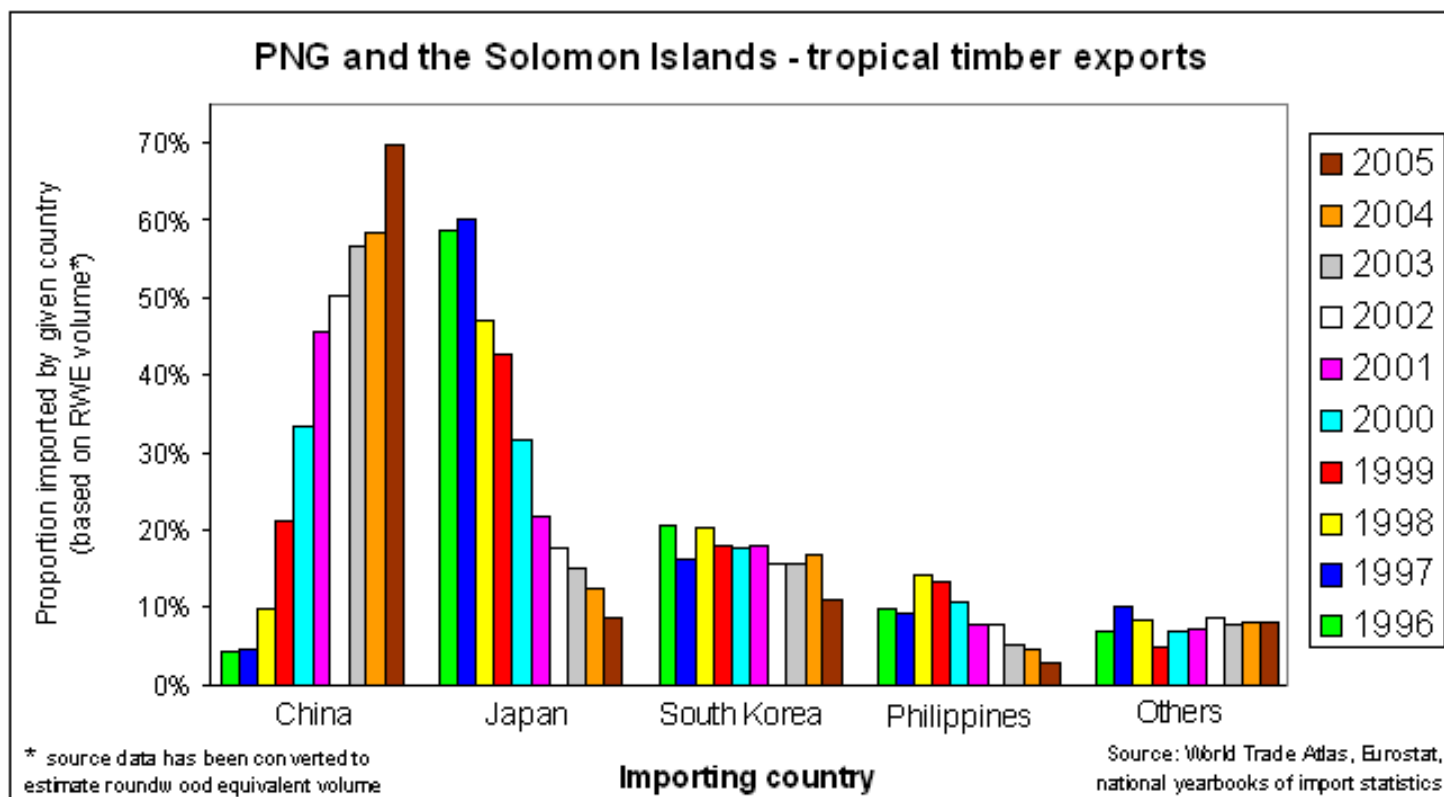


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Papua New Guinea & the Solomon Islands



Imports of logs from Papua New Guinea declared by China

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006 (average US\$170/m ³)												
Volume ('000 m ³)	83	144	268	206	169	176	122	157	154	171	186	228
Import value (US\$ million)	13	23	41	32	26	28	20	25	25	32	34	45
2007 (average US\$180/m ³)												
Volume ('000 m ³)	228	165	266	230	254	157	274	117	183	175	129	163
Import value (US\$ million)	45	33	51	43	47	28	44	18	27	27	23	29
2008 (average to date US\$190/m ³)												

Volume ('000 m3)	208	138	285	288	229	219	160	123	146	-	-	-
Import value (US\$ million)	40	28	54	57	43	40	32	21	24	-	-	-

Imports of logs from the Solomon Islands declared by China

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006 (average US\$160/m3)												
Volume ('000 m3)	46	51	49	95	61	36	94	53	72	96	50	70
Import value (US\$ million)	7	8	7	15	9	6	15	8	12	16	8	14
2007 (average US\$170/m3)												
Volume ('000 m3)	64	111	53	114	115	70	72	83	88	109	58	111
Import value (US\$ million)	12	21	10	21	22	13	13	13	14	17	9	18
2008 (average to date US\$180/m3)												
Volume ('000 m3)	107	36	127	103	107	106	84	135	89	-	-	-
Import value (US\$ million)	18	6	24	19	21	19	16	25	16	-	-	-

Source (China): General Administration of Customs of the People's Republic of China

Note: this schedule might assist the authorities in Papua New Guinea and the [Solomon Islands](#)[p16] assess the extent of any fraud in the volumes and export values declared by enterprises which supply logs to China.

