

# The Rimbunan Hijau Group in the Forests of Papua New Guinea

Jennifer Gabriel & Michael Wood

To cite this article: Jennifer Gabriel & Michael Wood (2015) The Rimbunan Hijau Group in the Forests of Papua New Guinea, *The Journal of Pacific History*, 50:3, 322-343, DOI: [10.1080/00223344.2015.1060925](https://doi.org/10.1080/00223344.2015.1060925)

To link to this article: <http://dx.doi.org/10.1080/00223344.2015.1060925>



Published online: 09 Jul 2015.



Submit your article to this journal [↗](#)



Article views: 77



View related articles [↗](#)



View Crossmark data [↗](#)

## PACIFIC CURRENTS

# The Rimbunan Hijau Group in the Forests of Papua New Guinea

JENNIFER GABRIEL AND MICHAEL WOOD

### ABSTRACT

Adding to the existing literature on the history of forestry policy and reform in Papua New Guinea (PNG), this paper focuses on the Malaysian Rimbunan Hijau Group (RH) – the largest actor in PNG’s forest industry. Rimbunan Hijau’s dominant presence since the 1980s has been accompanied by allegations of illegality, corruption and human rights abuses. This paper outlines RH’s initial involvement in PNG’s forestry sector and discusses some of the more controversial aspects of its engagement with concession acquisition processes and public policy, as well as its responses.

Key words: Rimbunan Hijau, Papua New Guinea, forestry, timber, policy, governance

The Rimbunan Hijau Group (RH) is one of the largest fully integrated timber groups in Southeast Asia and one of PNG’s largest log harvesting and export companies. Rimbunan Hijau was established in 1976 in Sibu, a town in Sarawak (Malaysia). It quickly expanded its control of timber concessions in Sarawak and, by the 1980s, began diversifying and expanding overseas.

**Jennifer Gabriel** – College of Arts, Society and Education, Division of Tropical Environments and Societies, James Cook University. [jennifer.gabriel@jcu.edu.au](mailto:jennifer.gabriel@jcu.edu.au)

**Michael Wood** – College of Arts, Society and Education, Division of Tropical Environments and Societies, James Cook University. [michael.wood@jcu.edu.au](mailto:michael.wood@jcu.edu.au)

*Acknowledgements:* The authors wish to thank Colin Filer for sharing his extensive knowledge of PNG’s forestry sector with them while he was a visiting scholar at the Cairns Institute in 2013. Gabriel wishes to thank the Cairns Institute and James Cook University for their support of her ongoing PhD research on the Rimbunan Hijau Group. Wood wants to acknowledge the Australian Research Council’s grants that have funded his work in the Western Province and James Cook University’s financial support and provision of teaching relief. The authors have benefited from some excellent comments from reviewers, a number of which appear, only partially transformed, in this paper.

This paper builds on the existing literature regarding the history of forestry policy and reform in PNG by examining the activities of RH.<sup>1</sup> After outlining some of the processes that have contributed to RH's poor reputation as a corporate citizen in PNG, we describe the company's attempts to counter the negative representations through a reliance on orthodox economic understandings of 'development', 'growth' and 'global equity'. We examine the responsiveness of RH's tactics and consider its use of media and public relations campaigns. We highlight the strategies used by the company to neutralise criticisms about the degree to which its presence causes harm to people and environments.<sup>2</sup> We also explore RH's far less controversial diversification into other sectors of the PNG economy. We highlight that by the 2000s, RH had moved to supplement its often problematic capital accumulation in the forestry sector with additional forms of investment in PNG's print media, supermarkets, tourism and property development. The company's diversification has not dampened its role in the ongoing 'social drama' of PNG's forest policy.<sup>3</sup>

In PNG, and elsewhere, RH has become less reliant on logging and thereby has partially redefined itself as a productive, as opposed to an exploitative, part of PNG's future. These changes are encapsulated in RH's creation in Port Moresby of 'Vision City', which is its most recent material statement of what it considers to constitute 'development' in PNG. But we also highlight how, in the 2000s, RH continued aggressively to pursue its interests in the natural resource sector by acquiring controversial leases over land and by strongly supporting amendments to the Forestry Act 1991, which reflected its approach to forestry regulation in PNG. These strategies, while often very successful, have not resulted in a 'politics of resignation'<sup>4</sup> because the company's attempts to legitimise its corporate power within PNG have largely failed, with the term 'RH' now being popularly synonymous with the problems of the logging sector, corruption and anti-Chinese sentiments.<sup>5</sup> Yet despite the contestations of various actors, NGOs and social movements, the RH Group is still the biggest investor and largest employer in PNG's forestry sector.

<sup>1</sup>Colin Filer with Nikhil Sekhran, *Loggers, Donors and Resource Owners*, Policy that Works for Forests and People 2: Papua New Guinea (Port Moresby and London 1998); Colin Filer with Navroz K. Dubash and Kilyali Kalit, *The Thin Green Line: World Bank leverage and forest policy reform in Papua New Guinea* (Canberra 2000); Colin Hunt (ed.), *Production, Privatisation and Preservation in Papua New Guinea Forestry*, Instruments for Sustainable Private Sector Forestry (London 2002).

<sup>2</sup>Peter Benson and Stuart Kirsch, 'Corporate oxymorons', *Dialect Anthropology*, 34 (2010), 45–48.

<sup>3</sup>Filer and Sekhran, *Loggers, Donors and Resource Owners*, iii.

<sup>4</sup>Peter Benson and Stuart Kirsch, 'Capitalism and the politics of resignation', *Current Anthropology*, 51:4 (2010), 459–86.

<sup>5</sup>For a discussion of how, in the 1990s, Chinese were regarded by people directly engaged with RH's logging operations, see Michael Wood, "'White skins", "real people" and "Chinese" in some spatial transformations of the Western Province, PNG', *Oceania*, 66:1 (1995), 23–50. For more recent accounts, see various articles in sections 1 and 2 in Paul D'Arcy, Patrick Matbob and Linda Crowl (eds), *Pacific-Asia Partnerships in Resource Development* (Madang 2014).

The material we cover answers the following questions:

- How has RH been able to dominate and partially transform PNG's challenging forestry sector over the last three decades? What strategies did RH pursue?
- Is diversification a long-term strategy to reduce RH's reliance on logging? Is diversification a key to the success of the company in PNG?
- Or does evidence exist that RH has sufficient power and influence to continue to operate in the timber industry despite the political, legal and bureaucratic obstacles? Is this owing to weak regulatory controls, or has the PNG government actively supported the company?

### RIMBUNAN HIJAU ENTERS PNG: AN OVERVIEW

The decision of the RH Group to invest in PNG was driven by the need to find new sources of timber to meet the growing demands of the company's global markets, owing to a dwindling supply of harvestable logs from its home state of Sarawak (Malaysia). The overseas expansion of the RH Group was fuelled by the Malaysian government's decision to gradually phase out log exports from Peninsular Malaysia as well as to introduce strict quotas on the export of logs from Sarawak in 1992. Malaysian politicians, including the prime minister, vigorously promoted the overseas expansion of Malaysian timber groups during this phase. Malaysia's primary industries minister told the Malaysian Timber Market Convention that forest participants were being encouraged to relocate closer to areas with abundant resources.<sup>6</sup>

By 1989, Rimbunan Hijau (PNG) had acquired numerous logging companies and a number of logging concessions, such as the Wawoi Guavi Timber Company.<sup>7</sup> Rimbunan Hijau's investment in PNG forestry corresponded to a time when Justice Thomas Barnett was formulating critical reforms of the sector. The forestry sector, dominated by Southeast Asian logging companies, seemed to be operating beyond effective regulation. The facts outlining government mismanagement of the forestry sector were recorded in the 1989 Barnett Inquiry. The inquiry, while not dealing with RH's investment, outlined extensive abuses in the forest industry and heavily criticised government administration and foreign-based timber companies. Summarising his findings, Barnett stated:

It would be fair to say, of some [of the companies], that they are now roaming the countryside with the self-assurance of robber barons; bribing politicians and leaders, creating social disharmony and ignoring laws and policy in order to gain access to, rip out, and export the last remnants of the province's valuable timber.<sup>8</sup>

<sup>6</sup>'Log export ban from Peninsular Malaysia to stay', *New Straits Times*, 1 Oct. 1999.

<sup>7</sup>Forestry and Conservation Project Independent Review Team, 'Review of Wawoi Guavi blocks 1, 2 & 3 (consolidated), Western Province', 2003, [http://www.forest-trends.org/documents/files/doc\\_1374.pdf](http://www.forest-trends.org/documents/files/doc_1374.pdf) (accessed 19 Mar. 2015); Forestry and Conservation Project Independent Review Team, 'Review of Vailala TRP blocks 2 & 3, Gulf Province', 2003, [http://www.forest-trends.org/documents/files/doc\\_1375.pdf](http://www.forest-trends.org/documents/files/doc_1375.pdf) (accessed 19 Mar. 2015).

