



global witness

Outsourcing deforestation: China's unregulated demand for tropical timber is erasing South Pacific forests

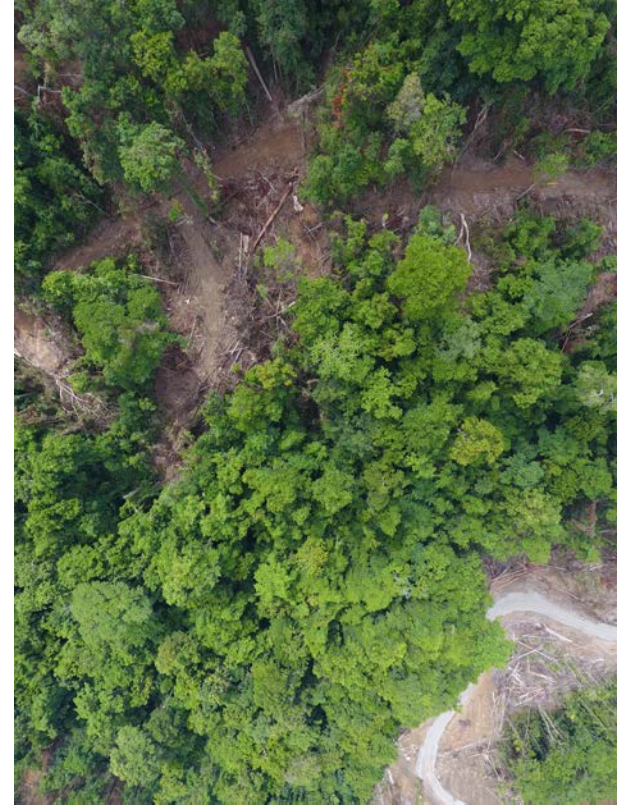
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8 November 2018

Outline

- Introduction to Global Witness
- Why focus on China?
- The global timber trade giant
- Domestic and international policy contexts
- Where the timber comes from: illegal logging in Papua New Guinea and Solomon Islands
- Where to next?
Recommendations

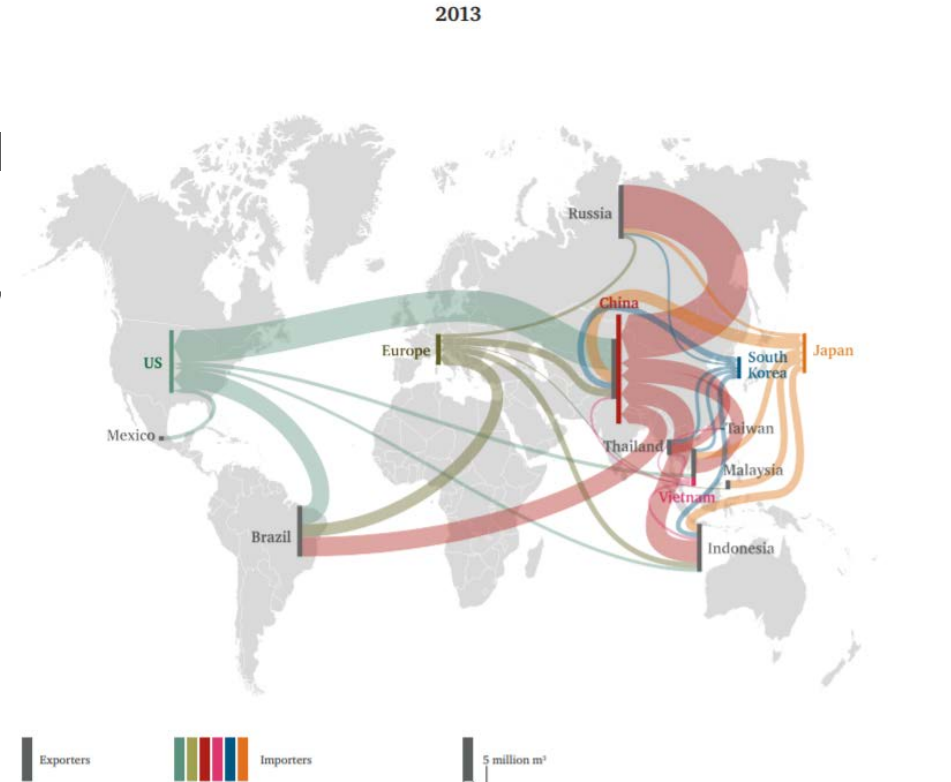


Global Witness

- International NGO founded in 1993
- ~100 staff; offices in London, DC, Brussels, and Beijing
- Investigates and campaigns to prevent natural resource-related conflict and corruption and associated environmental and human rights abuses
- Work with China developing responsible rubber sourcing and mineral supply chain guidelines, pressing for development of timber legality measures
- Current work on forests and/or land rights issues in Papua New Guinea, Solomon Islands, DRC, Liberia, Peru, Myanmar, Cambodia; past work in Cameroon, Malaysia (Sarawak), Laos, Honduras, Nicaragua and others

China dominates the world timber trade

- World's largest importer and consumer of timber products
- ~2/3 all tropical logs traded globally are destined for China
- ~50% of China's tropical log imports are from Papua New Guinea and Solomon Islands
- U.S., U.K. major sensitive export markets, but...
- most products made with tropical hardwoods (furniture, flooring) consumed domestically



Outsourcing the problem

Domestic policies aim to protect China's environment, but guidance on sourcing raw materials abroad is lagging.