Papua New Guinea

Reports (commissioned with the approval of the government of Papua New Guinea) into the legality of Papua New Guinea's timber industry confirm that none of the concessions which they assess can be defined as legal. The most recent assessment concludes that only one such concession meets more than half of the key criteria set for a lawful logging operation.

Compounding this reality, Papua New Guinea announced in January 2008 that concessionaires need no longer bother to have and implement plans for the sustainable management of forest concessions (and inventories). Further, the government is to be given 25% of export volumes for itself to sell - no doubt at prices which suit vested interests.[ITTO TTMR 16-31 January 2008] In addition, the government is to promote the export of timber exports - despite their being only one significant buyer (China). Indeed other countries are unlikely to be receptive to such promotion given the flagrant mismanagement of PNG's forest which these new policies imply. There has yet to be a response from donors - who should bear in mind *inter alia* that increased export values (a) might not correlate closely with export revenues properly received by the PNG Treasury (much more important to PNG's development prospects) and (b) correlates closely with loss of carbon capture. (The prospective market for palm oil as a fuel is contracting very rapidly - outside China.)

Despite all the evidence of illegality and relevant Memoranda of Understanding, it seems that the government of China will only take action against the import of Illegal Timber if individual products are specifically designated as such by appropriate level of government in the producer country. Given the apparent depth of corruption in the forest sector and related judiciary (including in PNG), it is highly unlikely that producer country governments will do so. Such illegality is likely to persist until there is a sufficient number of high profile guilty verdicts in court (presumably an international one).

Exports from China which include species which are commonly exported from Papua New Guinea are likely to comprise Illegal Timber - with the exception of merbau *Intsia spp.*, those species tend currently not to be exported in comparable quantity from any other range states (except the Solomon Islands). It is of course likely that documentation naming the species which comprise(s) those exports will be either misstated or not provided in order to minimise the increasing risk that such (illegal) exports loose market access. (Fraud in documentation pertaining to (timber) exports is not a problem unique to China.) Reputable trade associations in importing countries have started to advise their members that, without credible information to the contrary, the balance of probability is that those exports comprise Illegal Timber. China might take steps to minimise its imports of Illegal Timber if importing countries demand credible evidence of legality concerning their imports of wood-based products from China.

The volume of logs which China imported from Papua New Guinea rose 10% during 2007 - to 2.3 million m³ - primarily via Zhejiang (Ningbo and Jiaying), Jiangsu (Nanjing and Yangzhou), Shanghai (Xuhui and Pudong districts) and Shandong (Rizhao) provinces. Unit import values rose strongly at the end of 2006 but fell back to their former low level in early 2007.

Papua New Guinea is the largest exporter of tropical timber in Oceania. Rimbunan Hijau, accounting for over half of the country's production, dominates governance of the sector and, by extension, has a major influence on government generally. Even the World Bank appears to have succumbed. The largely export-oriented timber industry is conspicuous but generates little revenue for the country - it therefore does little to alleviate poverty and aggravates local animosity.

The great majority of the timber exports of both Papua New Guinea and the Solomon Islands comprise logs (99% in the case of those destined initially for China). China has displaced Japan as much the largest importer from Papua New Guinea.

The Solomon Islands

In the Solomon Islands, the business practices of a similar mix of Malaysian and some Korean logging companies have a dominant influence on governance (and, by implication, political stability) and have substantially reduced the tax revenue which the government should have received *per unit* of timber exported (their logging practices have in general also been appalling). The economy, heavily dependent on timber export revenues, has largely collapsed.

The World Bank estimated in 1996 that natural forest in the Solomon Islands would, at then rates of extraction (the rate in since the early 2000s has been substantially greater than this), be commercially exhausted before 2015, eliminating not only a wealth of environmental services and livelihoods but also the country's primary source of foreign exchange. Two more recent estimates indicates exhaustion is likely prior to 2013 or from 2010. One of the few successful plantations is FSC-certified and commands substantial price premia for the timber which it exports (after processing in countries such as Vietnam) to discerning markets.

The volume of timber which China alone imported from the Solomon Islands rose by one third during 2007 to 1.0mi m3. The unit import value of those imports increased from US\$161/m3 to US\$173/m3 during 2007. This contrasts with declared unit export values of roughly US\$70/m3 in 2006 and a market price for tropical logs of about US\$280/m3 in 2006 (US\$240/m3 in 2006). Although the Central Bank suspects extensive transfer pricing fraud and expresses serious concern about the loss to the economy caused by such illegality and unsustainable logging, no action seems to have been taken to address this. The country's bi-and multi-lateral donors appear to condone the situation. Officials having private interests in the country's timber exports could probably greatly increase their share of the profits from such trade - and might learn from the experience of their counterparts in Guyana in this respect. It is a "seller's market" - particularly concerning trade in tropical logs now that Congo Basin have begun to enforce quotas on log exports - and the potential for enrichment from timber exports is likely to reduce sharply when those exports collapse due to forest exhaustion becomes apparent in about three years time.

Further information

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