
[Laundering illegal timber: How tropical wood stolen through land grab makes its way to the furniture store](#)

In 2013, with 3.1 million cubic meters of tropical wood exported, primarily to China, Papua New Guinea (PNG) became in recent years the world's largest exporter of tropical wood, surpassing Malaysia, which had held the top spot for the past decades.

PNG reached the coveted first place after expanding the exploitation of its forest resources through a legal mechanism called Special Agriculture and Business Leases (SABLs). According to a government Commission of Inquiry, most SABLs lack the free, prior, and informed consent of the local people, and involve fraud, misconduct, and incompetence (1). In September 2013, PNG's Prime Minister stated that the scheme "revealed a shocking trend of corruption and mismanagement in all stages in the process," (2) and later announced that all these deals should be considered illegal and be canceled (3). Yet, to date, the government has not taken any decisive action to cancel deceptive land deals, stop illegal logging, or return land to rightful owners.

SABLs are just the tip of the iceberg. The 5.5 million hectares leased under SABLs in recent years come in addition to 10 million hectares already allocated by the government as logging concessions (4). This means that more than one third of the country's 46 million hectares is now in the hands of foreign logging firms, mostly from Malaysia.

According to many investigations by both official bodies and non-governmental organizations, most of these concessions appear to be illegal too. A 2006 review of the logging industry commissioned by the PNG government found that "the majority of forestry operations cannot credibly be characterized as complying with national laws and regulations and are therefore unlawful." (5) It revealed that the PNG Forest Authority is flawed, with major deficiencies and widespread corruption (6), and that the "industry is allowed to ignore PNG laws and in fact gains preferential treatment in many cases, while the rural poor are left to suffer the social and environmental consequences of an industry that operates largely outside the regulatory system." (7) A government-commissioned assessment of 14 logging operations—including the five largest operations—concluded that none could be defined as legal, and only one operation met more than 50 percent of key criteria for lawful logging operations in PNG. (8)

This plundering of PNG forests is taking place in a country that supposedly enjoys the most equal distribution of land on earth, with 97 percent of land that is customary, i.e. managed collectively by tribes and clans. The country is governed by a constitution that protects people's customary land rights, natural resources and the environment. As documented in the Oakland Institute's film and report *On Our Land*, (9) logging in PNG obscures a multilayered tragedy of the betrayal of people's constitutional protections and the loss of cultural heritage, land, and livelihoods for millions of Papua New Guineans.

As in many other countries in the global South, local communities who oppose the theft of their land and resources are under heavy pressure. They face intimidation, beatings, arrests, and legal actions. Police forces often work on behalf of the loggers and travel in company vehicles. On multiple

occasions, locals attempting to prevent the logging operations through roadblocks and peaceful protests have been arrested, beaten up and taken away, sometimes to far away detention places.

The illegality of logging activities and the criminalization of people protecting their territories and forests does not prevent the timber harvested from entering the legal markets. Export inspections only verify the quantity and description of the timber so that export taxes can be paid; no connection is made between the legal documentation of wood products and the illegal nature of most logging operations in PNG. (10) Once loaded on a ship, the illegally harvested timber becomes legal with shipping documents endorsed by local customs.

PNG is one of the countries identified in a November 2012 UNEP-INTERPOL report as a major exporter of illegal timber that is then laundered through global laundering operations. After a review of logging operations taking place in the Amazon basin, Central Africa, and Asia-Pacific, the report contends that “illegal logging is not on the decline, rather it is becoming more advanced as cartels become better organized.” (11) The illegal timber business is highly lucrative with economic value of global illegal logging estimated to be between US 30 and 100 billion dollars. (12)

China is a central player in this global scheme. It is the number one importer, exporter, and consumer of illegal timber in the world. (13) Between 2010 and 2014, the amount of tropical timber imported by China increased from 34 to 51 million cubic meters, for a value that rose from US 2.4 to US 5.5 billion dollars. (14) Illegal wood is used in the country but also processed and exported as furniture, parts, floors, etc... Since 2005, it has become the world’s largest exporter of wooden furniture and parts, and its market share keeps growing. The value of Chinese wooden furniture and parts exports was US 16.3 billion dollars in 2010, a jump of 35 per cent from the previous year. (15) It reached US 19.4 billion dollars in 2013, an increased of nearly 20 per cent compared to 2010. (16)

China is the destination of over 90 percent of PNG’s timber exports (17), but it imports also significant supplies from other countries such as Mozambique, Benin, Ghana, Democratic Republic of Congo, Central African Republic, and Lao PDR (18). According to the International Tropical Timber Organization, “a significant proportion of China’s tropical log imports are currently deemed to be from high risk regions with limited legality documentation.” (19)

The other key players are the main importing countries: the US is China’s biggest market for wood furniture exports, with close to US 7 billion dollars of imports in 2013 - 35 per cent of China’s exports. (20) Japan and the United Kingdom are the second and third importers of made in China wood furniture, with close to US 1 billion dollars of imports each (totaling 12 per cent of China’s exports). (21)

Given that China is the largest importer of illegally harvested timber in PNG and other countries (22), the wood is likely used as a large share of Chinese wood products exports, and makes it way as laundered ‘Made in China’ products to the US, Japan and the EU (23).

The US and the EU have established policies intended to prevent illegal wood from entering their markets, with the EU Timber Regulation (EUTR) that came into effect in March 2013 and the US Lacey Act 2008. China, on the other hand, has not yet taken legal action to explicitly prohibit trade in illegal timber (24).