<sup>8</sup>T.E. Barnett, 'Commission of inquiry into aspects of the forestry industry, interim report no. 4, timber exploitation in New Ireland Province', vol. I, Mar. 1989, 85.

The Barnett Inquiry found that some logging companies bribed or influenced customary landowners, provincial premiers, national and provincial ministers and public servants, in order to gain access to the timber resources. Some landowner companies were abusing the Forestry (Private Dealings) Act 1971 and using timber rights purchases (TRPs)<sup>9</sup> and local forest areas (LFAs)<sup>10</sup> without safeguarding the interests of customary landowners. Barnett argued that foreign logging companies were seen to be controlling vast resources with few benefits for the landowners.<sup>11</sup> The report called for a reduction in timber harvesting, the reformulation of national forest policy, the establishment of a nationally integrated forest service, the development of consultation procedures in the allocation of permits and the formalisation of detailed requirements for sustained-yield forestry.

The inquiry led to significant changes to the Forestry Act in 1991. The Forestry (Private Dealings) Act was repealed, and the new Forestry Act 1991 applied. The state was now required to be an intermediary between resource owners and resource developers. This was done through the acquisition of rights to the forest resource through a forest management agreement (FMA) that gives the state the exclusive right to harvest, grow and manage timber in the area covered by the agreement. The National Forest Board, not the landowners, selects the company that will implement the agreement and recommends to the minister that a timber permit be granted. The state could only secure harvesting rights to forests from customary landowners who were members of incorporated land groups (ILGs). While landowner companies had no specified role in the 1991 Forestry Act, such companies with timber concessions granted prior to the reforms coming into effect continued to operate in the industry.<sup>12</sup> The Barnett Inquiry also led to the development of PNG's National Forest Policy, which was approved in 1991. The new forestry policy was directed towards management of the nation's forest resources as a renewable resource – to achieve economic growth, employment and greater Papua New Guinean participation in industry and increased, viable in-country downstream processing of timber products. At the same time, World Bank structural adjustment loans, provided to the PNG government to cope with the financial difficulties created by the loss of revenues from the closure of the Bougainville mine, helped make the bank a key player in both the forest policy reform process and the broader process of economic policy reform. This influence of the bank on PNG's forestry sector continued through the 1990s, owing to the need for additional structural adjustment loans in 1995 and

<sup>9</sup>The timber rights purchase (TRP) was introduced by the colonial administration as a mechanism for the state to gain access to timber within areas of customary ownership.

<sup>10</sup>The Forestry (Private Dealings) Act 1971 granted customary owners the right to apply to have their forests declared a local forest area (LFA) and to sell their timber directly to outsiders, subject to the approval of the forestry minister. This act bypassed the procedures that had previously governed the exploitation of timber, where the state acted as the intermediary in timber sales.

<sup>11</sup>Barnett, 'Commission of inquiry', 85.

<sup>12</sup>Colin Filer, 'Asian investment in the rural industries of Papua New Guinea: what's new and what's not?', *Pacific Affairs*, 86:2 (2013), 310.

2000, which came with forest policy reform conditions attached. The World Bank's engagement during the Chan government (1994–97) and the Morauta government (1999–2002) appeared to be motivated by 'the assumption that RH was the principal enemy of good governance in PNG'.<sup>13</sup>

As Rimbunan Hijau gained a foothold over PNG's forest industry, the company and its connections to the political elite soon became the subject of constant criticism. Allegations of corruption involving Malaysian companies in the PNG forestry sector created a controversy during the 14th Commonwealth Forestry Conference in Kuala Lumpur in October 1993. The deputy director of PNG's forestry service, Chavi Konabe, openly accused two Malaysian timber companies of bribing members of parliament with cash so they would support an amendment to the Forestry Act that would allow them to acquire more logging concessions. Konabe said the companies appointed senior government officials and politicians to the boards of directors of subsidiary companies as a reward for their cooperation. On another occasion, Rimbunan Hijau was said to have chartered planes, paid for hotels and arranged for landowners from the Pomio area in East New Britain to lobby the government against the 1991 Forestry Act.<sup>14</sup> Tim Neville, forest minister from 1992 to 1994, conducted an investigation into the group's level of ownership in the country's forestry concessions.<sup>15</sup> His view of RH as an impediment to good governance was supported by a Department of Environment and Conservation investigation of complaints that came up with 22 cases of breaking conditions under RH's permits, some of which Neville described as 'very serious'.<sup>16</sup>

## RH EXPANSION FROM THE 1990S

After laying down its roots in the PNG forestry sector, the RH Group rapidly diversified, becoming one of the largest private-sector employers in the country.<sup>17</sup> By 1990, just four years after incorporation in Papua New Guinea, RH's owners had shareholding in at least 15 companies in PNG, ranging from logging contracting and sawmilling to shipping, retail parts and service, and real estate.<sup>18</sup> The *National* newspaper was established by the RH Group in the 1990s, becoming the region's first online

<sup>13</sup>Ibid., 307.

<sup>14</sup>Forests Monitor, 'High stakes: the need to control transnational logging companies: a Malaysian case study', Aug. 1998, part II, politics, law and the logging industry: Papua New Guinea, <http://www.forestsmonitor.org/en/reports/550066/550073#png> (accessed 2 July 2015); part IV, company profiles: Rimbunan Hijau Group, <http://www.forestsmonitor.org/en/reports/550066/550085> (accessed 3 June 2015).

<sup>15</sup>Filer, 'Asian investment in the rural industries', 309.

<sup>16</sup>Quoted in Helen Vatsikopoulos, 'PNG: under the spell', *Pacific Journalism Review*, 2:1 (1995), 32.

<sup>17</sup>ITS Global, 'The economic contribution of Rimbunan Hijau's forestry operations in Papua New Guinea', report for Rimbunan Hijau (PNG) Group, Sep. 2007, 6.

<sup>18</sup>RH PNG, Straits Marine, Niugini International, Sovereign Hill, Seal Manus, Seal, RH Parts and Services, Central Logging, Central Sawmill, Evergreen Plantation, Frontier Holding, Rivergoi No. 6, Wawoi Guavi Timber Company, Dynasty Estates, Island Forest Resources, Pacific Logging.

paper. According to a full-page newspaper advertorial in the *China Daily*, Tiong Hiew King, chairman of the RH Group

established the ‘National’, a neutral, English-language newspaper not controlled by the Western media, at the invitation of the government of Papua New Guinea. That venture put him in direct competition with the established ‘Post Courier’ under media tycoon Rupert Murdoch. The Papuan Government invited Tiong to set up a newspaper there with an objective to check the influence of powerful Western media while providing an alternative media channel to defend and expound the government’s views.<sup>19</sup>

In the second quarter of 2007, the audited circulation for the *National* newspaper was 29,706 compared with the *Post-Courier*’s 25,549.<sup>20</sup> The *National* is now the leading source of daily news, outstripping its competitor the *Post-Courier* with an average of 66,000 against their 30,000.<sup>21</sup> Although popularly referred to as the *Daily Logger* for its defence of RH’s logging and forestry operations, some media critics regard the *National* as ‘independent and unbiased on other issues’.<sup>22</sup> It has been a mechanism for the RH Group to defend itself against the NGO community, resulting in a number of litigation cases filed against its opposition the *Post-Courier*.<sup>23</sup> In 2010, RH (PNG) was found to be using the courts to threaten, intimidate and harass the *Post-Courier* and force it into unnecessary expenses. A defamation suit filed by RH Group against the *Post-Courier* in 2006 after it reprinted an article from the *Australian* newspaper entitled ‘The rape of PNG forests’ was followed by several other motions, but the judge dismissed them and charged RH with using the court to ‘prevent and distract’ the *Post-Courier* from reporting on RH’s conduct in the forest industry.<sup>24</sup>

By 2010, RH had expanded into newspaper publishing, aviation, shipping, printing, trading, office equipment supplies, forest management services, computer services, restaurants, retail and shopping, and oil palm development. Rimbunan Hijau owns and operates Tropicair aviation, which operates in both Gulf and Western provinces. One-third of passengers carried by Tropicair to RH forestry operations in the Western Province are company employees.<sup>25</sup> Recently RH has acquired land for the construction of wharves in Lae and Port

<sup>19</sup>‘Tan Sri Datuk Tiong Hiew King: the world of Rimbunan Hijau’, *China Daily*, 17 May 2005.