- 2012: President Xi introduces concept of “ecological civilization”
- 2017: China bans all logging in its own natural forests, increasing demand for timber abroad
- 2017: Guidance on Promoting Green Belt and Road is silent on the production of imported raw materials including timber
- China's Green Supply Chain policies don't extend to raw materials sourced overseas
- 2018: Papua New Guinea becomes one of the newest members of China's Belt and Road Initiative



Globally, illegal timber regulations have gone mainstream

Laws regulating the import of illegal timber and wood products are now common in major economies.

- Last decade has seen Lacey Act amendments, European Union Timber Regulation, Australian ILPA, Japanese Clean Wood Act, Korean Act on Sustainable Use of Timbers
- Spotty enforcement but growing # of regulations. Stand-out example: \$13 million fine and criminal penalties for Lumber Liquidators in U.S.
- China is now noteworthy for its lack of measures regulating against the import of illegal timber
- Commercial, legal, reputational risks to exporting businesses
- Why else does this matter?

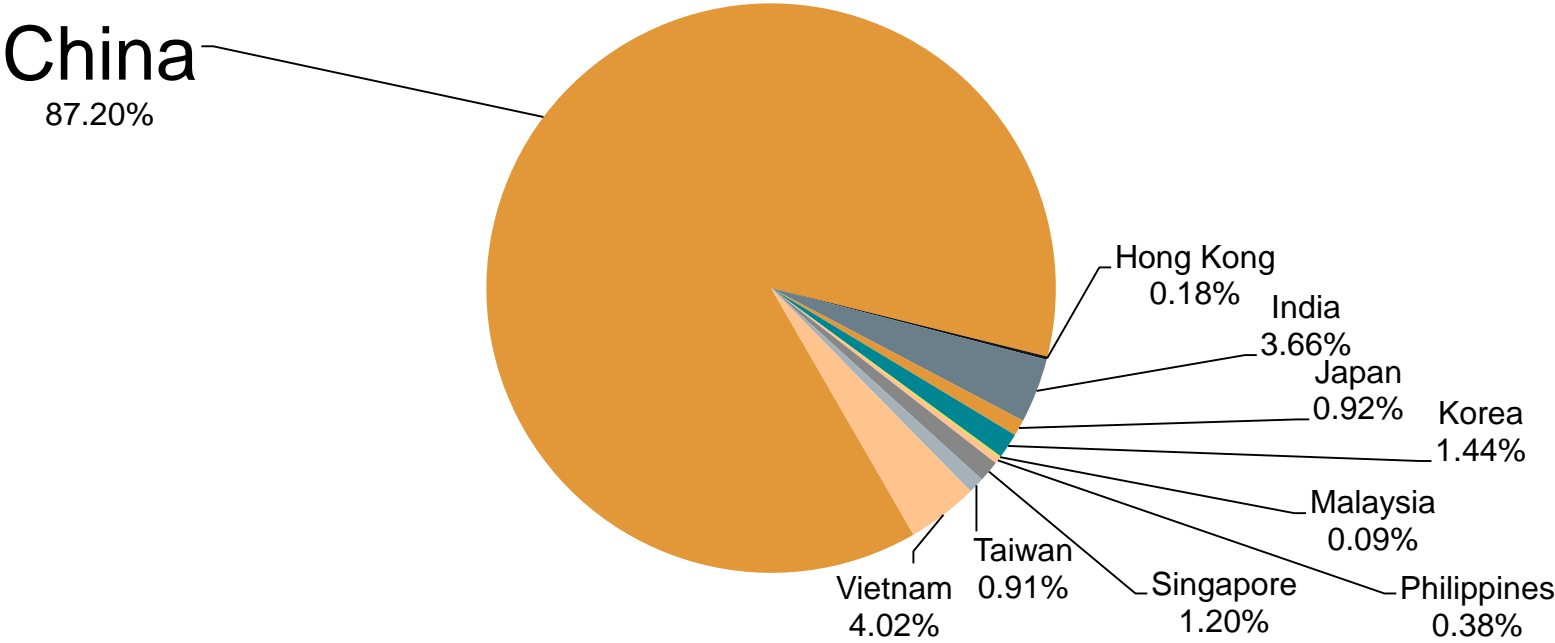


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Most of PNG's logs are bound for China

