

CHAPTER 2: MADE IN CHINA

FROM RAINFOREST TO FACTORY FLOOR

Trees felled in PNG forests are transported to the coast and then loaded onto waiting bulk carriers. Villagers can see these ships for weeks at a time as up to 30,000 tons of timber is loaded below deck or secured on board with huge stanchions.

The voyage to China can take as long as a fortnight, depending on the vessel's speed. Eventually most ships like the arrive at the mouth of the Yangtze River, outside Shanghai, one of the world's busiest ports.

Further upstream lie two of the country's largest timber ports – Zhangjiagang and, across the river, its newer sister port Jingjiang. Satellite images show cargo vessels clustered along the docks, and beside them, piles of logs stacked high along the water's edge. This is where the majority of PNG's logs, which account for one out of every three rainforest logs arriving in China, are delivered.⁶⁶ Common among them are logs from SABLs.⁶⁷

Our research focused on PNG's most commonly exported species, *taun*, but PNG exports dozens of commercial timber species (see Figure, bottom right). Others arriving in Chinese ports in large volumes include *Intsia spp.* (known as *kwila* in PNG), *Hoemalium foetidum* (known as *malas* in PNG), *Terminalia spp.*, and *Calophyllum spp.*, which are used in the flooring, plywood, and furniture industries, among others.⁶⁸

TRACKING PNG LOGS

Illegal logging would not be profitable without a customer willing to look the other way when buying the wood. Global Witness set out to trace risky wood from SABLs, nearly 90% of which has been exported to China, to determine how the wood was being used and what the companies along the supply chain knew about its origins.

Chinese customs data shows that in 2016, 15 companies accounted for roughly 85% of China's imports of logs from PNG (see Appendix B).⁶⁹ Some function as importing agents on behalf of other companies, merely expediting logs through customs. Others are both importers and distributors like the state-owned Ningbo ND Import and Export Co. Ltd., which imports almost 10% of all logs into China and routinely advertises its latest offerings on the Chinese social media app Wechat.⁷⁰ A third type of timber trader doesn't appear on import records but is based at the ports where they handle and sell imported logs.⁷¹

Between 2015 and 2016, researchers hired by Global Witness interviewed staff from port facilities and eight companies that imported or bought logs from SABLs. Detailed export data made available by the PNG government revealed additional buyers of logs from SABLs. This data shows that at least 10 of the largest Chinese importers of logs from PNG bought from SABLs (see Appendices B and C). The state-owned enterprise China Light Resources Import and Export Corp. was the largest buyer of logs from Pomio.⁷²

AN INTIMATE KNOWLEDGE

At least some Chinese importers appear to know a lot about where their timber is sourced from. "71003 concession [shipment] has

arrived, Jinlong dock, new and old customers are welcome to choose and purchase," reads one Wechat post from Ningbo Jianfa Timbers, identifying a shipment of SABL logs by the number of the concession where it was cut. Shipping manifests posted by importers on the messaging service Wechat also identify batches of logs by their concession numbers.⁷³

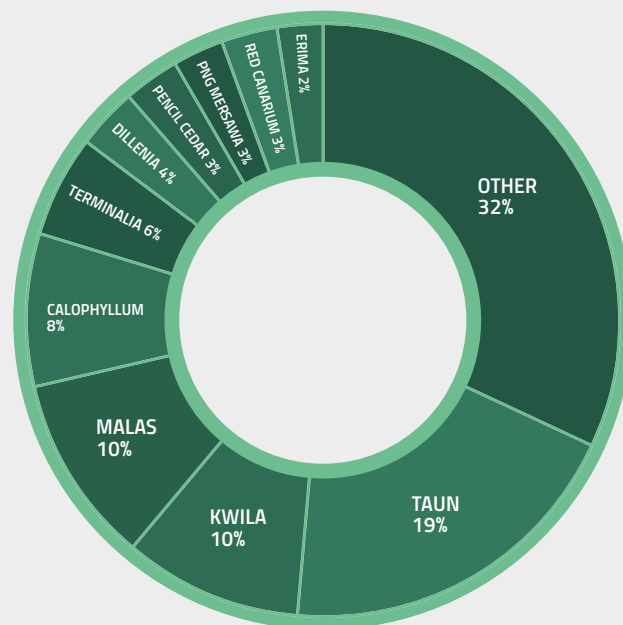
At least two major Chinese importers of logs from PNG have a direct stake in SABL operations. Ningbo ND Import and Export Co. Ltd., owns a PNG-registered company – PNG ND Resources Investment Co. Ltd. – which is a 20% shareholder of logging company Tian Suyn (PNG) Ltd.⁷⁴ Tian Suyn exports logs from an SABL in East New Britain Province.⁷⁵

Another Ningbo-based importer, Ningbo Yongli Lumber Co. Ltd., was an original shareholder of a logging company called KK Connections Ltd., which is logging under a nearby SABL in East New Britain. Ningbo ND and Ningbo Yongli have each invested millions of dollars into logging operations carried out under SABLs through these companies.⁷⁶ They appear to be the two largest buyers of logs from SABLs overall, accounting for roughly 20% of the total (see Appendix C).

While most major importers appeared to have no qualms about buying logs from SABLs, at least one importer claimed to be aware of the risks. When Global Witness asked the importers listed in this report to comment, Jiangsu Happy Group said it chose not to import timber from SABLs because of the risk it was illegal.

Each log from PNG carries with it detailed information about its origin. Concession identification numbers are found on tags stapled to the ends of each log before they are exported from PNG, courtesy of a system used to monitor timber production and exports overseen by the Swiss multi-national company SGS S.A. (see Box, page 20). Logging companies also spray-paint species codes, for example "TAU" for *taun*, directly onto logs.

10 MOST COMMONLY EXPORTED SPECIES FROM PNG IN 2016



Proportion of non-plantation logs exported in 2016 (all log grades, total volume 3,406,104 m³)