

Footnotes

- 1 Ancient forests are defined here as the world's remaining forests which have been shaped largely by natural events and which are little impacted by human activities.
- 2 (World Resources Institute, (1997) The last frontier forests: ecosystems and economies on the edge. Bryant D, Nielsen D and Tangle L (eds). WRI, New York).
- 3 In Southeast Asia deforestation rates reached 2.9 million ha per year between 1990 and 1995 - i.e. an area the size of Belgium each year. A recent report by the European Commission's Joint Research Centre attributes much of this deforestation to excessive cutting for timber - both legal and illegal - along with forest conversion to agriculture and cash-crop plantations. While reported deforestation rates for tropical Oceania are lower at 151,000 ha per year, these forests remain under serious threat, particularly from Malaysian logging companies (FAO (1999) State of the world's forests 1999. Fao, Rome; TREES (1998) Identification of deforestation hot spot areas in the humid tropics. TREES Publications Series B: research report no 4. Achard F, Eva H, Glinni A, Mayaux P, Richards T, Stibig HJ (eds). Joint Research Centre European Commission, Brussels).
- 4 Japan, a G8 member, is the single largest importer of timber from Asia-Pacific. The USA and EU countries are also important.
- 5 For example, in January 2000, the industry journal *Tropical Timbers* cited the level of illegal logging in Indonesia as "arguably the most important issue now facing the international hardwood trade".
- 6 Letters to Greenpeace from Jürgen Trittin (19th May 2000), Tony Blair (28 March 2000) and John Prescott (April 2000).
- 7 *Tropical Timbers* (2000) Illegal logging threatens trade stability. *Tropical Timbers* 15 (1) p.1.; Recent figures from Indonesia indicate that between 70,000 and 100,000 cubic metres of logs each year are being smuggled from East Kalimantan to neighbouring countries, such as Malaysia (IFI (2000) Speech by Dr Dradjad Wibowo, Executive Director, LEI (Indonesia Ecolabelling Institute). WWF's Millennium Forests for Life Conference, London, 6 June 2000).
- 8 Global Witness (2000) Chainsaws speak louder than words. Global Witness, London.
- 9 Source: Greenpeace (2000) Solomon Islands illegal logging. Internal report March 2000.
- 10 Source: Marshall G (2000) The extent of illegal logging in the Papua New Guinean Timber Industry. Internal report for Greenpeace International March 2000.
- 11 Letter from Colin Hunt to Jim Douglas (World Bank) 20 March 2000.

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Greenpeace International
Keizersgracht 176, 1016 DW Amsterdam
The Netherlands
Tel: 31 20 523 6222, Fax: 31 20 523 6200
E-mail: forest@diala.greenpeace.org
www.greenpeace.org/~forests

Papua New Guinea has lost 60 percent of its frontier forest, with 84 percent of what remains now threatened. Its main threat is export-based logging

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Indeed, no independent analysis of logging operations in PNG to date has found a company complying with the full terms and conditions of its logging permit.

One of these issues, transfer pricing, has received regular attention in PNG since the 1980s. Transfer pricing is a mechanism by which companies to transfer profits offshore, by declaring a sale price which is lower than the actual price received. The result for companies is that they can reduce or entirely eliminate their taxable profits in PNG and hold their real profit offshore; for PNG the result is loss of foreign currency and income.

Because transfer pricing works through the collusion of the seller and the buyer it is impossible to prove without full documentation. However, there are major anomalies in the trade data between PNG and Japan that indicate the scale of illegal trade. The PNG official log export data for 1996 shows exports of 1,390,000 m³ at an average price of \$140 per cubic metre; Japan's records show imports from PNG over the same period to be 1,852,000 m³ at an average price of \$175 per cubic metre - a discrepancy of \$130 million.



*Timber wharf, East Sepik,
Papua New Guinea
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More recently, in March this year, Colin Hunt of the National Research Institute PNG wrote to the World Bank saying that there is still a "substantial discrepancy" between the export figures for PNG logs and the corresponding import figures in Japan¹¹. This discrepancy - of almost US\$50 per cubic metre of logs exported - could represent an estimated loss in export earnings each year of up to \$100 million.

