

**GREENPEACE**



# THE UNTOUCHABLES

Rimbunan Hijau's  
world of forest crime  
& political patronage

## EXECUTIVE SUMMARY

The global trade in illegal and destructively logged timber is now out of control.

Unlawful access to forest resources, environmental damage and forest destruction, human rights abuses and social dislocation of forest-dwelling peoples in some of the poorest areas of the world, are being fuelled by those who buy timber and timber products from these illegal sources.

One major player in this field is Rimbunan Hijau.

Rimbunan Hijau is a global conglomerate of companies controlled by the Tiong family from Sarawak in Malaysia. Initially built as a timber empire, the company now has extensive interests in logging, timber processing, publishing, property investment, new technology and travel.

Rimbunan Hijau dominates the logging industry in Papua New Guinea and is a powerful industry player in Malaysia and Equatorial Guinea. It also has significant forestry interests in Gabon, Indonesia, Vanuatu, New Zealand, and Russia.<sup>1</sup>

In these countries, the operations of Rimbunan Hijau are often characterised by a disregard for the law with documented illegalities in many aspects of their operations.

Illegal access to forest resources, environmental damage and human rights abuses are repeated complaints. But the company seems impervious to criticism and appears to be protected by an extensive and well-established network of political patronage and media control.

Timber produced by Rimbunan Hijau is traded across the globe with little concern for the environmental damage, misery and suffering caused in producer countries.

Rimbunan Hijau's illegal timber and timber products are being traded across-the-counter in Asia, America, Europe, Japan, Australia and New Zealand.



*Kuwene Nakeye, a landowner from the Haya clan, Kosuo tribe in a reserve she protected from logging. Kuwene is seen here with her nephew Alex Ubiye. They have worked together to protect their land from logging by Rimbunan Hijau. © Scheltema/Greenpeace*

### THIS REPORT

- Examines the extent and impact of Rimbunan Hijau's (RH) timber operations in five key countries;
- Highlights the environmental damage, human rights abuses and social suffering caused by RH;
- Reveals some of the networks of political patronage that protect RH;
- Details the global trade in illegal timber from RH logging operations;
- Suggests simple and effective solutions to forest crimes and to mitigate the activities of companies like RH.

## THE GLOBAL FOREST CRISIS

Ancient forests are fundamental to life on Earth. They provide a home and vital sustenance to millions of people. They provide a habitat for innumerable species of plants and animals. And they perform vital ecological functions.

Ancient forests are the place that millions of indigenous peoples call home. Some of these peoples constitute the poorest and most disadvantaged of all world citizens. They suffer human rights abuses, great poverty, disease and other social problems as forest areas are harvested, with little or no consideration for their plight or livelihoods.

***"...landowners were forced to sign papers with a barrel of a gun at their back. In the presence of police and company officials, without proper legal advice, with guns pointed at them."***

Annie Kajir, Human Rights Lawyer, Port Moresby, Papua New Guinea. <sup>3</sup>

Now, just 20 percent of the Earth's original forest cover remains as large intact areas; with more than a third of these under threat. Industrial-scale logging poses the single largest menace to the forests' survival.<sup>2</sup>

Across the globe, trans-national corporations continue to operate

destructively, and often outside of the law, as they harvest the world's last remaining accessible forest resources.

Malaysian logging company, Rimbunan Hijau (RH) is one such corporation.

Logging destruction is fuelled by a complacent international marketplace. In addition, consuming nations worldwide, eager to fulfil a relentless demand for wood and paper, turn a blind eye to

***"Some 350 million of the poorest people on Earth are entirely dependent on forests for their survival"***

World Commission on Forests and Sustainable Development 1999.<sup>4</sup>

the social, environmental and legal problems that characterise the logging operations of companies like Rimbunan Hijau.

The actions of forest plunderers amount to far more than just a huge ecological disaster.

They have severe impacts on local people and on the national economies of some of the Least Developed Countries (LDCs) in the world.

### KEY POINTS

- 1. Much of the global trade in timber and timber products is unlawful.**
- 2. Destructively and illegally extracted timber exacts a ruinous toll on forest eco-systems and on the lives of forest-dwelling peoples. It cheats developing countries of revenue and resources necessary for survival and national development.**
- 3. Companies like Rimbunan Hijau operate across national boundaries and are a key participant in the illegal harvesting of timber.**
- 4. Such companies operate with impunity and cultivate a network of political patronage that breeds off political systems that are under immense stress in Southern nations.**
- 5. Only measures at both the producer level (where forests must be protected from illegal and destructive logging) and at the consumer level (where illegal timber and timber products must be identified and banned) will effectively address the problem.**
- 6. International and bilateral political processes, such as the Convention for Biological Diversity (CBD), are an opportunity for governments to fund the protection of ancient forests and put in place strict international guidelines and programmes to achieve the "significant reduction in biodiversity loss by 2010", agreed to at the Johannesburg Earth Summit in 2002.**



*Pepsy Diabe, Kamala clan, Kusuo Tribe stands amidst devastation of recent logging, Wawoi Guavi, Papua New Guinea. © Scheltema/Greenpeace*

## WHO IS RIMBUNAN HIJAU?

Rimbunan Hijau is a conglomeration of many hundreds of companies spread across three continents all owned and controlled by the Tiong family but which sometimes have no other official connection.

Rimbunan Hijau has business interests in Australia, British Guyana, China, Equatorial Guinea, Hong Kong, Indonesia, Gabon, Malaysia, Aotearoa (New Zealand), Papua New Guinea, Russia, Singapore, Vanuatu and an estimated annual turnover in excess of US\$1 billion according to the Malaysia-China Business Council.<sup>5</sup>

The Tiong family has built Rimbunan Hijau into an immense corporate empire that started out as a logging company but which now extends to include interests in timber processing, agriculture (cocoa and oil palm), aquaculture, insurance, banking, publishing<sup>6</sup>, optical fibres, information technology, shipping, retailing, travel, real estate and property development, mineral and mining development and print media.

The business dealings and corporate structure of Rimbunan Hijau as a company are not open or transparent, particularly as regards its many

corporate shareholdings and takeovers.

