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Background to the research

This country note presents Chatham House's assessment of the likelihood of illegality in the supply chains of the main wood-based products exported by Papua New Guinea (PNG). It was prepared to inform our analysis of illegal trade at the international level which has been published as part of the report '[Establishing fair and sustainable forest economies: lessons learned from tackling illegal logging](#)'. This is the most recent in a series of reports on governance and legality in the forest sector in the forest sector, an issue that Chatham House has been monitoring since 2008.

The country note has been published as a background document to explain how the international estimates of illegal trade were made. Thus, it is not intended to provide a comprehensive review of all the available data and information on forest sector legality for PNG. International and national experts in PNG's forest sector provided feedback on preliminary versions of the country note.

Overview of exports

The great majority of industrial roundwood production in PNG is for export. Logs comprise almost all the wood-based products that are exported and the great majority of these are imported by China (Figure 1). The volume of logs imported by Japan and South Korea has declined to near zero. India and Vietnam import most of the remainder.

SGS monitors the export of logs from PNG,¹ although it does not verify legality of production. Its data show that five concessionaires (and their subsidiaries) supply almost half of PNG's exports of logs (in terms of volume).

PNG used to export small quantities of chips (deriving from plantations) to Japan, and exports small quantities of sawnwood and plywood, particularly to Australia (some deriving from plantations).

¹ SGS, 'Papua New Guinea's Forest Reports', Log Export Monitoring Monthly Reports, 2016–19, <https://pngforests.com/sgs/>.