<sup>20</sup>Andy Ng (general manager of the *National*), pers. comm., 6 May 2015.

<sup>21</sup>Ibid.

<sup>22</sup>‘Papua New Guinea’, Press Reference, <http://www.pressreference.com/No-Sa/Papua-New-Guinea.html#ixzz2bi2KUKAz> (accessed 4 June 2015).

<sup>23</sup>For example see ‘PNG: logging company sues newspaper for defamation’, Pacific Media Centre – Te Amokura, <http://www.pmc.aut.ac.nz/pacific-media-watch/png-logging-company-sues-newspaper-defamation-7724> (accessed 7 Apr. 2015).

<sup>24</sup>‘Judge finds logging company threatened newspaper’, ABC News, <http://www.abc.net.au/news/2010-07-13/judge-finds-logging-company-threatened-newspaper/903060> (accessed 17 Apr. 2015).

<sup>25</sup>ITS Global, ‘The economic contribution of Rimbunan Hijau’s forestry operations’, 35.



Moresby.<sup>26</sup> In Port Moresby, RH has completed the construction of the largest shopping centre in the Pacific. Vision City Mega Mall includes 22,500 square metres of retail space over three storeys. An 18-storey international hotel, executive apartments and office space are planned for construction next to the shopping mall. The five-star Raintree Hotel project represents an investment of K380 million and, when complete, will contain 438 rooms, including 66 apartments and a 1,200-capacity ballroom. The hotel will also offer a gymnasium, lagoon-style swimming pool and lavish private lounge. The RH chairman said that Raintree Hotel and Suites by Vision City will set a new standard for accommodation in PNG. Construction should be completed in 2015. At the ground-breaking ceremony in March 2013, PNG's prime minister reassured the group that RH's investments in PNG 'are most welcome and are appreciated by the Government'.<sup>27</sup>

The RH Group has recently invested in PNG's agroforestry and mining industries and has a small but growing interest in the energy sector.<sup>28</sup> On 31 May 2006, Tiong announced intentions to acquire land in PNG to increase the plantation land-bank of Rimbunan Sawit Snd Bhd, a publicly listed company majority owned by the RH Group. 'We have over RM100 mil cash, not including RM18 mil generated from the listing exercise, for expansion', the representative said when asked how the company would finance its expansion.<sup>29</sup> Since then, it has acquired at least 186,150 hectares of customary land in PNG to develop oil palm plantations (discussed further below).<sup>30</sup> In November 2011, RH Mining Resources Ltd purchased 10 million shares in Siburan Resources (SBU) to become a substantial shareholder of a mining company from Western Australia, registered on the Australian Stock Exchange. RH Mining then entered into a 70/30 joint venture with Siburan Resources to seek and acquire mineral exploration and mining tenements licences in PNG.<sup>31</sup> The joint venture company is registered in PNG as Viva No. 39 Ltd. RH Mining has applied for three large exploration licences targeting gold and copper opportunities in Morobe, Milne Bay and Central provinces.<sup>32</sup>

<sup>26</sup>RH subsidiary Dynasty Estates Ltd has a sublease for 94 years over 25 hectares of land in the National Capital District to develop a wharf and storage facility as part of a multi-purpose marine facility. John Numapo, 'Commission of inquiry into the special agriculture and business lease (SABL): final report', 24 June 2013, 52.

<sup>27</sup>'8th March 2013: ground breaking ceremony for Raintree Hotel and Suites by Vision City', Rimbunan Hijau (PHG), [http://www.rhpng.com.pg/raintree\\_hotel.html](http://www.rhpng.com.pg/raintree_hotel.html) (accessed 17 Apr. 2015).

<sup>28</sup>Interview: James Lau, managing director, Rimbunan Hijau (PNG) Group', Business Advantage PNG, <http://www.businessadvantagepng.com/interview-james-lau-managing-director-rimbunan-hijau-png-group/> (accessed 17 Apr. 2015).

<sup>29</sup>'Rimbunan Sawit aims to raise yield by 15%', Star Online, <http://www.thestar.com.my/Story/?file=%2F2006%2F6%2F29%2Fbusiness%2F14684942&sec=business> (accessed 17 Apr. 2015).

<sup>30</sup>Additional special agriculture business leases (SABLs) have been linked to RH.

<sup>31</sup>'Rimbunan Hijau granted two exploration licences', Papua New Guinea Mine Watch, <https://ramumine.wordpress.com/tag/rimbunan-hijau/page/2/> (accessed 28 May 2015).

<sup>32</sup>'RHG to start with three mining projects', PNGIndustryNews, <http://www.pngindustrynews.net/storyView.asp?storyID=3202001&section=Mining&sectionsourc=s193&aspdisc=yes>



## RESPONSES FROM DONORS, STATE AGENCIES AND NGOS

While developments named above were sometimes controversial, the main source of contention about RH in PNG concerned its involvement in the forestry sector. A critical feature of forestry reform in the early 1990s was the encouragement by the World Bank of environmental non-government organisations (NGOs).<sup>33</sup> During the 1990s the World Bank sided with the National Alliance of Non-government Organisations (NANGO),<sup>34</sup> primarily environmental NGOs, in opposing Asian (particularly Malaysian) investment in the PNG forest industry. World Bank influence declined during the Somare government era (2002–11), when revenues from expanding mining and gas sectors replaced the need for structural loans.<sup>35</sup> During the 1990s, concession rights to 5.8 million hectares of PNG's forests were issued to timber companies.<sup>36</sup> By 1998 approximately 10.622 million hectares of forest were under some form of concession as TRP, LFA and FMA areas.<sup>37</sup>

As a result of the mounting evidence of attempts by RH and other logging companies to subvert the new Forestry Act introduced in 1991, the World Bank introduced new financing conditions into its US\$90 million governance promotion and adjustment loan with the government of PNG. These included a moratorium on new logging projects and a review of some emerging concessions and existing operations.<sup>38</sup> The bank also provided a loan of US\$17 million to fund a forest conservation project focused on strengthening enforcement capacities of the National Forest Service and the Department of Conservation.<sup>39</sup> In 1999 the bank expressed concerns about governance and transparency in the forestry sector, warning the government that it could have serious implications for further funding.<sup>40</sup> The government,

(accessed 17 Apr. 2015); see also Jennifer Gabriel, *The Rise of a Mining Conglomerate from Southeast Asia* (Cairns forthcoming).

<sup>33</sup>The Forestry Act 1991 required that NGOs be represented on the National Forest Board and on the provincial forest management committees in all 19 provinces.

<sup>34</sup>ITS Global, 'Uncivil society: a review of activist NGOs in PNG', report for Rimbunan Hijau (PNG) Group, Apr. 2013, 14–15.

<sup>35</sup>Ibid.

<sup>36</sup>Food and Agriculture Organization of the United Nations, Regional Office for Asia and the Pacific, 'Pacific forests and forestry to 2020: subregional report of the second Asia-Pacific forestry sector outlook study', 2011, 24, <http://www.fao.org/docrep/013/i2007e/i2007e00.pdf> (accessed 20 Apr. 2015).

<sup>37</sup>PNG Forest Authority, 'Draft national forest plan', 2012, 9.

<sup>38</sup>F.J. Seymour, N.K. Dubash, J. Brunner, F. Ekoko, C. Filer, H. Kartodihardjo and J. Mugabe, *The Right Conditions: the World Bank, structural adjustment, and forest policy reform* (Washington, DC 2000), 48.

<sup>39</sup>Friends of the Earth Japan and Global Environmental Forum, 'Evaluation of social and environmental risks accompanying the procurement of timber from Papua New Guinea', June 2011, 6, [http://www.fairwood.jp/eng/res/report/report2011\\_PNG\\_FoEGEF.pdf](http://www.fairwood.jp/eng/res/report/report2011_PNG_FoEGEF.pdf) (accessed 20 Apr. 2015).