In Papua New Guinea for example, Greenpeace research has identified over 60 separate companies as being owned or politically controlled by the Tiong family — but only a small minority are openly acknowledged as being a part of the Rimbunan Hijau group. The ownership and control of the rest is obscured by undisclosed buyouts, proxy directors and shareholders, outdated company records, foreign ownership and widespread use of tax havens.<sup>7</sup>

### MALAYSIAN MULTINATIONAL LOGGING COMPANIES

Multinational Malaysian logging companies got their start in Malaysia's rainforests.

Malaysian logging companies are often registered as family-owned private limited companies, allowing them to operate secretly as they are not publicly listed corporations.

Many of these companies have political connections that helped them secure large areas of forest.

Within a couple of decades they left large areas of

Malaysia deforested.

Less than 15 percent of Malaysia's forests today remain intact<sup>8</sup>.

After years of destructive logging practices, the Malaysian government began to enact stricter regulations to attempt to save what little rainforest was left in the country. This caused the Malaysian companies to look elsewhere for lumber — a path which led them to Indonesia, Papua New Guinea and other parts of the world.

*Equipment at an RH logging camp in Kandrian, Papua New Guinea  
© Solness/Greenpeace*



*"Established in 1975, Rimbunan Hijau Group has a diversified portfolio of businesses with estimated annual turnover exceeding USD 1 billion, with most items exported. Currently comprising 10,000 employees in Malaysia, the Group continues to expand, including diversifying overseas. Over the years, Rimbunan Hijau Group has built up extensive experience in logging, sawmilling, export of logs and sawntimber and downstream processing activities, ranging from plywood to medium density fibreboard and particleboard. Rimbunan Hijau Group is also a pioneer in supporting Sarawak's emphasis on downstream activities. In 1985, it established the state's*

*first large scale plywood mill under Rimbunan Hijau Plywood Sdn. Bhd. The Group is also the major shareholder of Jaya Tiasa Holdings Bhd and Subur Tiasa Holdings Bhd, the public listed companies on the Kuala Lumpur Stock Exchange with market capitalisation of about more than RM 2 billion and the largest plywood, veneer and particleboard producer in Malaysia. In addition to its operations in Malaysia, Rimbunan Hijau Group has expanded internationally to Papua New Guinea, New Zealand, Australia, China, Hong Kong, Singapore, Gabon, Rusia, Congo, Equatorial Guinea & British Guyana."<sup>9</sup>*  
*Malaysian German Chamber of Commerce and Industry*

## POLITICAL PATRONAGE

Rimbunan Hijau enjoys wide political patronage. In Malaysia the Tiongs have been highly astute in forming strategic alliances with the Malay political elite and are personally involved in the SUPP – the main Chinese Party in Sarawak.

In the early nineties, the brother of Sarawak's Chief Minister (who controlled the allocation of logging concessions) was a director of a Rimbunan Hijau company and a sister of the Chief Minister was a Tiong business partner.

Tiong Hiew King has himself been a State Senator, a position that was also occupied by one of his sons, and Tiong family companies have shared control of their subsidiaries with Provincial Ministers and party officials.<sup>10</sup>

In Sarawak these ties have resulted in a blurring of the distinction between government and logging

interests and has led "to changes in legislation that favour corporate activities and which result in the disregard and repression of many actors within civil society."<sup>11</sup>

In Papua New Guinea Rimbunan Hijau is also closely connected to the political elite.

For example, one recent Deputy Prime Minister was criticised in an Ombudsman investigation for unlawfully pressuring the National Forest Board to favour Rimbunan Hijau with an illegal timber permit extension.<sup>12</sup>

The Minister for Justice is Chair of a company that holds a timber permit that it sub-contracts to Rimbunan Hijau. A National Intelligence Organisation report alleges a provincial Governor and two Members of Parliament were on Rimbunan Hijau's payroll.<sup>13</sup>

## CORPORATE RESPONSIBILITY



Office of the National newspaper, which is owned by Rimbunan Hijau, in Port Moresby, Papua New Guinea © Solness/Greenpeace

Rimbunan Hijau is just one of a number of Malaysian companies that have global timber interests. Many of these companies have been criticised for poor environmental, social and human rights records.<sup>14</sup>

If Malaysia is to be seen as a good global citizen this attitude must change. Malaysia will attempt to portray a commitment to the environment when hosting the Seventh Conference of the Parties (COP7) of the United Nations Convention on Biological Diversity in Kuala Lumpur in February 2004.

Globally, there are growing calls for governments to hold transnational corporations accountable for their actions in foreign countries. This is especially important for companies operating in smaller or less developed countries where the rule of law and governance frameworks may be weak.

The final text of the Johannesburg Earth Summit

– the World Summit on Sustainable Development – made a positive statement on corporate accountability. WSSD called for: "Active promotion of corporate responsibility and accountability including through the full development and effective implementation of intergovernmental agreements and measures."

Malaysia is a signatory to the WSSD plan of implementation and must start to make its rhetoric match its actions.

In order to make real its commitment to WSSD, the Malaysian government must consider:

- **Pursuit of amendments to its Corporations Law to increase corporate accountability;**
- **Passage of legislation to impose standards on Malaysian companies operating overseas;**
- **Actively supporting international mechanisms that increase the accountability of its transnational corporations.**

## PAPUA NEW GUINEA



Wawoi Falls from the air, Wawoi Guawi, Papua New Guinea. © Greenpeace

Papua New Guinea is a South Pacific nation of some five million people, most of who still depend on the environment for their daily subsistence.

The logging industry has already acquired 70 percent of available forest resources and Rimbunan Hijau is at the forefront of attempts to gain access to what remains.

### RIMBUNAN HIJAU IN PNG

Rimbunan Hijau is the dominant player in the forest industry in Papua New Guinea and it has significant investments in other sectors of the economy.

Rimbunan Hijau maintains a veil of secrecy over the true extent of its logging and other business interests but it has interests in more than 60 interlinked companies that are registered in Papua New Guinea.

These companies control more than 50 percent of Papua New Guinea's large-scale commercial logging operations and at least 55 percent of log exports.

Greenpeace estimates that Rimbunan Hijau controls timber rights in more than three million hectares of forest and in 2002 alone, exported logs worth more than US\$50 million from Papua New Guinea.<sup>15</sup>

Rimbunan Hijau also operates Papua New

Guinea's only veneer mill and its largest sawmill.