Proportion of PNG log exports by destination country, 2016



China's once-removed impact

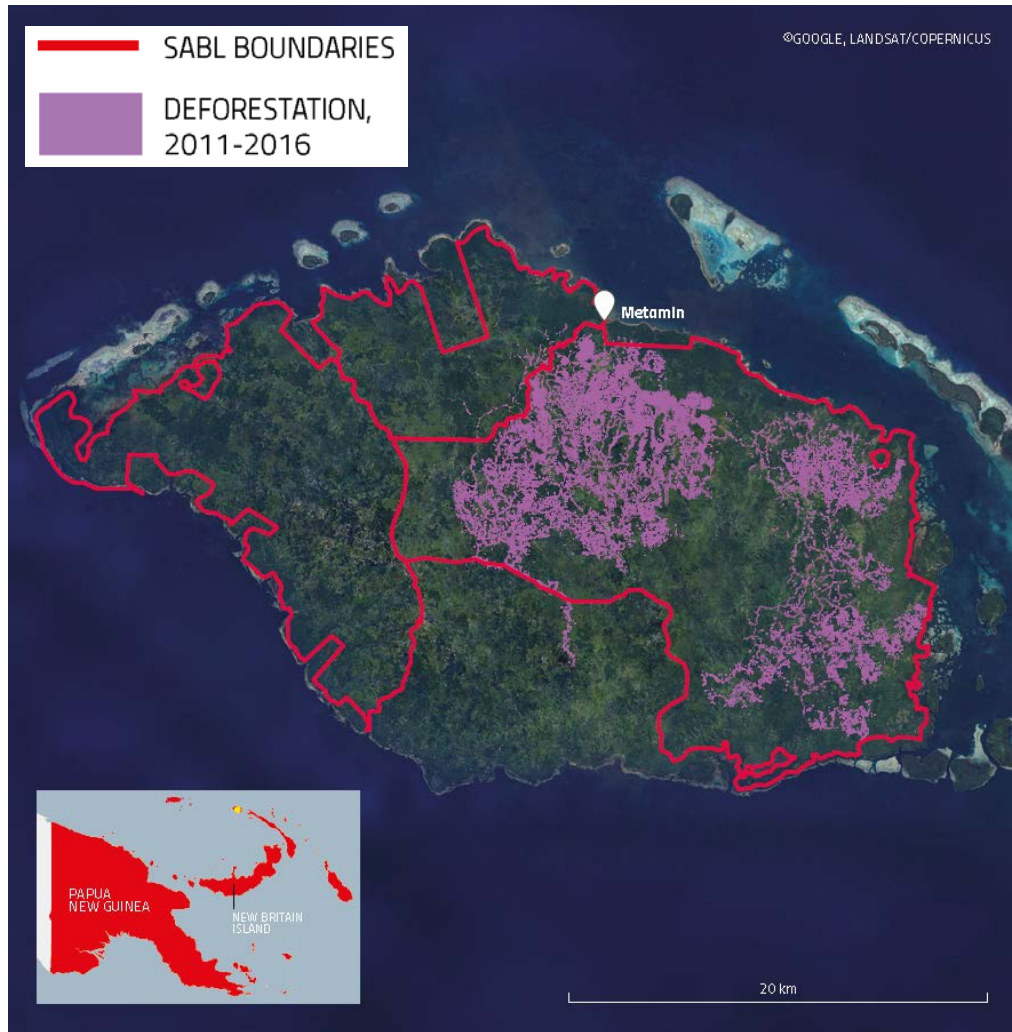
- Unusual to find direct Chinese investment in logging industry in PNG
- Logging industry dominated by Malaysian companies
- Occasional exceptions: Chinese SOE investment in East New Britain; reports of new and major 'industrial parks' in remote areas in PNG



Papua New Guinea

- CPI (2017): 139/180, scoring 29/100
- Well-documented problems with illegalities in forestry sector going back decades. Chatham House estimate: ~70% harvest illegal. NEPCon rating: 3/100 (very high risk)
- Majority of land and forests are legally controlled by rural communities but massive land grabs have co-opted control over 5 million ha
- No Freedom of Information Act equivalent; poor/zero access to official forestry permitting and environmental impact documentation
- Forest Authority itself states it does not keep all necessary records or perform required oversight





Case study: New Hanover clearance permits

- Inquiry found majority of indigenous landowners “totally unaware” their land given away, evidence of fraud and forgery
- Inquiry recommended the lease be revoked
- 612,145 m³ logs exported by January 2017
- 96% to China, remainder to India, Vietnam and Japan



Case study: New Hanover clearance permits

High resolution
satellite imagery of
intact rainforest in
clearance lease area
on New Hanover
island, New Ireland
before logging – a
tributary of Min River
shown by blue line



