets that are sold on the Dutch market. This new research shows that illegally felled timber still finds its way to the Dutch market from PNG, through China, and through a Belgian trader right into the warehouses of those companies that had committed to stop trading such products.

The plywood was found amongst several Dutch traders. The wood was not only found at a branch location of the BouwCenter group, it was also found again at Hoek Lopik and the Oldenboom group; both companies had announced publicly to Greenpeace in January 2006 that they would stop using this wood.

HOEK LOPIK

The Hoek Lopik company is a familiar face. The company is one of the most important suppliers of Chinese plywood in the Netherlands. At the beginning of 2006, Greenpeace discovered that the company was trading in plywood panels with Bintangor and Red Canarium facing, which could be traced back to PNG suppliers, including the notorious Malaysian logging company, Rimbunan Hijau. Greenpeace challenged Hoek Lopik to stop selling plywood made with both of these timber species. Hoek Lopik promised to reform and informed us of the following by letter:

**"After reading your letter of 26 January 2006,
we will stop selling Bintangor-finished plywood."**

Letter from Hoek Lopik to Greenpeace Netherlands, 30 January 2006

*"Your overview of the forests and the logging activities is undoubtedly much better than ours, since we – ... – do in fact possess insufficient options and expertise to monitor the legality of the logging to the extent that we could or would dare to state with certainty that our plywood is always legal. For us, it is more or less an insurmountable task, as it is for all the other importers of these types of plywood triplex. It is only partly our area of expertise. However, it is your area of expertise – at least Greenpeace has pretensions of doing so – to determine the legality or illegality of the logging and to advise the timber trade on that basis to continue or stop trading (imports and sales)."*⁹

Letter from Hoek Lopik to Greenpeace 30 January 2006

Despite the fact that Hoek Lopik committed to stop selling Bintangor plywood as early as January 2006, it continues to sell wood illegally logged in Papua New Guinea. Greenpeace investigations in late 2006 found Hoek Lopik selling Red Canarium plywood. Red Canarium, as with Bintangor, is a species supplied by PNG and the Solomon Islands to China, for the production of plywood.

The Red Canarium plywood found at Hoek Lopik originated in notorious Rimbunan Hijau's Turama and Wawoi Guavi concessions. Red Canarium is supplied from the Turama concession to a veneer mill,¹⁰ from there it is supplied to a plywood mill that processes Red Canarium plywood and supplies the Arser Group.¹¹

The Red Canarium timber from the Wawoi Guavi concession is supplied to a veneer mill¹² which supplies it to plywood mills that in turn supply the Arser Group.¹³

The Arser Group supplies Belgian trader, Altripan, which in turn sells to Hoek Lopik.¹⁴



Red Canarium logs veneer mill storage yard with code 10213, indicating that the logs are from Rimbunan Hijau's Turama concession. © Greenpeace 2007



Red Canarium logs veneer mill storage yard with code 10211, indicating that the logs are from Rimbunan Hijau's Turama concession. © Greenpeace 2007



Photo taken at the log yard of the veneer mill supplying the Arser Group's plywood suppliers. The log export number 10107 belongs to Wawoi Guavi, subsidiary of Rimbunan Hijau. © Greenpeace, 2007



Red Canarium plywood found at Hoek Lopik, with the Altripan and Arser Group logos. © Greenpeace, 2007

BOUWCENTER EILAND DE WILD

Hoek Lopik was not the only company where illegal plywood was found. Red Canarium plywood was also found at a location of the BouwCenter group: the company BouwCenter Eiland de Wild in Alkmaar. This Red Canarium can also be traced back via Altripan in Belgium and the Arser Group in China, and therefore to Rimbunan Hijau's concessions.¹⁵

Fraudulent use of EU Certification?