Spotlight on the illegal timber trade: Asia-Pacific



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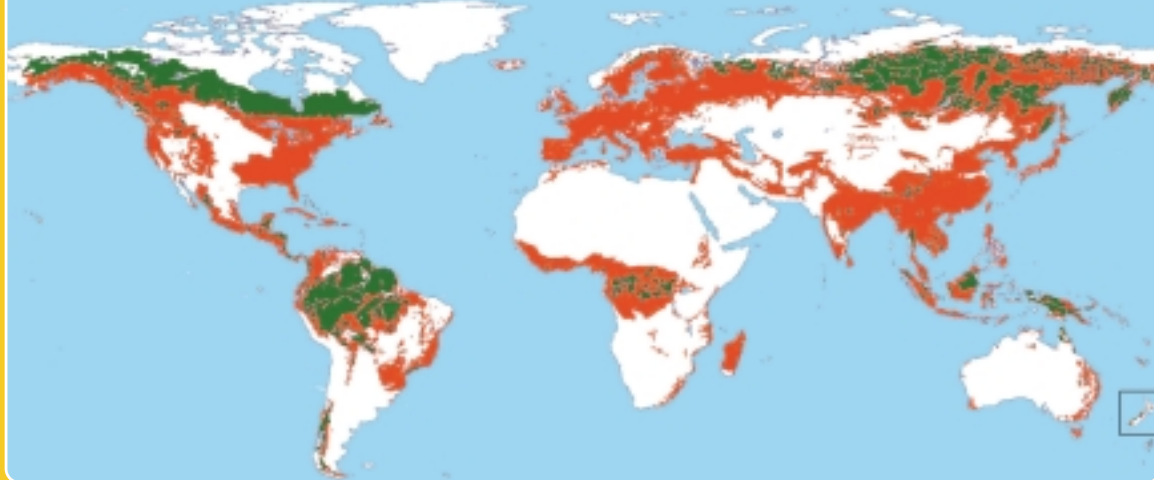
Malaysia has already lost 85 percent of its large ancient forests.

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The few ancient forests in the countries of the Asia-Pacific region are under threat. In Laos, Vietnam and Taiwan, Thailand, Burma and Cambodia, at least 90 percent of large ancient forest has already been destroyed. Malaysia has lost 85 percent, and Indonesia and Papua New Guinea have lost 72 percent and 60 percent respectively^{1,2}. Much of this is due to excessive cutting for timber, a high proportion of which is illegal³. Despite claims to the contrary by the G8 governments, a significant part of the trade in illegal timber is fuelled by demand from the international market⁴. Greenpeace is calling on all governments to stop their role in this trade.

The countries of the Asia-Pacific region have already lost most of their large ancient forests, largely due to excessive cutting for timber, a high proportion of which is illegal



Overview

In April this year, Greenpeace documented illegal activities in the global timber trade in its report *Against the Law: the G8 and the illegal timber trade*. The report revealed that in Asia-Pacific, illegal practices range from logging in protected areas to mis-classifying species in export documents. It highlighted the impact of the region's high levels of illegal logging on the international market⁵.



Despite many years of peaceful protests by the nomadic Penan people from Sarawak (Malaysia), logging companies continue to plunder the region's forests
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The response of G8 governments to the report has been to play down the role of the international timber market in driving demand for the illegal production and trade of wood, and to argue that this is largely a domestic issue⁶. Thus, governments seek to minimise their role in driving the illegal trade and limit their responsibility for its environmental and social impacts.

However, such arguments are clearly inconsistent with a recent report from the industry journal *Tropical Timbers* which notes that, "At the international level, the availability of cheap, illegally felled trees from Indonesia has led to a huge decrease in international plywood prices."⁷. Similarly, the independent environmental watchdog Global Witness reported in May this year that, "Illegal exports to all of Cambodia's neighbours are continuous, whilst the logging concessionaires illegally log with impunity."⁸. These comments suggest that illegal timber is flooding the international market - far from the drop in the ocean that the G8 governments claim.