In Papua New Guinea Rimbunan Hijau controls companies involved in commercial printing, travel, wholesale and retail sales, shipping, property development and owns a daily newspaper, The National.

Rimbunan Hijau has close connections to Papua New Guinea's political elite. The Prime Minister has been directly involved in the logging industry<sup>16</sup> and his Deputy has been criticised in an Ombudsman Commission report for 'arbitrary and irresponsible' interference in directing the unlawful allocation of the Kamula Dosa logging concession to Rimbunan Hijau.<sup>17</sup>

The Secretary of the Department of Environment and Conservation was also criticised by the Ombudsman Commission for his role in the same affair.

The Minister for Justice is the Chair of a company<sup>18</sup> that holds the permit for the East Kikori logging concession. His company employs Rimbunan Hijau as its logging contractor.

The Minister for Planning, the Minister for Privatisation and the Chief Secretary are other prominent leaders with well-documented links to the logging industry in PNG.<sup>19</sup>



The rainforests of Papua New Guinea and Asia Pacific shelter regions of unusually high biodiversity. © Dorreboom/Greenpeace

## RIMBUNAN HIJAU AND ILLEGAL LOGGING

Most large-scale logging operations in Papua New Guinea, including those operated by Rimbunan Hijau, are unlawful as they are in fundamental breach of a number of basic legal requirements.

Most logging operations do not have the informed consent of the local resource owners (most of whom have never even been correctly identified)<sup>20</sup>, they have not been initiated and allocated according to the requirements of the Forestry Act, they are being operated in almost complete defiance of environmental laws and regulations and they are not sustainable, which is a specific requirement of both the PNG Constitution and the Forestry Act.<sup>21</sup>

An independent review was recently ordered by the government into a number of new logging permits and extensions.<sup>22</sup> Three of the reviews involved logging projects operated by Rimbunan Hijau; Wawoi Guavi, Vailala Blocks 2 and 3 and Passismanua.

The review found that the extensions to all three projects were unlawful as they breached legal requirements and had not followed due process. The review reached the 'unavoidable conclusion that there have been serious departures and breaches from due process and there are serious anomalies in the timber permits and agreements'.<sup>23</sup>

As well as declaring the project extensions unlawful, the review also found that the original timber permits for Vailala Blocks 2 and 3 and Wawoi Guavi were also unlawful and that the timber rights had never been properly acquired from the landowners.<sup>24</sup>

Rimbunan Hijau managed to keep its involvement in the unlawful extension of the Passismanua timber permit out of the PNG media by threatening a defamation action against the Post Courier newspaper.<sup>25</sup> Rimbunan Hijau's denial of involvement to the media was contradicted in the subsequent review, which confirmed that RH was the logging company for Passismanua.<sup>26</sup>

## KAMULA DOSA

Kamula Dosa is Papua New Guinea's largest unallocated logging concession in the western part of the country. It covers over 800,000 hectares and contains an estimated 11.2 million cubic metres of commercial timber.

The concession is the biggest prize currently available to the logging industry in PNG and it is coveted by a number of logging companies including Rimbunan Hijau.

Forestry laws require that the timber rights be

publicly advertised in a competitive bidding process to ensure the best possible deal for the local resource owners. But Rimbunan Hijau has made a number of attempts to avoid this process and to unlawfully acquire the logging rights.

In 1997 Rimbunan Hijau was granted an unlawful geographical extension to its Wawoi Guavi timber permit that covered the whole of the Kamula Dosa concession area. The extension was subsequently investigated and overturned by the Ombudsman Commission.<sup>27</sup>

The Ombudsman criticised a number of politicians for influencing the decision of the National Forest Board and Board members for flouting the law and putting the interests of RH above those of the resource owners and the State.<sup>28</sup>

The Ombudsman recommended action against a number of Board Members and Rimbunan Hijau, but those recommendations have not been enforced.

In 2002, Rimbunan Hijau again tried to unlawfully secure the logging rights for Kamula Dosa. A Cabinet submission sponsored by the then Deputy Prime Minister and a number of his Ministerial colleagues proposed that Rimbunan Hijau should be given unique tax concessions and unlimited access to Kamula Dosa without having to follow the legal allocation process or proper procedures.

The submission was withdrawn after it was publicly exposed.

## ROBBER BARONS

The latest official inquiry into the forestry sector in Papua New Guinea found that all six new permits and permit extensions reviewed were unlawful. This is how the Review of Disputed Forest Allocations, 2003, described the logging companies operating in PNG:

'the overwhelming conclusion is that the robber barons are now as active as they ever were. They are not only free to roam, but are in fact encouraged to do so by persons whose proper role is to exercise control over them...Only a Commission of Inquiry could hope to unearth the entire picture and unravel the web of deceit'.<sup>29</sup>

The Review looked specifically at two of Rimbunan Hijau's largest logging operations, Wawoi Guavi and Vailala. In respect of these two concessions the Review stated:

'The time has come for a full investigation into the affairs of these companies (both RH subsidiaries). They should be compelled to produce documents and account for their actions'.<sup>30</sup>

Despite these findings the Prime Minister has said:

"I must congratulate Rimbunan Hijau for investing heavily in the forestry sector...(this) is in line with government policies...The company and other genuine forestry companies must be supported."<sup>31</sup>

## THE SOCIAL IMPACTS OF LOGGING

A number of reports<sup>32</sup> have documented the negative social impacts of the logging industry in Papua New Guinea. These negative impacts include:

**Diminished food security** – reduced availability of foods from within the forests (meat, insects, herbage, fungi, fish), loss of gardens and food stands from poor logging practices, loss of water resources and reef systems.

**Loss of clean water supplies** – soil erosion, poor roading and waste disposal all pollute water courses.

**Poorer health** – nutrition problems, water pollution, increased malaria, introduction of sexual diseases, intoxication, industrial injuries, loss of traditional medicines.

**Loss of local economic resources** – loss of forest products that are traditionally traded including foods, resins, timber for construction and canoes, building materials, medicines.

**Undermining of social systems** – community values undermined, social conflict, alcohol, prostitution, land disputes, displacement of families from forest areas, marginalisation of women.