The Red Canarium plywood found at both Hoek Lopik and the BouwCenter is stamped with the EU Construction Products Directive (CPD) certificate number (0502-CPD-10028) and supposedly processed by Huaian Arser Wood. However, communication with the certifier SKH, confirmed that the code "10028" is only valid for full poplar plywood. Furthermore, the Arser Group confirmed to Greenpeace researchers that Huaian Arser Wood does not produce tropical faced plywood. This suggests that the Arser Group may be fraudulently using Huaian Arser's admission to the EU market under the Construction Products Directive for products of uncertified mills.



Red Canarium plywood found at BouwCenter, with the Altripan and Arser Group logos. © Greenpeace 2006

"The CE certificate 10028 is applicable for the production of (only) full poplar plywood. The certificate does neither cover the film facing part, nor the production of tropical veneered plywood."

Rob Schoonewagen, SKH



Huaian Arser, EU-CPD Certificate

THE OLDENBOOM GROUP

Last year, the Doetinchem-based company Oldenboom Hout en Plaat BV appeared to have good intentions. After Greenpeace confronted the company with the fact that it was selling illegal wood, the director responded immediately and promised to stop selling Bintangor and Red Canarium faced panels. The Oldenboom group even went a step further and left the VVNH, the sector organisation for timber trading, because the VVNH policy was too conservative, according to Mr Oldenboom.



Red Canarium plywood found at Emmerik Nijmegen, member of the Oldenboomgroup, with the Altripan logo. © 2006

'In our view, it was a product that had nothing wrong with it, until we heard from your organisation that this was not the case. We naturally immediately took responsibility by stopping our import of this product'

Director D.J. Oldenboom in a letter to Greenpeace, 28 March 2006

However, during Greenpeace investigations in 2007, a branch of the Oldenboom group, Emmerik Nijmegen, was found to have both Bintangor and Red Canarium plywood, a full year after agreeing to stop selling these products.

The Red Canarium plywood found at Oldenboom is supplied by Altripan. One of Altripan suppliers is the Arser Group, which trades in plywood made from PNG timber, including from Rimbunan Hijau.



Belgian Trader, Altripan. © Greenpeace 2007

Altripan, the Belgian link in the chain of destruction

Altripan, a timber trader based in Antwerp, Belgium, is the common link to all the Dutch traders. In addition using plywood supplied by the Arser Group, it is also supplied by Jiangshan Wood, who is confirmed as trading in plywood products made of timber from PNG.¹⁶

Altripan clearly does not take steps to ensure that its products are from legally or responsibly managed forests.

The majority of forestry operations [in Papua New Guinea] cannot credibly be characterised as complying with national laws and regulations and are therefore 'unlawful'.

Forest Trends, 2006¹⁷



Red Canarium plywood found at Altripan coming from Jiangshan Wood. © Greenpeace 2007.

THE ROLE OF CHINA IN ANCIENT FOREST DESTRUCTION

In the last decade China has replaced the United States as the biggest importer of timber on the planet, a result of the country's own logging ban in large areas of natural forest, the liberalisation of trade barriers and the massive growth of the Chinese timber processing industry, largely for export. In 2005 China imported 7.3 million m3 of tropical logs – mainly from Malaysia, the Paradise Forests of Papua New Guinea, Myanmar and Gabon.¹⁸

According to figures from the International Tropical Timber Organisation (ITTO), for every second tropical log shipped from the world's threatened rainforests, one is destined for China, making it the largest importer of timber from rainforest destruction in the world.¹⁹ China is also now the world's largest plywood producing and exporting country.²⁰

Plywood with a core made up of Chinese grown poplar but faced with tropical, ancient forest species, such as Okoume from Africa or Bintangor and Red Canarium from Papua New Guinea and the Solomons is a particularly good selling commodity in Europe. In the booming heartland of eastern China there are thousands of small, family-run veneer mills running their machines throughout the day,



Wood markets of China. © Greenpeace/ Guo Qiang Ji 2006

stripping veneers from logs mainly for the production of cheap plywood. Their veneer is picked up by an almost as large number of plywood mills, with a few of these now emerging as larger players, which are able to flood the international plywood markets with cheap plywood, often from illegal and destructive logging operations.