Since the release of *Against the Law*, stories of illegal logging throughout the Asia-Pacific region have continued to hit the headlines:

- 29th April 2000**
... the [Indonesian] government's inability to curb illegal logging was a focus of concern (Agence France Presse, Bogor)
- 10th May 2000**
Greed, corruption, crime and incompetence are destroying Cambodia's forests (Associated Press, Phnom Penh)
- 18th May 2000**
Illegal logging suspected in Subic Bay Freeport (*BusinessWorld*, Philippines)
- 23rd May 2000**
Tracing large-scale illegal logging business in Kalimantan (*Jakarta Post*)
- 9th June 2000**
Illegal loggers threatening protected tree species (*New Straits Times*, Malaysia)
- 10th June 2000**
Cambodia to prosecute Malaysian logging firm (Reuters, Phnom Penh)

TROPICAL TIMBERS	
an independent publication providing market information	
<p>Indonesia Illegal logging threatens trade stability</p> <p>The level of illegal logging in Indonesia is threatening the stability of the international timber trade. According to a report by the Indonesian government, the country's timber industry is facing a crisis. The report states that the government is unable to control the illegal logging trade, which is causing a significant loss of revenue. The report also notes that the illegal logging trade is causing environmental damage and is a major source of corruption in the country.</p>	<p>Volume 18 Number 1 January 2000</p> <p>Contents</p> <ul style="list-style-type: none"> Indonesia 10 Malaysia 11 Philippines 12 Thailand 13 Timor 14 United States 15 United Kingdom 16 France 17 Germany 18 Italy 19 Japan 20 South Korea 21 Spain 22 Sweden 23 Switzerland 24 Taiwan 25 United Arab Emirates 26 United Kingdom 27 United States 28 Other 29 <p>Statistics in this issue</p> <ul style="list-style-type: none"> 100% of the world's tropical timber is traded through the international market 100% of the world's tropical timber is traded through the international market 100% of the world's tropical timber is traded through the international market

Illegal logging in Indonesia is an enormous problem with widespread implications for the international timber trade

Once again, Greenpeace is calling on G8 governments to honour their commitment to combat the illegal production and trade of wood and wood products. It demands that these governments:

- DO NOT buy illegal timber products
- DO NOT fund forest destruction through aid for unsustainable forestry
- DO NOT allow G8 countries to be markets for illegal timber
- DO buy wood products from sustainable certified forests
- DO provide urgent assistance to forest countries to tackle illegal logging
- DO increase the capacity for monitoring and transparency throughout the production and transport of wood and wood products globally



Despite a halving of log exports since the mid-Nineties, logging in the Solomon Islands is still at twice the estimated sustainable yield.
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Case studies

Trespass and environmental crimes (Solomon Islands)⁹

Illegality and logging are virtually synonymous in the Solomon Islands. Illegalities range from invalid licences and trespassing, to the breaching of labour conditions and deliberate under-valuing of logs. In addition, although no court of law has yet found a government minister guilty of receiving bribes from logging companies, there is ample evidence to suggest this has been common practice.

One company at the heart of this issue is the South Korean transnational Eagon Resources Development Company Ltd. To date, at least six indigenous tribes have filed legal proceedings against Eagon seeking compensation for trespass. In 1999, the High Court delivered its first judgement in favour of landowners, when it found Eagon guilty of two separate counts of contempt of court.



However, claims for environmental destruction and forest conversion are still before the Court. In an assessment commissioned by the local Choiseul landowning tribes and the Public Solicitor's office, breaches by Eagon of the terms of its licence include: harvesting of trees on land without licence or permission; pollution of local water sources; extraction of gravel from a sacred site for the building of roads; illegal road construction; considerable log waste (up to one -third left in the forest); felling of protected tree species; lack of rehabilitation of water-course crossings, roads and log landings; and significant damage to burial grounds - where human remains have been scattered by the company's bulldozers.

Transfer pricing (Papua New Guinea)

A recent report commissioned by Greenpeace¹⁰ shows that the PNG government has not only consistently failed to implement existing legislation but has repeatedly broken national forestry law to allow powerful companies access to new areas of forest. The report concludes that illegal activity in the PNG timber industry is almost universal and includes both the irregular allocation of permits and breaches of permits issued.

A logging road in Kimbe, Papua New Guinea
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