**Increased gender burdens** – women have to work longer and harder to look after their families

**Increased conflict** – with logging companies, forestry officials and police and between different local factions or community groups

## HUMAN RIGHTS ABUSES

For many years, local people living within timber permit areas have complained of the abuse of their fundamental human rights by timber companies and by police personnel paid by these companies.

The alleged abuses include the deprivation of property, cruel, inhuman and degrading treatment, denial of personal security, unlawful detention, invasion of privacy, denial of freedom of movement and freedom of speech, and a failure to provide good working conditions and adequate and equal pay.<sup>33</sup>

These are all breaches of the United Nations Universal Declaration on Human Rights.

The complaints and allegations of the local people are well-documented and include signed statements and written letters of complaint to the Royal PNG Constabulary and a personal video testimony of some of the victims.

SPECIFIC ALLEGATIONS INCLUDE:

- People being forced to sign agreements under duress including at gunpoint and threats of imprisonment and even death.<sup>34</sup>
- The use of armed police officers with guns drawn to emphasise the ability of company personnel to enforce their threats.<sup>35</sup>
- Use of police 'mobile squads' to quell any industrial unrest amongst logging company employees.<sup>36</sup>
- Use of firearms by logging company managers to threaten and intimidate local people.<sup>37</sup>
- Torture, physical abuse and unlawful detention of local people by police officers 'employed' by the logging company.<sup>38</sup>
- Rape of female employees by logging company managers and police.<sup>39</sup>

## WOMEN SUFFER MOST



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"Allegations of human rights abuses against women working in isolated logging camps are being documented by unions both in PNG and internationally.

Many of these camps are so isolated the only way in or out is by plane. Once in the camps, many women claim they are forced to have sex with company officials and the police who work for them.

Union officials have taken dozens of statements from women and girls who say they are routinely threatened with guns that are fired to scare them into having sex.

Women who become pregnant are faced with a choice of an abortion or facing ejection from the camps, with no way to travel the hundreds of kilometres home." (ACF 2003)





Wawoi Guavi timber concessions, Papua New Guinea.

## THE ENVIRONMENTAL IMPACTS OF LOGGING

Environmental studies<sup>40</sup> indicate that logging by Rimbunan Hijau in Papua New Guinea is among the most environmentally destructive of any selective logging operations studied anywhere on the planet. Losses to the residual stand have been recorded at more than 100 trees per hectare. What is supposed to be selective logging is effectively clear felling.

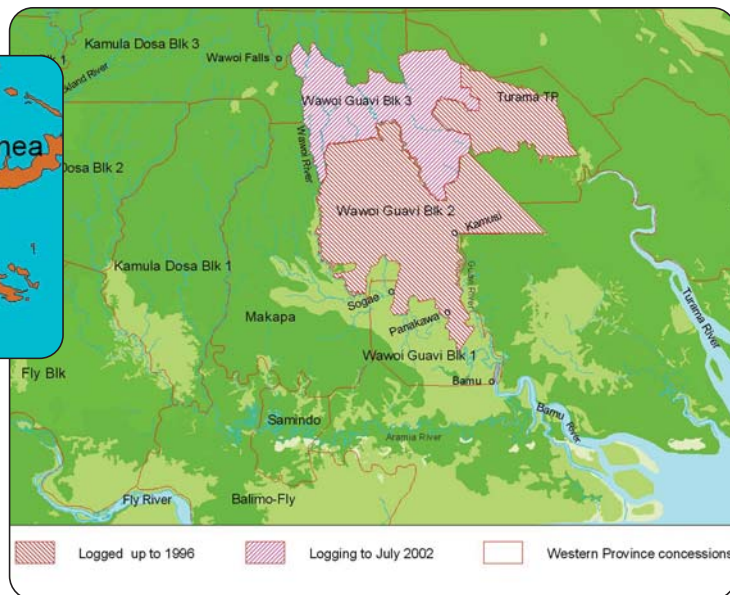
The logging mainly ignores the prescriptions in the PNG Logging Code of Practice. Buffer zones are not respected, logging tracks are bulldozed through streams, poor road construction wastes logs and pollutes water courses, oil and other waste pollution is endemic, standing water attracts mosquitos and increases the incidence of malaria, and undersized logs are constantly felled.<sup>41</sup>

Papua New Guinea's Constitution and Forestry Act require that all forest operations are carried out in a sustainable manner and that resources are protected for future generations. In reality, these prescriptions are ignored and the average life of a logging concession is just 12 years.<sup>42</sup> This is less than one-third of the legally mandated 40-year cutting cycle and is also ecologically inadequate.

## NO MONITORING OR ENFORCEMENT

Despite the very poor environmental performance of logging companies in PNG, no action is ever taken against them. The Department of Environment and Conservation does not even have a forestry monitoring team and the 2002 Ombudsman Commission found that the Department head, Wari Iamo has gone out of his way to support Rimbunan Hijau.<sup>43</sup>

Wari Iamo has been criticised by the Ombudsman Commission for neglect of duty for supporting an illegal logging permit extension for Rimbunan Hijau. When disciplinary proceedings were initiated against him by his former Minister for a series of offences, the Prime Minister himself intervened, sacking his Minister and re-instating the suspended Secretary.



## WAWOI GUAVI

In an unpublished report<sup>44</sup> commissioned by Greenpeace, scientist Dr David Melick has studied the environmental impacts of logging by Rimbunan Hijau in its Wawoi Guavi timber concession in Western Province.

The research uncovered an extensive catalogue of breaches of PNG's Logging Code of Practice. The report identified 261 separate breaches of 18 key logging standards.

These breaches were seen to have serious environmental impacts, including injury to waterways and watersheds, severe erosion and serious pollution to soil and waterways from oil and toxic chemicals.

The study also found frequent damage to cultural sites from logging operations and the felling and removal of undersized trees.

Although Greenpeace and Dr Melick were in the area at the invitation of landowners, Rimbunan Hijau used the Southern Command Police Task force to try and intimidate them and to restrict access into the forest. RH also placed locked chains and logs across roads to inhibit movement in the area.

*"Having examined some of the logging operations, it is now difficult to view the responsible environmental position espoused on behalf of Rimbunan Hijau with anything other than cynicism"*

(Melick 2003)

## INDONESIA

Indonesia has 10 percent of the world's remaining tropical forests. They are home to some 50 million indigenous people. These forests teem with unique wildlife and the highest diversity of trees and vines found anywhere in the world.