Between 2005 and 2007, Greenpeace investigated Chinese mills producing plywood primarily for the EU countries.²¹ All of those investigated stated that the rainforest timber used in their plywood production came through the port of Zhangjiagang, which accounted for over 50% of all Chinese tropical hardwood log imports in 2002.²² In 2004, nearly 3 million m3 of tropical timber came through this port, with a reported declared value of 400 million.²³ These mills consistently told Greenpeace that they source their logs either through buyers sent direct from the mill or traders acting on a mill's behalf at the port. Decisions are made based on documents that may list only the ship name, the volume and the species available for sale.

Traders pick the logs they want from the list and then transport them to veneer mills in Shandong or Jiangsu province for processing. Despite repeated requests, none of the traders or mills investigated by Greenpeace were able to provide documents to indicate the legality, sustainability or even true origin of the timber they traded or processed.

THE SCENE OF THE CRIME IN PAPUA NEW GUINEA

Papua New Guinea is a nation located on the world's largest tropical island. Its magnificent forest forms part of the few remaining significant ancient forests on earth. It is home to wildlife such as the tree kangaroo, the world's largest pigeon, the largest butterfly on earth – the Queen Alexandra's birdwing, with a wing span of over 11 inches – and the world's longest lizard, along with over 3000 species of orchid.



Tree Kangaroo. The habitat of many species is under threat from destructive and illegal logging in the rainforest of Papua New Guinea. © Greenpeace/Gerald Cubitt

Almost all the land in Papua New Guinea is owned by indigenous communities under customary tenure. Most of these communities depend on the forest for their livelihood. The forest provides food, water, housing, fuel, transport and medicine.



A World Bank funded independent review on logging concessions in Papua New Guinea between 2000 and 2005, found widespread and serious illegalities across the logging industry. These findings were reinforced by a UK Government funded report, which found widespread environmental damage, corruption and social upheaval in logging areas.²⁴

In 2001, an Australian TV documentary added very specific allegations to the already shocking review reports, including:²⁵

- People forced to sign agreements at gunpoint and threats of imprisonment and even death.
- Use of armed police officers with guns drawn to emphasise the ability of the company personnel to enforce their threats.
- Use of police 'mobile squads' to quell any industrial unrest amongst logging company employees.
- Use of firearms by logging company managers to threaten and intimidate local people.
- Torture, physical abuse and unlawful detention of local people by police officers 'employed' by the logging company.

Malaysian companies, who have already stripped the majority of their own rainforests, dominate the forest industry in Papua New Guinea, controlling over 80% of all log exports. These companies are plundering the rainforests and the country could be logged out by 2020.²⁶

The overwhelming conclusion is that the robber barons are now as active as they ever were. They are not only free to roam, but are in fact encouraged to do so by persons whose proper role is to exercise control over them.

World Bank funded Government Review of Disputed Forest Allocations, Papua New Guinea, 2003



Children Playing in the forest, Papua New Guinea. © Scheltema/Greenepeace

Almost 90% of the saw/veneer grade logs from PNG were exported to China.

ITTO Market Report Volume 12, Number 4, 16-28 February 2007

Malaysian logging giant Rimbunan Hijau is the undisputed ruler over forest resources in Papua New Guinea and is responsible for at least half of the logs that leave the country. Rimbunan Hijau has been directly linked not only to illegal logging but also to human rights abuses. However, the company appears to be protected by political connections and its crimes go unchecked. Rimbunan Hijau's main export species include Bintangor and Red Canarium and with most of these exports today ending up in Chinese plywood, this wood finds its way into almost all European countries.

ILLEGAL AND DESTRUCTIVE LOGGING AND CLIMATE CHANGE

Up to a quarter of greenhouse gas emissions are almost exclusively linked to tropical deforestation, often for conversion to pasture land and agricultural plantations.²⁷ This figure excludes the emissions from forest fragmentation and degradation resulting from the creation of logging roads and other industry related infrastructure. The area of forest cleared for roads can be wider than some of Europe's major motorways.