<sup>40</sup>Neville Choi, 'World Bank funded projects in danger ... if govt ignores letters', *Independent* (PNG), 14 May 1999.

however, was determined to 'solve' its fiscal crisis by issuing new timber permits despite World Bank attempts to prevent it from doing so.<sup>41</sup>

Between 2000 and 2004, in compliance with the terms of the World Bank funding, the government commissioned a series of reviews of the forest industry.<sup>42</sup> The reviews found 'incompetence at almost every level of the Papua New Guinea Forest Authority',<sup>43</sup> with the review team's confidential report famously declaring:

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.<sup>44</sup>

It added that 'only a Commission of Inquiry could hope to unearth the entire picture and unravel the web of deceit'.<sup>45</sup> But the PNG government did not table the reports in parliament, and the government did not order any remedial action. The reviews found that proper procedures were not followed in concession allocations and permit extensions. Those granted to RH sometimes lacked any formal application or board approval. The Independent Review of Disputed Timber Permits and Permit Extensions determined that permits granted before the Forestry Act 1991 were never meant to be granted extensions and hence had 'no legal basis'.<sup>46</sup>

These reviews resulted in increasing demands by the World Bank for forestry reform, interpreted by supporters of the PNG forest industry as part of a long-term plan to rid the industry of RH. Mr Stanis Bai, then president of Papua New Guinea Forest Industries Association (PNGFIA), said he was convinced the World Bank was on a vendetta against Asian companies and recalled that the head of the forestry unit of the World Bank in Washington, Jim Douglas, told industry members six years previously that the bank would oust RH from PNG.<sup>47</sup> The PNGFIA president announced that the World Bank, acting through the National Forest Service and the office of the chief secretary, had demanded the immediate suspension of logging at RH's Vailala concession in the Gulf Province. He complained that the closure of the operations would have been the death knell of RH's K30 million integrated timber processing project in the Gulf. The PNGFIA claimed the bank's changes to the timber permit

<sup>41</sup>Filer and Sekharan, *Loggers, Donors and Resource Owners*, 50.

<sup>42</sup>The reports of the reviews can be accessed at 'Forestry reviews', Papua New Guinea's Forest Reports, <http://pngforests.com/forestry-review/> (accessed 5 May 2015).

<sup>43</sup>Greenpeace International, 'Partners in crime: Malaysian loggers, timber markets and the politics of self-interest in Papua New Guinea', Mar. 2002, 10, <http://www.greenpeace.org/australia/PageFiles/320427/partners-in-crime-malaysian-1.pdf> (accessed 27 May 2015).

<sup>44</sup>Forestry and Conservation Project Review Team, 'Report on confidential matters', Independent Review of Disputed Timber Permits and Permit Extensions, 2003, 1.

<sup>45</sup>*Ibid.*

<sup>46</sup>2003/2004 Review Team on behalf of the government of Papua New Guinea, 'Observations regarding the extension of the term of timber permit 1-7 Wavoi [sic] Guavi and the proposed alterations to the permit terms and conditions', 6 Apr. 2004, attachment 3, 1.

<sup>47</sup>'Shut down PNG timber industry', *National* (PNG), 13 Aug. 2003.

conditions for Wawoi Guavi would effectively result in the closure of RH's Panakawa veneer mill and Kamusie sawmill in the Western Province, comprising the largest timber processing operations in the country. It was estimated that the closure would result in the loss of 2,100 jobs, K25 million in government revenue, US\$30 million in export earnings and K10.5 million annually to landowners.<sup>48</sup>

While the Asian financial crisis of 1997 dampened demand for logs on a regional scale, nonetheless, between 1998 and 2005, PNG log exports recovered to more than double in volume and increased by nearly 80 per cent in US dollar terms.<sup>49</sup> This occurred mainly as a result of new investment activities by the RH Group. By 2007, RH and its subsidiary companies had control of 17 forestry concessions with a total area of 1,755,408 hectares out of an estimated 4.9 million hectares of forests under active timber extraction licences.<sup>50</sup> RH had 12 operating subsidiaries in the forestry sector; ten were licensed to harvest forest concessions, and two were solely processors.<sup>51</sup> Partly in response to the 1996 National Forest Plan, which called for downstream processing services, RH established five downstream processing operations, all of which are export orientated.<sup>52</sup> Rimbunan Hijau's commissioning of PNG's largest sawmill at Kamusie in Western Province in 1991 led to sawn timber becoming the fastest-growing timber export from PNG. Volumes rose from 23,000 cubic metres in 1999 to 42,348 cubic metres in 2002.<sup>53</sup>

## CRITIQUES AND RH RESPONSES

International media scrutiny of RH intensified in 2001 after an SBS TV *Dateline* program ran a sensational documentary alleging human rights abuses by police

<sup>48</sup>A study by ITS Global found that spending by RH in Western Province on health, education and road infrastructure outstripped spending by local-level and provincial governments. ITS Global, 'The economic importance of the forestry industry to Papua New Guinea', report for Rimbunan Hijau (PNG) Group, July 2009, 20–22.

<sup>49</sup>ITS Global, 'The economic contribution of Rimbunan Hijau's forestry operations', 11, 13.

<sup>50</sup>Ibid., 18. In 2007, RH or its affiliated companies had logging concessions amounting to 2.55 million hectares. International Tropical Timber Organization, 'Status of tropical forest management', ITTO Technical Series 38 (2011), 223.

<sup>51</sup>ITS Global, 'The economic contribution of Rimbunan Hijau's forestry operations', 18. Rimbunan Hijau sells veneer mainly to South Korea; round logs to China, Japan, South Korea and Taiwan; and sawn timber to Australia, New Zealand, China, Japan and Taiwan.

<sup>52</sup>Rimbunan Hijau has also established five downstream processing operations. Sawmills are located in Teredau (Gulf Province), Kamusie (Western Province), Edevu (Central Province) and Sagarai-Gadaisu (Milne Bay Province). These downstream processing plants are export-orientated and represent significant investments; the sawmill at Teredau alone represents a 20 million Kina (K) outlay'. ITS Global, 'Rimbunan Hijau – about the company', 1, <http://forestryanddevelopment.com/site/wp-content/uploads/fd-RHBackground-3.pdf> (accessed 3 June 2015).

<sup>53</sup>Greenpeace International, 'The untouchables', 17.

who were said to be acting on behalf of RH.<sup>54</sup> Rimbunan Hijau's public relations consultant, ITS Global, claimed that the allegations were subsequently investigated but could not be substantiated.<sup>55</sup> In 2004, SBS broadcast another documentary, featuring Annie Kajir, then CEO of the Environmental Law Centre in Port Moresby. The documentary alleged widespread corruption and violence, as well as a lack of land-owner consent in RH concessions.<sup>56</sup> Rimbunan Hijau has described allegations levelled at the company by Greenpeace and other NGOs as an "insult" to the integrity and independence of PNG.<sup>57</sup>

The election of Michael Somare as prime minister of PNG in August 2002 resulted in export-driven policies and intensified existing tensions with the World Bank. During a two-day visit in 2003 by the Malaysian prime minister, Somare said he hoped Malaysian companies would play a growing role in the forestry sector, adding that he would not allow Australia and other foreign donors to use aid to impose further restrictions on foreign logging.<sup>58</sup> Following a breakdown in talks between the government and the World Bank in 2003, the PNGFA resumed its efforts to get new forest projects on stream, with ten projects identified as having a relatively favourable assessment by the independent reviews. Prior to these reviews, the board of the PNGFA required new log export projects to produce at least 70,000 cubic metres per annum. Additional conditions stipulated (a) that fragile forests were to be excluded from the FMA, (b) that ten per cent of the area was to be set aside for conservation, and (c) that a 40-year cutting cycle was to be implemented. Of the ten projects chosen, four had the potential of becoming log export projects that could meet the stipulated conditions, and the other six projects could only be viable if one or more of the above conditions was relaxed.<sup>59</sup> Growing indications suggested that the PNGFA was prioritising ten new projects that constituted the last remaining key high-volume forest resources under state control.<sup>60</sup>

In the lead-up to the seventh ordinary meeting of the parties to the Convention for Biological Diversity in Malaysia (7–9 February 2004), Greenpeace released its report 'Chains of destruction leading from the world's remaining ancient forests to the Japanese market'.<sup>61</sup> Papua New Guinea's forestry minister took out full-page advertisements in both the *Post-Courier* and the *National* newspapers, denouncing

<sup>54</sup>'Papua New Guinea: wilderness laid waste by corruption', *Dateline*, television program, SBS TV (Australia), 2 May 2001.

<sup>55</sup>ITS Global, 'Masalai i Tokaut and Rimbunan Hijau Watch: a political and deceptive campaign against Rimbunan Hijau', report for Rimbunan Hijau (PNG) Group, July 2006, 11.

<sup>56</sup>'PNG: jungle justice', *Dateline*, television program, SBS TV (Australia), 3 Nov. 2004.

<sup>57</sup>Alex Rheeney, 'RH slams allegations', *Post-Courier* (PNG), 9 Feb. 2004.

<sup>58</sup>'They're our forests, says PNG', *Sydney Morning Herald*, 27 Oct. 2003.

<sup>59</sup>Overseas Development Institute, 'Issues and opportunities for the forest sector in Papua New Guinea', *Papua New Guinea Forest Studies* 3 (2007), 8.

<sup>60</sup>*Ibid.*

<sup>61</sup>Greenpeace International, 'Chains of destruction leading from the world's remaining ancient forests to the Japanese market', Apr. 2002, <http://www.greenpeace.org/international/Global/international/planet-2/report/2002/3/chains-of-destruction-leading.pdf> (accessed 20 Apr. 2015).