Hundreds of unique mammal and bird species live in the forests of Indonesia, often only on a single island.

Yet, if the current rates of logging and forest conversion continue, the lowland dry forests of Sumatra and Indonesian Borneo will have been completely destroyed by 2010.<sup>45</sup>

Indonesia is one of the major sources of illegally traded tropical timber. According to government estimates, as much as 90 percent of the country's production is unlawful, amounting to some 50 million cubic metres each year.<sup>46</sup>

Evidence shows that this illegal production and trade is continuing despite a log export ban introduced in Indonesia in November 2001<sup>48</sup>. The primary destination of illegal timber exports from Indonesia is Malaysia where log imports are continuing, despite a ban on log imports from Indonesia introduced in June 2002.

***“Rimbunan Hijau has become one of the most ruthless logging companies in the world due to abuses of national laws and regulations, human rights violations and contractual breaches”***

Richard Wilcox. Asian Economies Fuel Forest Meltdown, published in The New Observer<sup>47</sup>

In October 2003, the Indonesian Minister of Forestry called on the European Union to reject

timber products from Malaysia, saying that they contain a large amount of illegal wood from Indonesia.<sup>49</sup>

In Indonesia, much of the logging is unlawful because it is done without a government permit or licence. This is possible because of the bribes that are paid to police, forestry officials and politicians.<sup>50</sup> Kidnapping, bribery and attempted murder have all been documented as the methods used by the logging companies to protect their illegal trade.<sup>51</sup>

### ILLEGAL LOGGING, RIMBUNAN HIJAU AND THE MILITARY

“Military involvement in illegal activities is taken for granted in Indonesia. Hundreds of reports of military involvement in illegal logging have emerged and there is recognition of this serious problem within government. Reports of military personnel owning illegal sawmills, backing timber barons and applying pressure for the release of confiscated logs are common and widespread.”<sup>52</sup>

The Environment Investigation Agency (EIA)<sup>53</sup> in London and the Indonesian group Telapak have reported links between the company PT Rimbunan Hijau Jaya and the Indonesian military. EIA and Telapak visited communities in West Papua and obtained documents clearly linking a military officer to PT Rimbunan Hijau Jaya and illegal logging.

In a brief presented to the Indonesian Government they described how the illegal logging is being facilitated by the use of ‘military power’ that is used to threaten local communities.<sup>54</sup>

Illegal logging by PT Rimbunan Hijau Jaya has been reported at three sites and is occurring despite the opposition of the majority of the local people. Letters of complaint were sent to forestry officials in 2002 but a promised investigation has never eventuated.

The EIA and Telapak have called on the Indonesian Government to take decisive action to prevent the export of illegally felled logs and to discipline and prosecute military officers involved with logging companies in illegal activities.



Merbau Logs cut on Knasaimos land © EIA/Telapak 2003



Sakas Aonoma from Bula Creek, Middle Fly District, Western Province, PNG  
© Scheltema/Greenpeace

Landowner Sakas Aonoma is dressed in the traditional warrior gear, used when going out fighting.

Aonoma's grandparents used the local Bula creek as medicine. "They would use this creek when they were sick, it would make them better. This creek has faded away. It cannot heal people because they came and disturbed the beliefs we have. It will not be the same as before. There's no fish since the company came. Before my mother and father used to do this, now there is nothing. Our medicine is not like before.

*"By looking at that place I feel very sad and upset and frustrated about my land being destroyed".*

## EQUATORIAL GUINEA

Rimbunan Hijau operates in a number of African countries including Gabon and Equatorial Guinea, where its subsidiary Shimmer International and its many associated companies have been a dominant player in the logging sector<sup>55</sup> under the "sponsorship of the Minister for Forests"<sup>56</sup>, who is also the President's son<sup>57</sup>.

In Equatorial Guinea, some 70 percent of the forest has been allocated for large-scale industrial logging<sup>58</sup> despite the importance of the forest for the daily subsistence of the largely rural population.

Although local laws require that 60 percent of log production must be processed on-shore, most timber is still being exported as cheap raw logs<sup>59</sup>. This deprives the country of resource revenues, economic investment and employment opportunities.

Enforcement of legal requirements is virtually non-existent in commercial logging, according to the World Rainforest Movement (WRM) and although logging companies are required by law to provide health, education and social facilities for local communities, enforcement is very poor.<sup>60</sup>



*About 85 per cent of the African rainforest that once spread across Equatorial Guinea, Cameroon, Central African Republic, Congo Brazzaville, the Democratic Republic of Congo and Gabon has been lost. Industrial logging threatens most of what remains.*

© Mauthe/Greenpeace



A Rimbanan Hijau logging tractor and feller team works in a logging concession in the middle Baram valley, Malaysia. © Dang/Greenpeace

Malaysia is one of the world's major producers and exporters of tropical timber. It is the home base for Rimbanan Hijau and a number of other major transnational logging companies.

The majority of Malaysia's timber production comes from Sarawak where about 70 percent of the

***"Our forest and land have been supplying us with abundant resources and providing us with sources of income and have also shaped our culture, beliefs and customs. Thus, to destroy the forest has the same impact of destroying our community."***

Long Sayan Declaration

land area has been allocated for logging. Here, Rimbanan Hijau has an estimated 800,000 hectares of production forest.<sup>61</sup>

Rimbanan Hijau produces 3-4 million cubic metres of logs per year, which gives the company a 20-25 percent share of the Malaysian timber industry.<sup>62</sup>

### **SOCIAL IMPACTS OF LOGGING**

Logging companies active in Sarawak are well-known to indigenous dyak peoples for seriously undermining their livelihoods and survival.

Widely documented negative social consequences of the logging industry include a severe impact on food security, pollution of water supplies, increasing incidences of ill-health and disease, the disruption of local economies and changes in social stability.<sup>63</sup>

In 2002, the Penan people documented the abuses they have suffered at the hands of the logging industry in the Long Sayan Declaration.<sup>64</sup> The Penan are particularly affected as they are a semi-nomadic forest dwelling people- their forest has been their home for thousands of years. Their fight against logging is a fight for their lives.

Over 700 people from 40 communities formulated the Declaration to clearly spell out their suffering as a people displaced and abused by the logging industry.

