

Australia profiting from rainforest destruction, illegal logging and corruption in Papua New Guinea

Asia Pacific Rainforest Summit

The Australian government is hosting an Asia-Pacific Rainforest Summit¹ in Sydney on 12 November – ahead of the World Parks Congress.

“The Summit will bring together ministers from countries across the region and leaders from business to find practical ways to reduce rainforest loss and restore rainforest landscape”.

Australia says the regions rainforests are important as they *'support extraordinary biodiversity, provide economic opportunity and livelihoods to millions and store billions of tonnes of carbon; slowing and halting the loss of precious rain-forests is critical to addressing climate change'*

But the truth is Australia is the largest single beneficiary from rampant and rapacious rainforest destruction, illegal logging and land grabbing in PNG.

The Issue

The forests of Papua New Guinea form part of the third largest remaining tract of tropical rainforest left on the planet - but this forest is quickly disappearing at the hands of the Malaysian owned logging industry.

Land grabbing, unlawfully and destructive logging, a failed State bureaucracy, and police squads operating as private security for logging companies are all part of the problem, underpinned by rampant and widespread corruption.

Illegal logging and land grabs in PNG undermine good governance, impoverish local people, destroy the environment and also directly threaten Australia's border security by creating landless refugees and destabilizing the country. Despite these devastating consequences, Australia is doing little to address the underlying issues in PNG, perhaps because Australia is the largest single beneficiary from the existing status quo.

These benefits come through property investment in Australia by corrupt officials in PNG, Australian banks facilitating transfers of illicit funds and providing services to corrupt companies; other money laundering; general investment and trade; and boomerang aid.

Demands

We are calling on the Australian government to:

- i. Publicly acknowledge the illegal SABL land grab and unlawful logging in PNG and assist the PNG government to address them effectively;
- ii. Proactively support PNG's anti-corruption Task Force and assist the PNG government to set up the new Independent Commission Against Corruption
- iii. Instigate proactive measures to stop the flow of money from political corruption and illegal activities in PNG into Australia
- iv. Use the Australian Federal Police presence in PNG to investigate and stop the use of PNG police by logging companies to intimidate and abuse landowners
- v. Stop all efforts to promote the alienation of customary land

Australia profiting from rainforest destruction, illegal logging and corruption in Papua New Guinea

BACKGROUND ON THE ISSUES

The forests

Papua New Guinea's rainforests form an important part of the lungs of the earth and are a huge carbon sink. They are also home to a staggering array of wildlife, which represents almost 7% of the world's total biodiversity. This includes more than 200 species of mammals, 700 species of birds, and 21,000 species of plants.²

The forests are also home to 85% of Papua New Guinea's population of over 7 million people. The forests provide for people's daily need for food and clean water and building materials for their homes. They sustain numerous small income generating activities and are also a vital part of people's cultural and spiritual heritage.

Illegal land grab

A huge illegal land grab³ in PNG has seen over 5 million hectares of customary land given to foreign corporations under 99 year leases. This represents over 10% of PNG's total landmass. A Commission of Inquiry⁴ has identified the logging industry as the primary beneficiary of the illegal leases.⁵ Log exports from lease areas now account for over one-third of PNG's total log exports. Despite the Commission findings and recommendations that leases be revoked the government has not taken any action and the logging continues.

Unlawful logging

Under PNG laws forests should be sustainably managed and landowners must give their informed consent to logging. Neither of these prescriptions is followed and most logging in PNG is unlawful.⁶ A study estimates half the forests could be lost by 2021.⁷ PNG exports more than 3 million cubic metres of raw logs every year, mainly to China. PNG is the largest exporter of tropical logs in the world.

Failed State bureaucracy

Government institutions are at best inefficient and ineffective. The Minister for Lands has labelled his own department as "corrupt and dysfunctional".⁸ A lack of funding, poor management and corruption mean the State is unable to fulfill its role as a regulator and ensure laws and proper processes are followed in the authorization and on-going management of commercial forest operations.

Police abuses

Logging companies regularly use mobile police squads to act as private security for their operations.⁹ The police are used to physically abuse and intimidate landowners who try to protect their forests and stand up for their rights. There are over 70 Australian Federal Police deployed in PNG to '*provide frontline advisory support to the Royal Papua New Guinea Constabulary to strengthen its ability to deliver effective and visible policing services*'.¹⁰

Australia profiting from rainforest destruction, illegal logging and corruption in Papua New Guinea

Corruption

According to the head of PNG's corruption Task Force, Sam Koim, around 40% of PNG's annual budget (over \$1 billion dollars) is lost to corruption every year.¹¹ A single inquiry in 2009 found \$300 million had been stolen through false legal claims paid by the Department of Finance.¹² A former Prime Minister described the corruption as 'endemic, systemic and systematic'.¹³

Political instability

The logging industry in Papua New Guinea has an extensive political network that it uses to facilitate corrupt access to forest resources and insulate it from any effective oversight. This has been graphically illustrated in the last few weeks with the unlawful and violent attempt to remove from office the Governor of Oro Province, Gary Juffa, who has been at the forefront of the fight against illegal logging and land grabbing.¹⁴

HOW AUSTRALIA BENEFITS

Australia benefits directly from PNG corruption through property investment mainly in Queensland, banking, the gambling industry and other mechanisms for laundering corrupt money.