Greenpeace's claims that RH was logging without permits and declaring that 'all logging operations in the country are legal'.<sup>62</sup> The forestry minister called the claims 'libellous and malicious' and defended the RH Group as 'one of the most committed logging companies in PNG'.<sup>63</sup>

Greenpeace continued to claim in 2004 that RH was operating illegally, was protected by political patronage and was destroying the environment.<sup>64</sup> In 2005, Greenpeace declared that most logging in PNG was illegal and labelled RH as the leading illegal logger.<sup>65</sup> In 2006, RH began a counterattack on the NGO and commissioned a number of reports by ITS Global to challenge the allegations.<sup>66</sup> In its defence of the company, the public relations firm described the attacks against RH as part of a global campaign against logging and complained that the company was being made a proxy for the timber industry. It insisted that most of the allegations against RH were found to be 'false, unsubstantiated, severely exaggerated or misrepresented'.<sup>67</sup> ITS Global staunchly promoted forestry exploitation in PNG:

There is every reason for PNG to fully exploit the sustainable use of its forestry endowment. This will provide forestry companies, such as Rimbunan Hijau, with the strongest incentives to increase economic activity and formal employment in the remote regions of the country. And in doing so, the forestry companies will also provide such areas with much needed infrastructure and social services.<sup>68</sup>

Despite its slick counter-campaign, RH has been unable to shed its 'untouchable' reputation and has remained the subject of public criticism and legal disputes. In defence of its client, ITS Global has stated that

many of the allegations of improper or corrupt conduct by RH in fact relate to governance or regulatory problems in PNG, rather than

<sup>62</sup>'PNG minister defends Malaysian logging firm', ABC News, <http://www.abc.net.au/news/2004-02-23/png-minister-defends-malaysian-logging-firm/140352> (accessed 27 Apr. 2015).

<sup>63</sup>Ibid.

<sup>64</sup>Greenpeace International, 'The untouchables', 2.

<sup>65</sup>Greenpeace UK, 'Partners in crime: the UK timber trade, Chinese sweatshops and Malaysian robber barons in Papua New Guinea's rainforests', Oct. 2005, 2, <http://www.greenpeace.org.uk/MultimediaFiles/Live/FullReport/7251.pdf> (accessed 27 Apr. 2015).

<sup>66</sup>ITS Global stated that Greenpeace was not using the term 'legal' in an ordinary sense: 'It has expanded it to mean that no transaction is legal unless, at the time of the transaction, all laws and regulations and international treaties have been properly implemented by government, including labour rights, indigenous peoples' rights, and business' payment of all taxes and fees. By this test, a large amount of activity at any one time in the industrialized world would be "illegal". In developing countries where governance is notoriously fickle, most economic activity would by this definition be "illegal"'. ITS Global, 'Whatever it takes: Greenpeace's anti-forestry campaign in Papua New Guinea', report for Rimbunan Hijau (PNG) Group, July 2006, 8.

<sup>67</sup>Ibid., 7.

<sup>68</sup>ITS Global, 'The economic contribution of Rimbunan Hijau's forestry operations', 7.

actions by the company. Many of the governance problems are beyond the control, let alone the scope of accountability, of the company.<sup>69</sup>

Greenpeace called on the PNG government to stop RH's logging operations in the Gulf Province and began a targeted campaign against Rimbunan Hijau in 2004.<sup>70</sup> In 2008, Greenpeace deployed its largest ship, the *Esperanza*, to blockade a shipment of logs from the Gulf Province bound for China. Rimbunan Hijau accused Greenpeace of a campaign blunder, pointing out that the ship and the logging operation belonged to Turama Forest Industries: 'The concession and vessel have no relationship with the company'.<sup>71</sup> Greenpeace asserted that the independent export monitor SGS – a multinational company that provides inspection, verification, testing and certification services – had listed Turama Forest Industries as a Rimbunan Hijau company.<sup>72</sup>

In 2006, Greenpeace amplified its campaign against RH, distributing a volley of reports to the international community.<sup>73</sup> The report 'Sharing the blame' alleged that around 90 per cent of logging was in violation of PNG's constitution and forestry law, with most of the illegal logs being shipped by RH, and others, to China. Greenpeace accompanied the report launch with a high-level campaign in China to oppose the importation of tropical timber based on claims of illegality. Greenpeace also demanded that the Australian government introduce laws to stop the importation of 'illegal timber' from PNG. The Australian

<sup>69</sup>ITS Global, 'Masalai i Tokaut and Rimbunan Hijau Watch', 13.

<sup>70</sup>'Campaign history in PNG', Greenpeace Australia Pacific, <http://www.greenpeace.org/australia/en/what-we-do/forests/Forest-destruction/Papua-New-Guinea/Campaign-history-in-PNG/> (accessed 27 May 2015).

<sup>71</sup>'Greenpeace attempts to halt logging ship', IOL, [http://www.iol.co.za/scitech/technology/greenpeace-attempts-to-halt-logging-ship-1.415079#.VT3R\\_8lZXms](http://www.iol.co.za/scitech/technology/greenpeace-attempts-to-halt-logging-ship-1.415079#.VT3R_8lZXms) (accessed 27 May 2015).

<sup>72</sup>'Logging giant denies Greenpeace's illegal harvest claims', ABC News, <http://www.abc.net.au/news/2008-09-04/logging-giant-denies-greenpeaces-illegal-harvest/499308> (accessed 27 Apr. 2015). In 2011, SGS first recorded log exports from the Turama concession as being exports by the RH subsidiary Niugini International Corporation (NIC). Colin Filer, pers. comm., Feb. 2015. It may be that NIC was operating as a subcontractor in Turama prior to 2011.

<sup>73</sup>Greenpeace International, 'Chains of destruction'; C.M. Roberts, L. Mason, J.P. Hawkins, E. Masden, G. Rowlands, J. Storey and A. Swift on behalf of Greenpeace International, 'Roadmap to recovery: a global network of marine reserves', 1 June 2006, <http://www.greenpeace.org/international/Global/international/planet-2/report/2008/5/roadmap-to-recovery.pdf> (accessed 28 Apr. 2015); Greenpeace International and Greenpeace China, 'Sharing the blame: global consumption and China's role in ancient forest destruction', 28 Mar. 2006, <http://www.greenpeace.org/international/Global/international/planet-2/report/2006/3/sharing-the-blame.pdf> (accessed 28 Apr. 2015); Greenpeace International, 'Rimbunan Hijau Group: thirty years of forest plunder', May 2006, <http://www.greenpeace.org/international/Global/international/planet-2/report/2006/6/RH-30years-forest-plunder.pdf> (accessed 28 Apr. 2015).



Conservation Foundation (ACF) joined the campaign against RH in 2006,<sup>74</sup> uniting with the Human Rights Council of Australia and three PNG groups – Environmental Law Centre, PNG Eco-Forestry Forum and the Center for Environmental Law and Community Rights (CELCOR) – to lobby the ANZ Bank to stop funding RH in PNG.<sup>75</sup> The 2006 ACF and CELCOR report entitled ‘Bulldozing progress’ linked RH to arms and drugs smuggling, drunkenness and domestic violence – and the spread of AIDS. The PNGFA complained that the NGO campaigns gave the general perception that all forest products entering overseas markets from PNG come from illegal sources. Dike Karin, acting managing director, insisted that the PNGFA ensured compliance of the conditions set out in the permits, timber authority and licences: ‘We are of the view that there is no illegal logging in PNG. We have one of the toughest legal framework and sound policies to sustainably manage the nations’ forest resources’.<sup>76</sup>

Rimbunan Hijau criticised the ‘Bulldozing progress’ report as ‘almost breathtaking in its elitism and misinformation and its disregard for the people of PNG ... there is no exploitation and to suggest there is, is offensive to the company and all our employees’.<sup>77</sup> In 2006 the International Tropical Timber Organization (ITTO) refuted the ongoing claims of illegal logging in PNG’s timber industry, citing the report of the independent auditor SGS, which concluded that a 12-year log-tracking system proved that all logs exported from PNG were legal and easily traced to the harvest area. The Australian government subsequently rejected calls by Greenpeace and the World Wide Fund for Nature to ban PNG forest products on the grounds they involved illegal logging.<sup>78</sup> Yet on 28 November 2012, the Australian Illegal Logging Prohibition Act 2012 was passed through parliament (and came into effect in November 2014).<sup>79</sup> To address concerns over the illegality of its timber, RH subsidiary Saban Enterprises<sup>80</sup> became the first forestry company in Papua New Guinea to receive independent certification (by SGS).