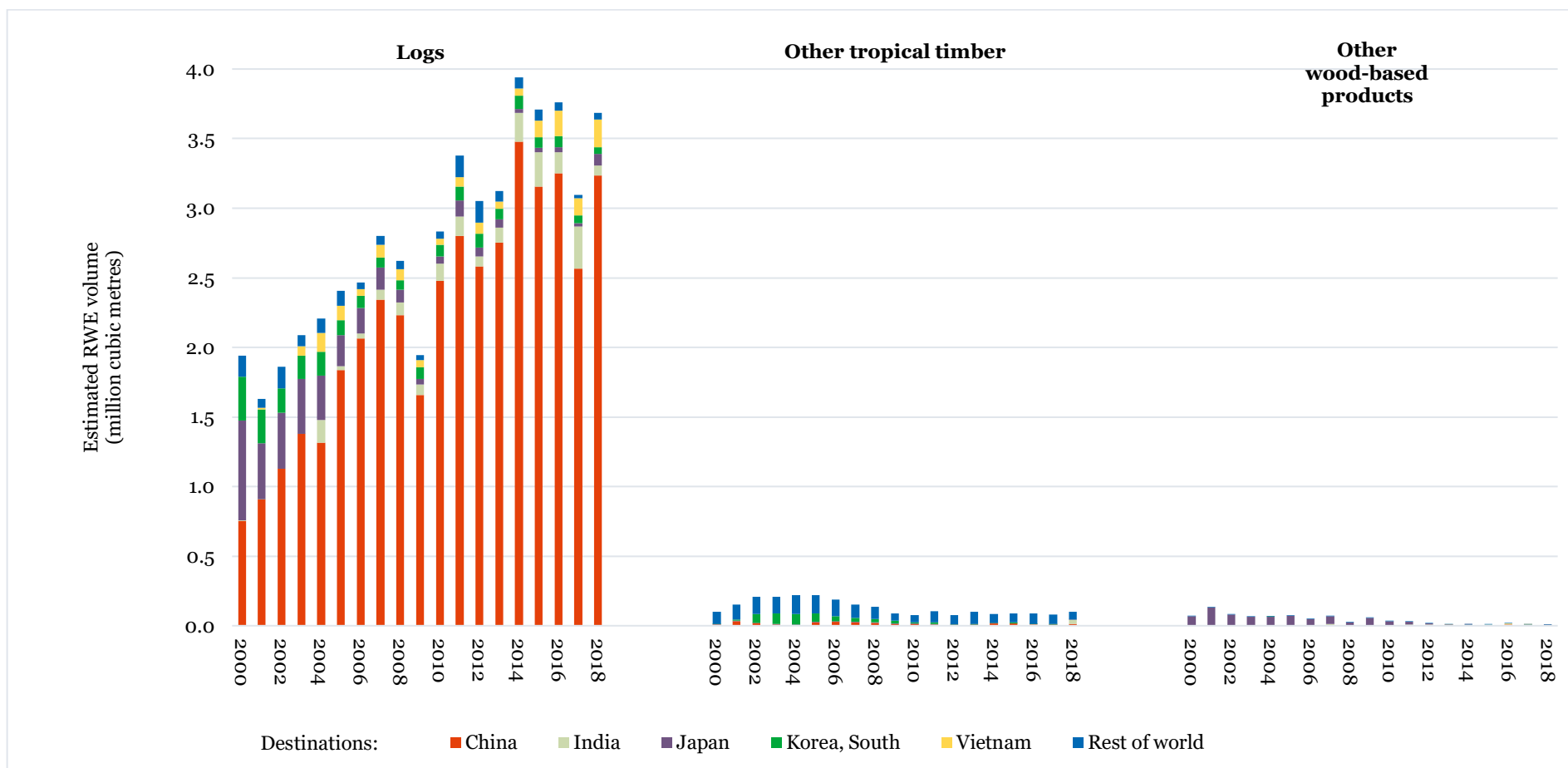


Figure 1: Imports of wood-based products from Papua New Guinea²

Source: Based on General Administration of Customs of the People’s Republic of China, India’s Monthly Trade Statistics, <https://commerce-app.gov.in/meidb/>; Trade Statistics of Japan, https://www.customs.go.jp/toukei/info/tsdl_e.htm; Korea Customs Service, <https://www.customs.go.kr/english/ad/tradeCountry/TradeCommodityList.do?mi=8044>; and UN Comtrade, <https://comtrade.un.org/>.

² Standard conversion rates to estimate roundwood equivalent volume have been adopted for all countries, because of a lack of published data for many countries. The rates adopted are as follows: 1.8 sawnwood, 2.3 plywood and (in m³/tonne) 1.6 chips. Where required volume has been estimated by multiplying weight by 1.4 m³/tonne.

Methodology for estimating illegal logging and trade

The analysis considers five categories of illegal practices common across all countries. These categories are listed below, with examples given of the types of illegal activity that they can include in different countries and regions:

- Customary tenure & resource rights
 - FPIC not obtained from any affected people or communities
 - The rights of any affected people or communities not adequately taken into consideration and addressed in the process of allocating permits or developing management plans; and any loss of rights not adequately compensated
- Award of permits
 - EIAs not conducted in accordance with legal requirements
 - Decision-making process for the award of permits does not follow legally required process; e.g. calls for tenders not published; technical requirements for selection of bids not followed; evidence of corruption in the process
 - Use of proxies where the beneficiary would be ineligible
- Forest management & harvesting
 - Management plans not developed or implemented; e.g. plans do not meet legal requirements; logging in restricted areas; overharvesting of particular species; etc.
 - Health & safety and/or labour laws not complied with; e.g. no provision of safety equipment; employment of illegal immigrants; non-payment of salaries or of minimum legal wage
 - Environmental legislation not complied with; e.g. logging of protected areas or species; non-compliance with requirements for protection of wildlife; pollution of water courses
- Forest sector payments & financing
 - Relevant royalties, fees, taxes and fines not paid
 - Benefit-sharing agreements with local communities not complied with
 - Fraudulent financing / money laundering by concessionaires or in relation to mills
 - Transfer pricing
- Transport & trade
 - Export bans or quotas for certain species or products are breached or exceeded
 - False declarations made; e.g. misdeclarations of species, value, source
 - Non-compliance with CITES

Based on a review of the available data, the likelihood of each of the five categories of illegal practice was assessed for the main exported products.³ This was classified either as low (<10 per cent), low to medium (10–30 per cent), medium to substantial (30–60 per cent) or substantial (>60 per cent).

For the earlier years (2000, 2008 and 2013), the likelihood of illegality was determined based on Chatham House analyses in 2010 and 2015⁴, with updates where additional data have since become available. The assessment for 2018 builds on this analysis, using available data and information to assess changes in legal compliance in the last five years of the study period. This included recent Chatham House research into governance reforms, analysis of trade data and the results of perception surveys, as well as a review of reports and data from other organizations.

³ This analysis focuses on a limited number of products, these were selected according to three criteria: the scale of trade and rate of change in this, trade flows in which high proportions of illegal timber have been documented, and examples of particular types of illegality.

⁴ Lawson, S. (2014), Methodology for Import-source Estimates of Illegally Sourced Wood Imports: Thailand, South Korea and India, Chatham House Report, London: Royal Institute of International Affairs, <https://chathamhouse.soutron.net/Portal/Default/en-GB/RecordView/Index/187057>; Hoare, A. (2014), Methodology for Estimating Levels of Illegal Timber- and Paper-sector Imports: Estimates for China, France, Japan, the Netherlands, the UK, the US and Vietnam, Chatham House Report, London: Royal Institute of International Affairs, <https://chathamhouse.soutron.net/Portal/Default/en-GB/RecordView/Index/187059>.