Corrupt politicians and senior officials invest in property in Queensland and gamble in Australian casinos. Many set their families up to live in Australia. There are more than 200 homes in Cairns and Brisbane owned by PNG officials.¹⁵ In 2012 a former PNG Deputy Prime Minister was famously readmitted to a Sydney casino after being ejected for drunkenness when it was realized he had deposited \$800,000 to gamble.¹⁶

Australian banks have a strong presence in PNG. ANZ, NAB, CAB and Westpac have all been identified as facilitating the transfer of illicit funds from PNG to Australia. A recent Oxfam report¹⁷ details Westpac's 19 year relationship with one of PNG's largest and most controversial logging companies, WTK while ANZ is banker¹⁸ to notorious Malaysian logging company Rimbunan Hijau, repeatedly linked to illegal logging, environmental destruction and human rights abuses

Australian businesses and individuals more generally make a lot of money in Papua New Guinea, often feeding off the money stolen from the annual budget. Australian investment in PNG is worth over \$19 billion according to DFAT and annual trade between the two countries was worth over \$6 billion in 2012.¹⁹ While Australian companies operating in PNG have profited from 10 years of strong economic growth (over 30% from 2011-2014) the standard of living for ordinary Papua New Guineans has declined.²⁰

Because of poor governance and corruption-related poverty, PNG is the second largest beneficiary from Australia's aid program. Australia will spend \$577 million this year on aid to PNG [DFAT website]. This spending is not addressing the underlying issues identified above but instead benefits a massive aid industry in Australia. Nearly 50% of Australian aid spending goes to external consultants and advisors and five large corporations in Australia have received over \$1 billion in AusAID funds.²¹

Australia profiting from rainforest destruction, illegal logging and corruption in Papua New Guinea

Endnotes

-
- ¹ <http://www.environment.gov.au/rain-forest-summit>
 - ² Wildlife Conservation Society - <http://www.wcs.org/where-we-work/asia/papua-new-guinea.aspx>
 - ³ <http://www.actnowpng.org/sabl>
 - ⁴ <http://pngexposed.wordpress.com/2014/01/13/the-sabl-commission-of-inquiry-reports-2/>
 - ⁵ <http://pngexposed.wordpress.com/2014/01/16/rimbunan-hijau-the-sabl-puppeteer/>
 - ⁶ http://www.chathamhouse.org/sites/files/chathamhouse/home/chatham/public_html/sites/default/files/20140400LoggingPapuaNewGuineaLawson.pdf
 - ⁷ <http://www.theguardian.com/environment/2008/jun/03/forests.conservation?uni=Article:inbodylink>
 - ⁸ *Hon. Benny Allen, address at NRI, 29 October 2012* - [http://www.nri.org.pg/news/Presentations 2012/Land Conference Presentations/Opening Address by Minister for Lands and Physical Planning.pdf](http://www.nri.org.pg/news/Presentations%202012/Land%20Conference%20Presentations/Opening%20Address%20by%20Minister%20for%20Lands%20and%20Physical%20Planning.pdf)
 - ⁹ <http://www.radionz.co.nz/international/programmes/datelinepacific/audio/20153667/png-police-brutality-highlights-troublesome-link-to-loggers>
 - ¹⁰ *Australian High Commission Fact Sheet* [http://www.png.embassy.gov.au/files/pmsb/140908 - Information Sheet 092014 - AFP deployment.pdf](http://www.png.embassy.gov.au/files/pmsb/140908-Information%20Sheet%20092014-AFP%20deployment.pdf)
 - ¹¹ <http://www.abc.net.au/news/2013-08-27/an-png-billions-lost/4916656>
 - ¹² <http://masalai.wordpress.com/2010/04/30/300-million-pillaged-in-papua-new-guinea-graft/>
 - ¹³ <http://www.oecd.org/countries/papuanewguinea/35113082.pdf>
 - ¹⁴ <http://pngexposed.wordpress.com/2014/10/28/democracy-in-oro-province-hijacked-by-asian-logger/>
 - ¹⁵ *Channel 7 Today Tonight August 2013*
 - ¹⁶ <http://www.theage.com.au/national/png-minister-drunk-abusive-20120313-1uyid.html>
 - ¹⁷ *Banking on Shaky Ground: Australia's big four banks and land grabs. 2014* <https://www.oxfam.org.au/grow/land/australias-big-four-banks-and-land-grabs/>
 - ¹⁸ <http://www.ben-global.com/storyview.asp?storyID=9585189§ion=Select+Site+Section>
 - ¹⁹ *DFAT PNG Brief*
 - ²⁰ *UN Development Index ranking*
 - ²¹ *Spectator Magazine* - <http://www.spectator.co.uk/australia/6833153/our-problem-with-boomerang-foreign-aid/>