<sup>74</sup>Australian Conservation Foundation and the Center for Environmental Law and Community Rights, ‘Bulldozing progress: human rights abuses and corruption in Papua New Guinea’s large scale logging industry’, 2006, [https://www.acfonline.org.au/sites/default/files/resources/bulldozing\\_progress\\_full\\_report.pdf](https://www.acfonline.org.au/sites/default/files/resources/bulldozing_progress_full_report.pdf) (accessed 28 Apr. 2015).

<sup>75</sup>‘Action alert: stop ANZ Bank funding of illegal logging in Papua New Guinea’, Rainforest Portal, [http://www.rainforestportal.org/shared/alerts/send.aspx?id=png\\_anz\\_illegal\\_logging](http://www.rainforestportal.org/shared/alerts/send.aspx?id=png_anz_illegal_logging) (accessed 27 May 2015).

<sup>76</sup>‘Forest industry big money earner’, *National*, 11 Oct. 2006.

<sup>77</sup>Michael Casey, ‘Papua New Guinea: environmentalists say logging companies in Papua New Guinea committing rights abuses’, CorpWatch, <http://www.corpwatch.org/article.php?id=13991> (accessed 28 Apr. 2015).

<sup>78</sup>‘Australia rejects call to ban PNG forest products’, *National*, 3 Nov. 2006.

<sup>79</sup>The due diligence requirements stipulate that an importer must record information relating to the product and its area of harvest, including any legality frameworks that apply, a copy of the harvesting licence and evidence that any necessary payments or taxes have been made at the point of harvest. Illegal Logging Prohibition Act 2012 (Australia), sec. 14.

<sup>80</sup>Saban Enterprises Limited is a timber-processing business in the PNG province of Milne Bay.



‘RH initiated development of this standard’, said James Lau, managing director of Rimbunan Hijau (PNG). Lau said the forest industry had been unfairly attacked by those who opposed commercial forestry in PNG. ‘The claims that most forestry in PNG and most of RH’s activity are illegal are false’, he said. ‘RH can easily demonstrate that its logging is legal. We look forward to applying the SGS TLTV<sup>81</sup> to our other forestry operations’. Lau added: ‘Australia and New Zealand have expressed interest in developing requirements that imported timber products be verified as legal. RH will apply these systems to its exports as they are developed’.<sup>82</sup>

Rimbunan Hijau continued to maintain that all its timber permits were legally issued and extended, and insisted that all allegations of illegality were frivolous, vexatious and baseless. The company claimed that such a large timber industry, which contributed close to five per cent of the GDP, could not be deemed illegal owing to some legislative oversight (if any occurred, which was denied).<sup>83</sup> In June 2009, causing outrage among environmental groups in Asia Pacific, RH’s founding chairman, Tiong Hiew King, was awarded an honorary knighthood ‘for services to commerce, the community and charitable organisations in Papua New Guinea’.<sup>84</sup> The award signified the strength of the relationship between the PNG government and RH, with a spokesperson for Buckingham Palace confirming that the recommendation came from the highest levels of government: ‘The prime minister of Papua New Guinea, supported by the governor general, would have made the recommendation to the queen. It would then have been cleared by the Foreign Office and the Malaysian government’.<sup>85</sup>

## STATE–CORPORATE COOPERATION WINDS BACK REFORM

Reinforcing the ongoing indications of forest policy failure, the government, with the support of the forest industry, introduced a series of amendments to the Forestry Act 1991 that raised further concerns for those interested in the legitimacy of the PNG forest sector. These amendments in 2005 removed the requirement for consultations with landowners before the National Forest Board could make its recommendation to grant the timber permit to the developer.<sup>86</sup> The Forestry (Amendment) Act 2005 was

<sup>81</sup>Timber legality and traceability verification. See ‘Timber traceability and legality’, SGS, <http://www.sgs.com/Public-Sector/Monitoring-Services/Timber-Traceability-and-Legality.aspx> (accessed 28 Apr. 2015).

<sup>82</sup>‘Legality certification a first for PNG business’, Timberbiz, <http://www.timberbiz.com.au/legality-certification-a-first-for-png-business/> (accessed 28 Apr. 2015).

<sup>83</sup>‘RH refutes illegal logging claims’, *Post-Courier*, 5 May 2006.

<sup>84</sup>‘Forest campaigners deplore knighthood for Asian logging magnate’, *The Guardian*, <http://www.theguardian.com/environment/2009/jul/01/knighthood-protest-tiong-hiew-king> (accessed 27 May 2015).

<sup>85</sup>Ibid.

<sup>86</sup>Forestry (Amendment) Act 2005 (Papua New Guinea), sec. 15.

described as a form of ‘institutional corruption’ by Ombudsmen Commission counsel Nemo Yal, who criticised PNG leaders for using the parliament, and other democratic constitutional institutions, to protect themselves. With serious allegations against foreign developers, he said ‘the public is left to wonder whose interest their government and parliament are servicing’.<sup>87</sup>

A further part of the 2005 amendment dealt with the matter of permits issued prior to the 1991 Forestry Act – an issue that was particularly crucial to the World Bank and other reformers, especially as it related to the Wawoi Guavi case. While the act was unclear whether these saved permits could be extended in their pre-1991 form, the review team had argued that such renewals were illegal.<sup>88</sup> Many of these older permits involved RH’s concessions – most notably in Wawoi Guavi (Western Province) and Vailala (Gulf Province). The 2005 amendment stated that such timber permits could be extended, subject to written indications of the permit holders’ ‘social acceptability’ among customary owners in the project, and other conditions such as lodging a performance bond.<sup>89</sup> Another 2005 amendment indicated that any timber permits saved under previous versions of the 1991 Forestry Act ‘were deemed to be extended’.<sup>90</sup> This was an attempt to fully and retrospectively legalise any extension of any saved permit.<sup>91</sup> In RH’s view, these amendments should have ended all concerns about legality issues.<sup>92</sup>

Yet further amendments to the Forestry Act 1991 in the form of the Forestry (Timber Permits Validation) Act 2007 were necessary to further legalise decisions made in PNG’s forestry sector. The 2007 amendments meant that no timber permit granted under the 1991 Forestry Act could be invalidated owing to the absence, expiration or defect in a national forest plan or a national forest inventory. At the time of these amendments, two cases before the PNG courts were challenging the allocation of the East Awin and Kamula Doso concessions to RH on the grounds that neither proposed concession existed in the National Forest Plan, and hence their development and allocation were illegal. The environmental group Eco-Forestry Forum described these amendments as a deliberate attempt to circumvent the law<sup>93</sup> and heightened suspicions that political leaders were using the parliament to benefit foreign investors. Transparency International (PNG) viewed the amendments as enabling the logging industry to

<sup>87</sup>‘Graft legalised’, *Post-Courier*, 18 June 2007.

<sup>88</sup>2003/2004 Review Team, ‘Observations regarding the extension of the term of timber permit 1-7’, attachment 3.

<sup>89</sup>Forestry (Amendment) Act 2005, sec. 31.

<sup>90</sup>*Ibid.*

<sup>91</sup>The complexities of permit extensions in the Wawoi Guavi case are further discussed in Michael Wood ‘Time and transitional relief in negotiating permits in a PNG logging concession, 1992–2012’, *Pacific Studies*, 37:1 (2014), 1–28.

<sup>92</sup>RH refutes illegal logging claims’, *Post-Courier*, 5 May 2006.

<sup>93</sup>‘Speaker urged to not certify timber law’, Illegal Logging Portal, <http://www.illegal-logging.info/content/speaker-urged-not-certify-timber-law> (accessed 28 May 2015).

pursue lucrative logging for export unabated.<sup>94</sup> Yet in the case of the Kamula Doso concession, no logging took place. Despite RH's arguments that this concession was fully legal,<sup>95</sup> by July 2010, RH's subsidiary, the Wawoi Guavi Timber Company, and the PNGFA agreed to a consent order that the Kamula Doso FMA was not valid. This meant that the state, and hence RH, had never acquired a legally enforceable interest in the timber of Kamula Doso.<sup>96</sup>

## SPECIAL AGRICULTURAL BUSINESS LEASES

While RH's attempts to legalise prior decisions concerning resource acquisitions were not always successful, they also developed an interest in other forms of resource acquisition facilitated by PNG laws. The first attempt by the RH Group to engage in agriculture in PNG occurred in 1988, when Goodwood, a subsidiary of RH, proposed a clear-fell and coconut-sap project in Collinwood Bay, securing government approval without resource owner consent. The resource owners successfully petitioned forests minister Tim Neville, who shelved the project until 'proper processes' were followed.<sup>97</sup> Clear-felling forests for agricultural projects became widespread after the PNG government, through national forestry guidelines in 2009, argued for 100 per cent processing of logs prior to export. The issuing of licences to clear-fell was enabled through the special agricultural business lease (SABL) mechanism, which resulted in a land grab that alienated between 5.5 and 5.6 million hectares of PNG's land (nearly 12 per cent) by 2011, sparking a commission of inquiry (COI).<sup>98</sup> The COI found that most of the subleases underpinning the development of SABLs, which covered around 16

<sup>94</sup>Michael Avosa and Alfred Rungol on behalf of Transparency International Papua New Guinea, 'Forest governance integrity baseline report: Papua New Guinea', 2011, 7, [http://archives.pireport.org/archive/2011/August/FGI\\_report\\_PNG.pdf](http://archives.pireport.org/archive/2011/August/FGI_report_PNG.pdf) (accessed 29 Apr. 2015).