Illegal logging exacerbates the destructive force of industrial logging in the world's tropical forests. In Papua New Guinea, Greenpeace estimates that up to 90% of the logging is undertaken illegally and a 2006 report showed that most of the large industrial logging concessions in PNG are not operating in an environmentally and socially responsible manner.²⁸

The world has now woken up to the fact that climate change is happening and that forest destruction is a significant contributor to this, yet nations continue to ignore their own impact and contribution to the destruction of forests around the world. The EU's failure to control its market from selling illegal and destructive timber is contributing to climate change and deforestation and is fuelling illegal and destructive logging.

COMPANIES CALL FOR POLITICAL ACTION

Time and time again it is shown that the industry is unable to regulate itself to supply timber from responsibly managed forests - the industry is even asking for legislation to help control the trade in illegal and destructive timber. This new Greenpeace investigation shows that the sector is not able, and in some cases also not willing, to regulate itself, even with companies that committed to stop trading in illegal timber continuing to trade.

More than 80 progressive companies, including B&Q, Homebase, Habitat and IKEA, have called on the European Commission to introduce legislation that will lead to clear rules in Europe for fair competition and sustainable markets. This call also has the support of over 180 NGOs.²⁹

POLITICAL ACTION BY THE EU GOVERNMENTS ON ILLEGAL AND DESTRUCTIVE LOGGING

Illegal logging is having a devastating impact on the world's forests. Its effects are global and include deforestation, the loss of biodiversity and climate change. Illegal logging creates social conflict with indigenous and local populations and leads to violence, crime and human rights abuses.

To help protect the world's last ancient forests and the people depending on these forests, EU government's must introduce strong timber procurement policies and ensure a full and transparent chain of custody, such as that offered by the Forest Stewardship Council (FSC). It is also critical that the governments respond to the broader issue of illegal timber continuing to openly cross our borders. Despite endless statements by the EU and EU governments going back to 1997 pledging to tackle the trade in illegal timber, there is currently no *effective* legislation in place in any EU country or at the EU level that prohibits its import.

In October 2005, the European Commission adopted a package of voluntary measures to address the illegal timber trade focusing on Voluntary Partnership Agreements (VPAs) between the EU and timber producing countries. Whilst Greenpeace has been supportive of some elements of the VPAs, they on their own can not tackle the international trade in illegal timber as evidenced by the case of Chinese plywood.

This is because:

- VPAs will not address trade through third party countries, such as China, where laundering of illegal and destructively logged timber is rampant.
- VPAs will only apply to timber producing countries that agree to enter into such agreements. No VPA has yet been signed with either China or Papua New Guinea.
- If negotiated in secret with producer governments where corruption and weak forest governance are common, without meaningful civil society participation, VPAs may legitimise illegal and destructive practises.

In December 2006, the European Commission launched a web based consultation process to discuss options for tackling illegal logging and trade of illegal timber to the EU, including options for legislation. It is one decade since the beginning of this debate on illegal logging and virtually no concrete political action has been forthcoming. The Commission now has the chance to lead the talk into action.

A CALL TO ACTION:

As a matter of urgency:

- All EU member governments and the European Commission must implement legislation to ensure that illegal and destructive timber is not sold on the European Market.
- All EU member governments must ensure that they have full and transparent chain of custody back to source for all timber products used on Government construction sites. The Forest Stewardship Council (FSC) certification scheme is the best guarantee that wood products come from environmentally and socially responsible sources.
- The timber industry in the EU must clean up its act and ensure that they have a full and transparent chain of custody back to source for all timber products and ensure that timber products come from environmentally and socially responsible sources.