The Declaration details the food shortages, frequent illnesses and income loss brought about by logging operations and calls for immediate government action as the very survival of the Penan people is severely threatened by the logging industry, which continues to reap huge profits from the sales of timber resources extracted from their ancestral land with impunity.

***"Members of our community are suffering from poor health due to the lack of a balanced diet and air and water pollution caused by logging activities."***

Long Sayan Declaration

As is the case in Papua New Guinea, Indonesia and Africa, Malaysia also suffers severe and uncontrolled environmental impacts from logging activities.

Careless and negligent logging practices impact on local watersheds and cause soil erosion; they disrupt local climates and cause or exacerbate forest fires. There is also a toll on bio-diversity within forests, and the marine environment.

A report by the World Rainforest Movement (WRM) and Forests Monitor in 1998, listed a number of Malaysian citizens who had their human rights abused and freedom of movement restricted as a result of their opposition to illegal logging. In each case, the named individuals had been prevented by government officials from travelling to attend international meetings and then had their passports withdrawn.<sup>65</sup>

There is evidence that Rimbunan Hijau is now trying to apply similar tactics in Papua New Guinea. In November 2003, threats were issued to a local airline to only fly RH approved passengers to an airstrip inside its Wawoi Guavi logging concession and to deny travel to any non-government organisations.<sup>66</sup>

***The top politicians in Sarawak have long been awarding logging concessions to themselves, their families and their supporters."***

WRM and Forest Monitor (1998)

and other destructive development activities within their customary land and against infringement of their rights. In response they have been harassed, intimidated, suppressed and arrested by the government and companies.

Supporting these company interests, police and forest department officials have arbitrarily arrested and detained those indigenous people who put up any form of protest, even though such protests are undertaken within the confines of their own lands and they have legitimate rights under the law to such forms of protest.<sup>67</sup>

In one such protest in August 2000, more than 100 Penan people in the Apoh and Tutoh regions barricaded a logging road to prevent access by three timber companies including a subsidiary of Rimbunan Hijau.<sup>68</sup>

The action was taken after numerous verbal and written appeals but their problems were ignored. The people accuse the logging companies of hiring gangsters to threaten them not to pursue their claims of encroachment, illegal logging and damage to fruit gardens and burial sites.

Protests and blockades continued through 2002 and 2003.

***"The activities of the Sarawak timber company Rimbunan Hijau have wreaked environmental and social havoc in Sarawak for years through their widespread logging activities."***

Utusan Konsumer, Penang, (Nov 1993)<sup>69</sup>

## **SOCIAL CONFLICT AND HUMAN RIGHTS ABUSES IN SARAWAK**

Indigenous peoples in Sarawak have lodged many complaints to the authorities about logging-related and land rights problems, but their complaints have constantly been ignored.

Over the last 20 years, thousands of indigenous dyak people in Sarawak have been blockading and protesting against logging, plantations



Previously logged Malaysian forests in the early morning fog. A Rimbunan Hijau logging road is just visible in the foreground.  
© Dang/Greenpeace

## RUSSIA

Spread over 774 million hectares, Russia has the biggest forest area in the world. This represents about 24 percent of all the forests on our planet. About two-thirds of these forests are located in the remote northern regions of Siberia and in the Far East.

In the more densely populated areas of European Russia, Southern Siberia and parts of the Far East, forests have been severely over-logged during the last 50 years, placing great pressure on remaining resources.

All Russian forests are State-owned; with no private ownership. The State is responsible for protection and management of forests, even in concession areas. The forest service is the biggest in the world, employing about 220,000 people.

Environmental activists in the Russian Far East are becoming increasingly concerned about the extent of illegal logging in the region.

They say the rich timber resources of the ancient forests are being plundered despite Russia's strict laws on logging. Environmentalists blame corruption by local officials and lack of funds to enforce controls on timber shipments.<sup>70</sup>

Rimbunan Hijau has been operating in Russia since 1997 when it acquired the rights to harvest 305,000 hectares of State forest in a region that had been earmarked for environmental protection.<sup>71</sup>

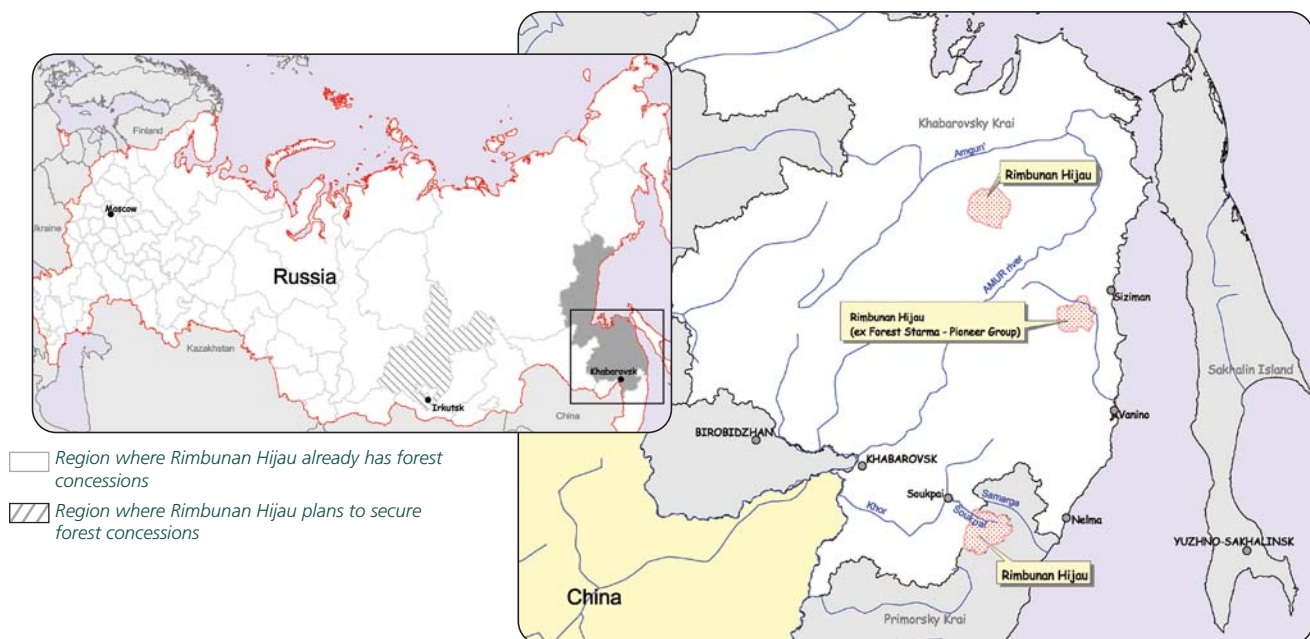
Since 1997, RH has acquired further large-scale concession areas in the Ul'chsky/Solnechny and Vaninsky districts.