Nonetheless, despite US and EU policies, INTERPOL confirms the two among the main importers of illegal wood. INTERPOL recognizes myriad laundering systems that are used to make illegal timber appear legal, including falsification of eco-certification, falsification of origin and ownership

documents, funneling large volumes of illegal wood through legal plantations, mixing illegal timber with legal timber during timber processing, and bribing customs officials, forest officials, police, military, or local villages. (25) Once illegal timber has been laundered, it can enter legally developed countries' markets and retail stores.

Yet, given the pervasiveness of illegal timber on the Chinese market, it is highly questionable whether any wood product from China should be accepted under the Lacey Act or the EUTR. China being the main trader of illegal timber in the world, wood products from China should be classified as high risk and be rejected in the absence of solid evidence of legality and adequate documentation. On the other hand, the continuous consumption of "tropical wood" should also be questioned, as it is the forest-dependent peoples who bear the heaviest impacts of this timber extraction.

Consumers around the world must be aware before buying a new mahogany kitchen table or a merbau floor that whatever the salesman may say, these may come from a forest grabbed from indigenous communities who relied on these very resources for their survival and risked their lives to defend them.

Frédéric Mousseau, fmousseau (at) oaklandinstitute.org

Policy Director at the Oakland Institute, <https://www.oaklandinstitute.org>

Further information:

Reports and film on Papua New Guinea:

On Our Land: Modern Land Grabs Reversing Independence in Papua New Guinea

<https://www.oaklandinstitute.org/our-land-modern-land-grabs-reversing-independence-papua-new-guinea>

The Great Timber Heist: The Logging Industry in Papua New Guinea

<https://www.oaklandinstitute.org/great-timber-heist-logging-industry-papua-new-guinea>

Taking On the Logging Pirates: Land Defenders in Papua New Guinea Speak Out!

<https://www.oaklandinstitute.org/illegal-logging-papua-new-guinea-speak-out-palm-oil-corruption>

Watch the film On Our Land: <https://www.oaklandinstitute.org/on-our-land-full-film>

(1) See reports and transcripts on the Commission of Inquiry website: <http://www.coi.gov.pg/sabl.html> (accessed September 5, 2015).

(2) "Statement by the Prime Minister Hon. Peter O'Neill CMG MP on the Report on the Commission of Inquiry into Special Agriculture and Business Leases," p 2. <http://www.coi.gov.pg/documents/COI%20SABL/PM%20Statement%20COI%20SABL%20Final%20Report.pdf> (accessed October 23, 2015).

(3) "Papua New Guinea Must Act Now to Cancel SABL Land Leases and Return Land to Local

Communities.” *Oakland Institute*, June 30, 2014. <http://www.oaklandinstitute.org/papua-new-guinea-must-act-now-cancel-sabl-land-leases> (accessed September 5, 2015).

(4) Papua New Guinea Investment Promotion Authority. *Forestry*. <http://www.ipa.gov.pg/agriculture/forestry> (accessed July 7, 2015).

(5) *Logging, Legality and Livelihoods in PNG: Synthesis of Official Assessments of the Large-Scale Logging Industry.* *Forest Trends* 1 (2006).

(6) *Ibid.*

(7) *Ibid.*

(8) *Ibid.*

(9) Mousseau, Frederic. *On Our Land: Modern Land Grabs Reversing Independence in Papua New Guinea*, Oakland Institute, 2013. <http://www.oaklandinstitute.org/land-deals-papua-new-guinea> (accessed September 5, 2015).

(10) *Ibid.*

(11) Nellemann, C., INTERPOL Environmental Crime Programme (eds). 2012. *Green Carbon, Black Trade:*

Illegal Logging, Tax Fraud and Laundering in the Worlds Tropical Forests. A Rapid Response Assessment. United Nations Environment Programme, GRIDArendal. www.grida.no

(12) *Ibid.*

(13) “Appetite for Destruction: China’s Trade in Illegal Timber,” Environmental Investigation Agency (EIA), London, 2012.

(14) “Biennial Review and Assessment of the World Timber Situation 2013-2014.” International Tropical Timber Organization, 2015.

(15) “Annual Review and Assessment of the World Timber Situation,” International Tropical Timber Organization, 2012 , p. 33.

(16) “Biennial Review and Assessment of the World Timber Situation 2013-2014.” International Tropical Timber Organization, 2015.

(17) *Ibid*, p. 11.

(18) *Ibid*, p. 10.

(19) *Ibid*, p 10.

(20) “Appetite for Destruction: China’s Trade in Illegal Timber,” Environmental Investigation Agency (EIA), London, 2012.

(21) "Biennial Review and Assessment of the World Timber Situation 2013-2014." International Tropical Timber Organization, 2015, p 24.

(22) Nellman, C. "Green Carbon, Black Trade." INTERPOL Environmental Crime Programme, 2012.

(23) Stark, T. and P.C. Sze. "Sharing the Blame: Global Consumption and China's Role in Ancient Forest Destruction." Greenpeace International and Greenpeace China. March, 2006.

(24) "Guidance Document for the EU Timber Regulation." European Commission. http://ec.europa.eu/environment/forests/timber_regulation.htm, accessed August 29, 2013; "The US Lacey Act FAQ." Environmental Investigation Agency.

(25) Nellman, C. "Green Carbon, Black Trade." INTERPOL Environmental Crime Programme, 2012.