<sup>95</sup>'Rimbunan Hijau Group is good for PNG', PNGscape Komuniti Board, <http://www.network54.com/Forum/186328/thread/1151906304/last-1151906601/Rimbunan+Hijau+Group+is+good+for+PNG> (accessed 29 Apr. 2015).

<sup>96</sup>These details are further discussed in Mike Wood, 'Signatures, group definition and an invalid contract in legal responses to an extension of a logging concession in the Western Province, PNG', paper presented at the workshop Legal Ground: Land and Law in Contemporary Taiwan and the Pacific, Taipei, Institute of Ethnology, Academia Sinica, 12 Sep. 2013. Forestry concession acquisition politics in PNG involves strategies of accumulation by what appears to be legal (or extra-legal) dispossession, but as the Kamula Doso case indicates, it is sometimes difficult to harmonise asserted legality and state-regulated dispossession by FMAs into a productive unity.

<sup>97</sup>Adelbert Gangai (on behalf of the Oro Community Environmental Action Network and Collingwood Bay Conservation and Development Association) to RSPO Secretariat, 19 Apr. 2013, annexure 3, Forest Peoples Programme, [http://www.forestpeoples.org/sites/fpp/files/news/2013/04/OCEAN%20Grievance%20to%20RSPO%20-%20KLK\\_v031April2013.pdf](http://www.forestpeoples.org/sites/fpp/files/news/2013/04/OCEAN%20Grievance%20to%20RSPO%20-%20KLK_v031April2013.pdf) (accessed 29 Apr. 2015).

<sup>98</sup>Colin Filer, 'Why green grabs don't work in Papua New Guinea', *Journal of Peasant Studies*, 39:2 (2012), 599–617.

per cent of PNG's commercially accessible forests, were used by logging companies to gain access to new sources of timber.<sup>99</sup>

The legislative and bureaucratic mechanisms underpinning the increased ease in acquiring SABLs (otherwise known as a lease-leaseback scheme)<sup>100</sup> enabled logging and other companies to undertake both logging and agricultural operations.<sup>101</sup> After forest clearance authorities (FCAs) became easier to obtain, log exports surged to record highs.<sup>102</sup> According to analysis by Paul Barker, director of the Institute of National Affairs, over one-third of Papua New Guinea's logging exports in 2012 came from SABLs.<sup>103</sup> A total of more than 1.5 million cubic metres of raw logs, with a combined value of roughly US\$150 million, was exported from areas covered by FCAs in the five years from 2007 to 2011.<sup>104</sup> During December 2012, the Rimbunan Hijau (PNG) Ltd group of companies dominated log exports with 20.2 per cent of total volume; in contrast, no other logging company exceeded more than 8.9 per cent of log exports.<sup>105</sup>

A recent study found that out of 26 oil palm plantation projects covering almost a million hectares, based on land suitability, developer experience, and capacity and socio-legal constraints,<sup>106</sup> only five of these projects (covering 20 per cent of the total

<sup>99</sup>Sam Lawson, 'Illegal logging in Papua New Guinea', Chatham House, Energy, Environment and Resources Programme Paper 4 (2014), 24.

<sup>100</sup>The mechanism that enabled the abuse of the SABL policy is the forest clearance authority. In 2007, sections 90a and 90b of the Forestry Act were amended to do away with the requirement of calling for public tenders from registered logging companies to salvage logs from an area to be cleared for agriculture projects. This allowed logging companies to both apply for an FCA and undertake the logging and agricultural operation. Paul Winn on behalf of Greenpeace Australia Pacific, 'Up for grabs: millions of hectares of customary land in PNG stolen for logging', Aug. 2012, 4, [http://www.greenpeace.org/australia/PageFiles/441577/Up\\_For\\_Grabs.pdf](http://www.greenpeace.org/australia/PageFiles/441577/Up_For_Grabs.pdf) (accessed 30 Apr. 2015). After FCAs became easier to obtain, log exports surged.

<sup>101</sup>Ibid., 3.

<sup>102</sup>Colin Filer, 'The commission of inquiry into special agricultural and business leases in Papua New Guinea: fresh details for the portrait of a process of expropriation', paper presented at the International Conference on Global Land Grabbing II, Cornell University, 18 Oct. 2012, 19.

<sup>103</sup>'Up to one-third of Papua New Guinea log exports may not be authorised by landowners, says INA', Business Advantage PNG, <http://www.businessadvantagepng.com/up-to-one-third-of-papua-new-guinea-log-exports-may-not-be-authorized-by-landowners-says-ina/> (accessed 28 May 2015).

<sup>104</sup>Filer, 'The commission of inquiry', 4.

<sup>105</sup>SGS, 'Log export statistics and export monitoring highlights', Dec. 2012, exec. summ., 1. Total exports of other logging companies: Brilliant Investment Ltd with 6.2%, Viva Success Ltd with 6%, Vanimo Jaya Ltd with 8.9%, Westenders Ltd with 6.6%.

<sup>106</sup>Of 42 SABLs examined by the COI, only four were found to have proper landowner consent and viable agricultural projects, whereas the remainder (more than 90%) were obtained through fraudulent or corrupt means. Henry Scheyvens and Federico Lopez-Casero on behalf of Institute for Global Environmental Strategies, 'Managing forests as a renewable asset for present and future generations: verifying legal compliance in forestry in Papua New Guinea', IEGS Policy Report 1 (2013), 45.

area studied) were actually likely to proceed in the short term.<sup>107</sup> Rimbunan Hijau subsidiaries involved in SABLs for oil palm development include Sovereign Hill Ltd, with a sublease for 70 years over 126,570 hectares in Western Province, and Gilford Ltd, with a sublease of 55,400 hectares in East New Britain and 41,230 hectares in West New Britain. Rimbunan Hijau also has a sublease over 11,800 hectares in the Gulf Province for 99 years. The most controversial of these SABLs is the Sigite Mukus Integrated Rural Development Project in Pomio, East New Britain. In October 2011, the Pomio SABL became the centre of international public outrage and condemnation following allegations of police brutality and corporate complicity.<sup>108</sup> Registered as an agro-forestry project, the two components of the project involve (1) construction of a 178-kilometre road connecting the Mukus River to Sigite (central/inland Pomio) and (2) land clearance for an oil palm plantation under an FCA.<sup>109</sup> According to the proposal, selective logging is to be followed by land clearance for oil palm cultivation. Revenue from log exports set aside as an infrastructure fund (K2 per cubic metre) will be used in funding the completion of the road.<sup>110</sup> Approximately 5,008,150 cubic metres of timber extracted from a gross area of 286,000 hectares of forests (over 20 years) is required to recover costs for the road. Sales from round logs and finished timber products in the first five years will be used to fund the establishment of the oil palm projects and fund the completion of the road.

While this is just one example of RH's use of SABLs, evidence suggests that they were significant beneficiaries of the SABL process. In his final report tabled in parliament, John Numapo, chief commissioner of the COI into SABLs, stated (without indicating the relevant SABLs): 'Our investigations reveal that over 50%<sup>111</sup> of the so-called developers' [sic] currently holding subleases on SABLs are connected in one way or another to Rimbunan Hijau (RH) Limited, which by far is the biggest logging operator in PNG'.<sup>112</sup> The chief commissioner said that 'with corrupt government officials from implementing agencies riding shotgun for them, opportunistic loggers masquerading as agro-forestry developers are prowling our

<sup>107</sup>P.N. Nelson, J. Gabriel, C. Filer, M. Banabas, J.A. Sayer, G.N. Curry, G. Koczberski and O. Venter, 'Oil palm and deforestation in Papua New Guinea', *Conservation Letters*, 7:3 (2013), 188.