Overview of trends in illegality

Illegal logging has been widespread in PNG over the last 20 years.⁵ During the early 2000s, an evaluation of most of the country's large concessions found that none of these could be regarded as legal.⁶

Between 2009 and 2014, more than 4 million cubic metres of logs was exported under Forest Clearance Authorities (FCAs, including Special Agriculture and Business Leases – SABLs) and these are all likely to be illegal.⁷

Illegal activities are reported to still be widespread in the sector. Breaches of the law have included the illegal allocation of FCAs, lack of due process regarding land rights and the extension of concessions, which is not provided for in law.⁸

⁵ Jacobsen R. (2017), *Illegal logging in Papua New Guinea and links to global supply chains*, Global Witness PPT presentation, 18 October 2017, <https://forestlegality.org/document/illegal-logging-papua-new-guinea-and-links-global-supply-chains>; Global Witness (2017), *Stained Trade: How U.S. Imports of Exotic Flooring from China Risk Driving the Theft of Indigenous Land and Deforestation in Papua New Guinea*, <https://www.globalwitness.org/en/campaigns/forests/stained-trade/>; Scheyvens, H. and Lopez-Casero, F. (2013), *Managing forests as a renewable asset for present and future generations: Verifying legal compliance in forestry in Papua New Guinea*, Institute for Global Environmental Strategies, https://www.iges.or.jp/en/publication_documents/pub/policyreport/en/3743/IGES-PNG_Legality_03-12-2013.pdf; Lawson, S. (2014), *Illegal Logging in Papua New Guinea*, Research Paper, London: Royal Institute of International Affairs, https://www.chathamhouse.org/sites/default/files/home/chatham/public_html/sites/default/files/20140400LoggingPapuaNewGuineaLawson.pdf

























⁶ Forest Trends (2006), *Logging, Legality and Livelihoods in Papua New Guinea: Synthesis of Official Assessments of the Large-Scale Logging Industry Volume II*, (also [Volume I](#)), Forest Trends, <https://www.forest-trends.org/wp-content/uploads/imported/logging-png-pdf.pdf>

⁷ Global Witness (2015), *Papua New Guinea government hosts talks on forest protection while turning a blind eye to multimillion dollar illegal logging operations in its own backyard*, Global Witness press release, 26 October 2015, <https://www.globalwitness.org/en/press-releases/papua-new-guinea-government-turns-blind-eye-to-illegal-logging-its-own-backyard/>

⁸ Filer, C. (2019), 'Rotten state of forest management in Papua New Guinea exposed', ACT Now for a better Papua New Guinea, 9 October 2019, <https://actnowpng.org/blog/rotten-state-of-forest-management>; Avosa, M. (2011), *Forest Governance Integrity Baseline Project: Papua New Guinea*, Transparency International, <https://pngforests.files.wordpress.com/2013/05/forest-governance-integrity-report-ti.pdf>; Global Witness (2018), *A Major Liability: Illegal logging in Papua New Guinea threatens China's timber sector and global reputation*, Global Witness Report, <https://www.globalwitness.org/en/campaigns/forests/major-liability-illegal-logging-papua-new-guinea-threatens-chinas-timber-sector-and-global-reputation/>; The National (2019), 'Company ordered to leave', The National, 21 August 2019, <https://www.thenational.com.pg/company-ordered-to-leave/>

Summary of estimates

The following table presents an overview of the likelihood of illegal practices in the production of the country’s main exported wood-based products. The ‘overall likelihood’ column reflects all the types of illegal practice and is thus the most pessimistic assessment of the categories for a given year.

	Tenure and resource rights				Award of permits				Forest management				Revenue and finance				Transport and Trade				Overall likelihood of illegality			
	2000	2008	2013	2018	2000	2008	2013	2018	2000	2008	2013	2018	2000	2008	2013	2018	2000	2008	2013	2018	2000	2008	2013	2018
<i>from natural forest:</i>																								
Logs																								

Likelihood of illegality in the supply chain





-  Low (<10%)
-  Low to medium (10-30%)
-  Medium to substantial (30-60%)
-  Substantial (>60%)

Table 1: Estimated likelihood of illegality for Papua New Guinea’s main exported wood-based products