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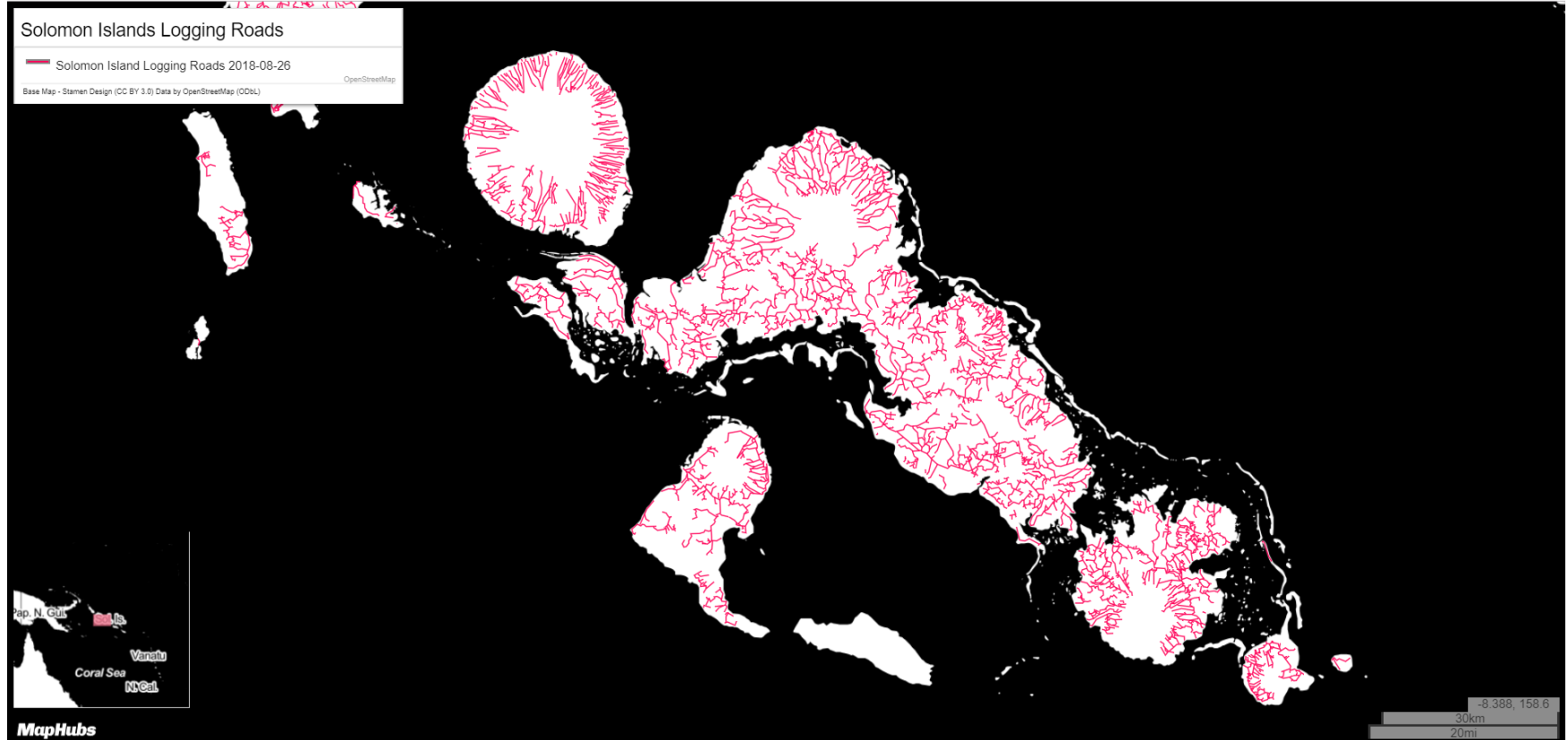
High resolution satellite image showing rivers and bay polluted by run-off from logging and forest clearance on New Hanover island

Solomon Islands

- Solomon Islands exported more than 3 million cubic metres of logs in 2017, more than 19 times a conservative estimate of the annual sustainable harvest
- China imports 82% of the logs the Solomon Islands exports
- Global Witness satellite imagery analysis shows that logging roads in the Solomon Islands are twice as long as the Yangtze River
- Like PNG, high risk of various illegalities in forest sector



There are ~12,600 km of logging roads in Solomon Islands...



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...placing over half of the country below 400m within 1 km of a logging road



Recommendations for China

- The Chinese government should put in place mandatory measures requiring all timber importers to carry out due diligence to ensure they do not import timber in violation of producer country law. These measures should go beyond inspecting official documents as proof of legality, and require importers to investigate and carry out the conditions under which the timber was produced.
- The Chinese government should expand its national Green Supply Chain policies to mandate that timber and other raw materials sourced from abroad are sourced legally.



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