The Forest Club of Russia have expressed concerns about Rimbunan Hijau's logging operations:

*"Logging in the upstream of river Soukpai by the RH company will result in destruction of the existing forest ecosystems of the basin, spreading of forest fires, soil erosion and disturbance to the hydrologic balance of local rivers... that now serves as an important sources of means of subsistence for most of the local residents."*<sup>72</sup>

Rimbunan Hijau has been repeatedly fined for violations of logging regulations and environmental laws.<sup>73</sup>

In 2002, Rimbunan Hijau exported 700,000 cubic meters of timber from Russia with a value of US\$58 million (2001).<sup>74</sup> Seventy-six percent of this was sold to China. Most of this trade is believed to be with small buyers around the border town of Suienghe. The remaining 24 percent was exported to Pacific Barter Trade Limited in Hong Kong.



## NEW ZEALAND/ AOTEAROA



Rimbunan Hijau has committed to FSC in New Zealand but still has a way to go to improve plantation management, especially stream protection. © Greenpeace

Although the forest industry in New Zealand/Aotearoa is based on the plantation production of softwood species, Rimbunan Hijau is a major player.

Rimbunan Hijau's first forestry investment in Aotearoa was the purchase of five forest licenses from the national government in 1990 through the Tiong controlled company, Ernslaw One.<sup>75</sup>

This gave the company logging rights in three regions, Coromandel, Manawatu and Otago. Since then the company has diversified its interests through investments in wood processing, timber importing and wholesale, land and property development, scientific products, fish farming and ports.<sup>76</sup> In particular, the timber importing enterprise The Lumberbank, is importing timber from Rimbunan Hijau's illegal operations in Papua New Guinea. This is a major part of the 4,000 m<sup>3</sup> of sawn timber imported into New Zealand from PNG in 2003.

Since 1990, Ernslaw One has expanded its forest estate from an initial 22,000 hectares to 53,000 hectares through the purchase of further plantations and the conversion of farmland.

In stark contrast to the performance and management of Rimbunan Hijau's forest operations in tropical countries (and Russia), in New Zealand/Aotearoa, it is seeking to be a responsible forest manager. According to the company's website:

"Ernslaw One firmly believes in caring for the environment, and strives to ensure that it's forest and timber processing operations meet the requirements of sound environmental management. It's plantation forests are managed as a sustainable resource."<sup>77</sup>

Ernslaw One has all its plantation operations certified under the globally recognised green-labelling Forest Stewardship Council (FSC) scheme.

To become FSC certified, Ernslaw One was required under FSC rules, to "demonstrate a long-term commitment to the Forest Stewardship Council

Principles and Criteria"<sup>78</sup>.

It is barely credible that Ernslaw One could demonstrate such a commitment when it is part of the Rimbunan Hijau group of companies that so demonstrably fails to live up to the most basic social and environmental standards in almost all of its logging operations.

However, even in New Zealand/Aotearoa Ernslaw One's plantation forest operations still have some way to go to meet FSC responsible management standards. The certification of its North Island operations was subject to 25 conditions that identify failures to comply with FSC standards and which require stipulated remediation, most of them within 12 months.

In particular, there are major concerns on their clear-fell logging practices in catchments of their plantations in the Coromandel in the North East of the North Island that are prone to severe high rainfall events. In the implementation of the local law, the Resource Management Act, a number of local community organisations and neighbours of the company have been battling to protect local streams and harbour.

Dairy farmer Paul Bibby, whose farm is a neighbour of Coromandel's Whangapoua Forest, appeared on TVNZ's "Frontline" investigation of the company<sup>79</sup> in 1994. His concern was that it was logging too much, too fast and that the bare hillsides would lead to a major silt problem, as had happened previously in the days of Forest Service ownership. Both farms and Whangapoua Harbour had been badly silted in the past, causing some farms to be inundated under a metre of silt. The company has denied that it is engaged in any environmentally unsound practices on the Coromandel.

***"Ernslaw One had gone through the motions of consulting the locals but totally refused to accommodate any of the residents association's Draft Code of Logging Practice. After rain, the dirty water now extends right out through the harbour. We've had absolutely no satisfaction from the company."***

Paul Bibby, on behalf of the Whangapoua Environmental Protection Society.

Local people were astounded to discover that the local District Council had agreed to reduce the width of the riparian strips (strips either side of a stream, river or lake that is protected) from 20 metres to five metres without consulting them. There are also complaints that shellfish beds in the harbour are being buried by silt. More recently, the company has created further controversy by buying up an adjacent dairy farm and proposing to build a large sawmill and processing plant.

## SOLOMON ISLANDS

Rimbunan Hijau interests in the Solomon Islands are mainly through the Earthmovers Solomon Islands group, including Pacific Timbers Ltd, and more recently, a company called Delta. Rimbunan Hijau's Solomon Islands subsidiaries have been part of a handful of Asian corporate groups that have been logging at more than four times the sustainable rate<sup>80</sup>. They have been criticised and

documented as providing little benefit to the country and for destructive practices, including: transfer pricing and under reporting of log receipts<sup>81 82</sup>, payments to members of parliament to overturn the government<sup>83</sup>, what has been described as "the worst logging seen in any tropical forest"<sup>84 85</sup>, social impacts<sup>86</sup>, and poor worker conditions<sup>87</sup>.