Pepsy Diabe, from the Kamala clan, Kosuo tribe, stands amidst the devastation of a recently logged mountainside. © Scheltema/Greenepeace

ENDNOTES

- 1 Een inventarisatie van mogelijkheden tot het gebruik van Nederlandse wetgeving tegen illegaal geproduceerd en verhandeld hout, 30 09 2005 Ministry of Agriculture, Nature and Food Quality (LNV)
- 2 Brief van Openbaar Ministerie, Functioneel Parket aan Greenpeace Nederland, 07 juli 2006, kenmerk 15.994810-06
- 3 Factsheet, *onderzoek effectiviteit van de FLEGT Vrijwillige Partnerschappen (VPA's)*. Illegal hout Coalitie, 2006.
- 4 Letter from Ministry of Environment, KVI 2006340871
- 5 December 2004 EU Civil Society Initiative for an EU Regulation. Greenpeace, FERN, WWF.
- 6 Eurostat.
- 7 *De speurtocht naar Illegaal Hout, Handelsketens ontmaskerd*, Greenpeace Nederland Crime File, Maart 2006.
- 8 Eurostat
- 9 Letter from Hoek Lopik to Greenpeace Netherlands, 30 January 2006
- 10 Red Canarium logs at veneer mill with codes 10211, 10213, indicating that the logs are from Rimbunan Hijau's Turama concession.
- 11 The connection between the veneer mill and plywood mill was confirmed through interviews with mill managers.
- 12 Photo taken at the veneer mill showing PNG Red Canarium logs with export number 10107 belonging to Wawoi Guavi, a subsidiary of Rimbunan Hijau
- 13 The connection between the veneer mill and plywood mill was confirmed through interviews with mill managers.
- 14 Red Canarium plywood found at Hoek Lopik, with the Altripan and Arser Group logos.
- 15 Red Canarium plywood found at Bouwcenter, with the Altripan and Arser Group logos.
- 16 This connection was confirmed through an interview with the manager of Jiaungshan Wood with Greenpeace researchers in 2007.
- 17 Logging, Legality and Livelihoods in Papua New Guinea: A Synthesis of Official Assessments of the Large Scale Logging Industry, Volume 1, funded by the UK Government
- 18 ITTO Annual Review and Assessment of the World Timber Situation 2005.
- 19 Hashiramoto, O, J Castano and S Johnson (2004), 'Changing global picture of trade in wood products' and China Customs data
- 20 Sun et al, (2004), 'A brief over view of China's timber market system'
- 21 Current research: *De speurtocht naar Illegaal Hout, Handelsketens ontmaskerd*, Greenpeace Nederland Crime File, Maart 2006.
- 22 Sun et al (2004), 'Meeting China's demand for forest products: an overview of import trends, ports of entry, and supplying countries, with emphasis on the Asia-Pacific region'
- 23 ATIBT (7 October 2005) Communiqué
- 24 Bun, Yati, King, Shearman (2004) China's Impact on Papua New Guinea's Forestry Industry. Washington DC. Forest Trends.
- 25 Special Broadcasting Service (SBS) (2001) 'Papua New Guinea: wilderness laid waste by corruption' Dateline 2 May 2001 Australia SBS (2001)
- 26 Katsigris et al (2004) 'The China forest products trade: overview of Asia-Pacific supplying countries, impacts and implications'
- 27 Houghton, RA (2003) *Revised estimates of the annual net flux of carbon to the atmosphere from changes in land use and land management 1850 – 2000*. Tellus 55B: 378-90; Houghton, RA (2005a) Tropical Deforestation as a source of greenhouse emissions. Available at www.environmentaldefense.org/documents/4930_TropicalDeforestation_and_ClimateChange.pdf.
- 28 Forest Trends (2006). Logging, Legality and Livelihoods in Papua New Guinea: Synthesis of Official Assessments of the Large-Scale Logging Industry, Volume 1.
- 29 The FLEGT Industry and NGO statements can be downloaded from <http://www.greenpeace.org/forests/finn-russia-industry> and <http://www.greenpeace.org/forests/finn-russia-ngo> respectively