<sup>108</sup>For further details see Jennifer Gabriel, 'Evergreen and REDD+ in the forests of Oceania', in Joshua A. Bell, Paige West and Colin Filer (eds), *Tropical Forests of Oceania: anthropological perspectives* (Canberra forthcoming). Also see 'Andrew Lattas reports on Pomio', Nineteen Years and Counting in Papua New Guinea, [http://nancysullivan.typepad.com/my\\_weblog/2012/04/andrew-lattas-reports-on-pomio.html](http://nancysullivan.typepad.com/my_weblog/2012/04/andrew-lattas-reports-on-pomio.html) (accessed 30 Apr. 2015); 'Loggers linked to protest crackdown', *The World Today*, radio program, ABC Radio (Australia), 11 Oct. 2011. News reports also appear in the *Post-Courier* throughout the period 2–23 Oct. 2011.

<sup>109</sup>Memalo Holdings Ltd and Sumas Timber and Development International, 'An environment inception report for Sigite-Mukus Rural Development Project', 21 July 2006, 2.

<sup>110</sup>*Ibid.*

<sup>111</sup>We have identified only 16 SABLs with subleases directly linked to RH companies. These 16 SABLs comprise four projects, but at the time of writing, only one (Sigite Mukus) appears to be a priority for RH.

<sup>112</sup>Numapo, 'Commission of inquiry', 242.

countryside, scoping opportunities to take advantage of gullible landowners and desperate for cash clan leaders'.<sup>113</sup> This echoes Justice Barnett's claim (cited above) that in the late 1980s some logging companies were 'roaming the countryside with the self-assurance of robber barons'.<sup>114</sup> Some of the strategies of RH that we have outlined here reinforce Commissioner Numapo's emphasis on the continuity, rather than significant reform, of practices linked to securing control of timber resources.

## CONCLUSION

After 30 years of industrial logging in PNG by RH, the company is increasingly diversifying into other sectors. The RH Group's strategy in PNG's forestry sector has involved increasing investment in downstream processing facilities. This has been crucial to the reputation and influence of the company within the government. The government has increasingly promoted downstream processing by providing exemption from export taxes to downstream processors. The revised National Forestry Development Guidelines (2010) contain the requirement that all new concessions will be for 100 per cent downstream processing, with the 'Draft national forest plan' (NFP) forecasting an 80 per cent increase in downstream processing by 2030.<sup>115</sup> Another government diversification strategy within the forest industry emphasises plantations. A related strand of government thinking, reflected in the draft NFP (2013), asserts that PNG's timber is running out: 'Much of the accessible forests areas have been logged out or cleared for agriculture projects and other land uses. Only minimal accessible forest areas are remaining while much of it is in the hinterland where there is limited access'.<sup>116</sup>

In response to this threat, the PNG 'Medium term development plan 2011–2015' seeks to establish 150,000 hectares of forest plantations by 2030 (up from 62,000), an increase in processed exports and a sustainable forest industry.<sup>117</sup> Little evidence exists that logging companies have invested in standalone timber plantations. More interest has been expressed in developing oil palm plantations. From RH's perspective, timber is not in short supply, as the vast forest reserves of the Western Province are still available as potential concessions.

Rimbunan Hijau has significantly diversified its activities beyond the forestry sector to include supermarkets, media, aviation, tourism, hotels, travel, construction and manufacturing. Supporting this diversification is the parent company's (RH Malaysia's) access to diversified global markets, integrated downstream industry capacities, and plantation experience in Malaysia and New Zealand. Rimbunan Hijau (PNG)'s diversification provides a long-term basis for investment beyond forestry, but it also

<sup>113</sup>Ibid.

<sup>114</sup>Barnett, 'Commission of inquiry', 84.

<sup>115</sup>PNG Forest Authority, 'Draft national forest plan', 16.

<sup>116</sup>Ibid., 1.

<sup>117</sup>Department of National Planning and Monitoring, 'Papua New Guinea medium term development plan 2011–2015', Oct. 2010, 73.



increases its diffuse bargaining power with the state to secure future timber resources and maintain its dominant position in PNG's forestry sector. Our evidence concerning a number of forestry-related court cases mentioned in this paper indicates that RH has quite effectively used ambiguities and gaps in the law, regulations and policy frameworks to secure forest resources.<sup>118</sup> This paper presents some evidence, concerning RH's oil palm projects, that this same strategy of exploiting weak regulatory frameworks has been adopted in the sectors in which it has recently diversified.

Since the 1980s, critics of PNG's forestry sector have held the state, the political elite and the public sector accountable for not reducing the influence of foreign corporations, particularly the main actor, RH (PNG). PNG's educated middle class and increasingly also some of the rural landowners have often articulated political grievances concerning PNG's forestry administration through the campaigns of international environmental groups and local NGOs. As we have shown, RH uses litigation as a strategy to overcome opponents, but not always successfully (as indicated by the Kamula Doso case). Rimbunan Hijau has launched international public relation campaigns via consultants, such as ITS Global, to respond to allegations made by NGOs such as Greenpeace. It has also used national media to shape its reputation and structure debates over forestry issues. In these counter-narratives, logging is framed as development and as a form of poverty alleviation. Forestry industry advocates want environmental groups to align their objectives towards a specific understanding of national and local aspirations rather than global environmentalism.<sup>119</sup>

Another feature of RH's power and influence is its ability to maintain long-term relationships with landowners primarily through money, services and infrastructure that would not otherwise be available in many rural areas of PNG. Rimbunan Hijau is often successful in mobilising relevant landowners in support of its projects.<sup>120</sup>

<sup>118</sup>While not covered in this paper, the police, especially paramilitary units known as the 'task force', have sometimes played a crucial role in violently 'securing' legal, and extra-legal, conditions within logging concessions. Such security often involves forms of power derived from the state, the logging company, land owners and existing markets for police security. See Andrew Lattas, 'Logging, violence and pleasure: neoliberalism, civil society and corporate governance in West New Britain', *Oceania*, 81:1 (2011), 88–107. For recent coverage of events in Pomio, see entries tagged 'Pomio' on the PNGexposed Blog, including 'Logging in Pomio: violence, wages, land and the environment', PNGexposed Blog, <https://pngexposed.wordpress.com/2014/09/22/logging-in-pomio-violence-wages-land-and-the-environment/> (accessed 4 May 2015); 'RH has become the government of PNG', PNGexposed Blog, <https://pngexposed.wordpress.com/2014/07/07/rh-has-become-the-government-of-png/> (accessed 4 May 2015).

<sup>119</sup>ITS Global, 'Uncivil society', 6.

<sup>120</sup>Landowner ideas and activities in reference to logging are discussed in numerous other papers. Here we highlight some accounts linked to RH projects in PNG: Lattas, 'Logging, violence and pleasure'; Colin Filer and Michael Wood, 'The creation and dissolution of private property in forest carbon: a case study from Papua New Guinea', *Human Ecology*, 40:5 (2012), 665–77; Michael Wood, 'The Makapa timber rights purchase: a study in project failure in the post-Barnett era', in Colin Filer (ed.), *The Political Economy of Forest Management in Papua New Guinea*, NRI Monograph 32 (Boroko 1997), 84–108; Michael Wood, 'Kamula accounts of Rambo and the state of Papua New Guinea', *Oceania*, 76:1 (2006), 61–82.



This has been particularly important when contesting other developers and dissenting landowner groups. In summary, RH's power and influence in the forestry sector involves an ability to lobby the state, exploit regulatory weaknesses, shape national debates and promote a developmental culture, as well as maintain degrees of landowner support. The broader structure of these interactions is defined by conjunctures of elements of the state and the corporation, primarily involving shared understandings and practices concerning 'development' and forestry.<sup>121</sup> James Lau, managing director of RH (PNG), recently pointed to this feature when he noted that the political elite continue to support economic growth and development via foreign investment:

Domestically, the current O'Neill government is taking concrete action to improve the business climate and attract direct foreign investment. Most operators who have been in PNG for a long time, such as RH, understand that the occasional bout of political instability, as was seen before the last general election, is simply part of doing business here.<sup>122</sup>

The ongoing challenge for RH, even if it has the support of the political elite, will be to demonstrate more equitable and just negotiations in its business ventures in PNG. Such demonstrations will be difficult to implement since the activities of RH, and the state, that routinely help intensify popular demands for greater justice and equity in PNG's forestry sector are often those that productively maintain and extend RH's power over forests and other resources.

<sup>121</sup>Kapferer uses the term 'corporate states' to describe state assemblages that are increasingly subject to corporate power. Bruce Kapferer, 'New formations of power, the oligarchic-corporate state, and anthropological ideological discourse', *Anthropological Theory*, 5:3 (2005), 285–99.

<sup>122</sup>Interview: James Lau, managing director, Rimbunan Hijau (PNG) Group'.