Solomon Islands has witnessed poor logging practices at the hands of a number of logging companies. © Solness/Greenpeace

## VANUATU

Rimbunan Hijau operations in Vanuatu, while not of the scale of elsewhere, have always been controversial. In the early 1990s subsidiary companies were involved in logging opposed by landowners in remnant forest on the island of Erromango. Their Santo Veneers operation on Santo Island have been a source of conflict with local landholders since it started operating. In 1995, locals burned a Santo Veneers bulldozer in protest at the company logging in an area for which they had no contract. The Supreme Court acquitted the local family concerned "after hearing evidence that Santo Veneers and Timbers Limited were logging in an area where they had no contract and continued to log the area even after the burning of their bulldozer and a court injunction not to log there".<sup>88</sup>

There have been other controversies over the project. For example;

- An official inspection visit on one occasion in 1997 identified trees which had been cut illegally;
- The company is believed to be entering into contracts after having identified only a few of the legitimate landholders, rather than all of them as required by law;
- There are also believed to be other contractual irregularities and reports of logging in protected areas.<sup>89</sup>

Santo Veneer logging has nearly exhausted the commercial natural forests on Santo Island, largely due to the over-estimation of commercial volumes contained in the forests and required to meet the veneer processing plant.



## MARKETS AND CHAIN OF CUSTODY

The international trade in tropical timber only exists because of the demand from the market place. The trade in illegal timber and the human and environmental suffering that it causes are the direct result of a market where the buyers of timber and timber products do not discriminate between timbers from different sources.

### LOG EXPORTS

The major export markets for raw log exports from Papua New Guinea, Indonesia, Malaysia and Russia are China and Japan.<sup>90</sup>

For instance, of 1.85 million cubic metres of declared exports from Papua New Guinea in 2002, 62 percent went to China and Hong Kong and 23 percent to Japan. These figures reflect a trend where, over the last three years, log exports to Japan have declined as China has become the dominant market.

In both countries species like *Calophyllum* are used to produce cheap plywood for the construction sector, with large Japanese trading houses like Nissho Iwai facilitating the trade.

### SAWN TIMBER

Sawn timber is the fastest-growing timber export from Papua New Guinea. Volumes have risen dramatically from 23,000 cubic metres in 1999 to 42,348 cubic metres in 2002<sup>91</sup>. This reflects the commissioning of Rimbunan Hijau's major sawmill at Kamusie in Western Province.

Rimbunan Hijau's major markets for sawn timber from Papua New Guinea are in Australia and New Zealand/Aotearoa.

In Australia, RH controls a subsidiary named TLB Timber that operates out of Brisbane. This company sells illegal and destructively logged timber to many small companies and individuals in Australia. This timber is then turned into mouldings and other building components.

According to figures from the Forest Authority in PNG, in 2002 Australia imported 16,653 cubic metres of rough sawn timber from Papua New Guinea.

This timber is tainted with illegality, human rights abuses, environmental destruction, and negative social impacts.

### VENEER AND PLYWOOD

Other processed commodities experienced sharp increases in past years, mainly due to the installation of Rimbunan Hijau's Panakawa mill in Western Province. Exports of veneer rose from 1,700 cubic metres in 1999 to 71,615 cubic metres in 2002 and plywood exports likewise increased from 7,000 cubic metres in 1999 to 70,083 cubic metres in 2002.<sup>92</sup>

Again Asian market countries such as China, Taiwan and Korea imported the bulk of these timber products.



RH timber bound for TLB in Australia being loaded in Port Moresby, Papua New Guinea. © Scheltema/Greenpeace

## SUMMARY

The findings illustrated in this report have clearly identified Rimbunan Hijau as being involved in significant forest crime. It is destructively logging vast areas of ancient forest in defiance of national laws, local customs and the rights of resource owners. It is causing large-scale environmental damage and increasing the poverty of local people under the protection of political elites.

Rimbunan Hijau controls industrial-scale logging operations in at least eight countries and operates across three continents. Many of its logging operations are characterised by illegal access, environmental damage, human rights abuses, social conflict and political corruption.

Timber harvested by Rimbunan Hijau is traded around the world – as logs, sawn timber, veneers and plywood and as finished products like furniture and ornamental blinds.

Traded and re-traded through Asian, American and European ports, the illegal timber and timber

products that come from Rimbunan Hijau's forest operations have been traced into the stores of some of the world's most affluent nations.

After decades of conferences and international commitments including the Convention on Biological Diversity, Forest Law Enforcement and Governance processes, International Tropical Timber Agreement and the United Nations Forum on Forests, now is the time for action.

Rimbunan Hijau is a transnational corporation that represents everything that is wrong with the way in which forest resources are being managed. Rimbunan Hijau presents the perfect test against which to judge the resolve of the international community to deal effectively with the problems of forest crime and the trade in illegal timber.

Greenpeace calls on the international community to take up the challenge and match the global rhetoric with effective action.

## SOLUTIONS

### GREENPEACE URGES:

- **Protection of remaining forest areas from illegal and destructive logging;**
- **International financial support to individual countries to replace foregone logging revenues;**
- **Effective international action to enforce corporate responsibility and sanction corporations that operate outside the law;**
- **International initiatives to stop the cross-border trade in illegal timber and timber products, including consumer nation timber import controls;**
- **Further support for market-based initiatives that identify and label products from sources that are environmentally, socially and economically sustainable.**



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- As the owner of 50% of the shares in the Sepik River Development Corporation, the holder of a logging permit for the Lower Sepik Local Forest Agreement the Prime Minister was criticised in Barnett (1987) as SRDC was supposed to be a representative landowner company but it clearly was not, and the PM had put pressure on the Minister and Secretary of Forests to speed up the permit allocation (the project was also contrary to an Australian funded Land Development Feasibility Study process)
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- Gopera Investments
- The Minister for Privatisation is a shareholder in Heybridge Limited, the logging contractor to Sepik River Development Corporation (a company 50 percent owned by the Prime Minister) in Lower Sepik. The Minister for Planning's wife was a shareholder in Richard Gault Industries, a logging company that was also part owned by the Kerawara logging company. The Chief Secretary is a director of Media Assets Limited, the permit holder for the Kapuluk logging concession.
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  - Respect indigenous peoples' and local community rights,
  - Be beneficial to local communities,
  - Sustain the forest resources,
  - Maintain and protect biodiversity,
  - Minimise and phase out chemical pesticide use,
  - Prohibit genetically engineered organisms,
  - Have a detailed management plan,
  - Monitor environmental and social indicators,
  - Maintain and enhance High Conservation Value Forests, and
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