



- The Money Behind the Chainsaws
- Agreement to Re-Open Bougainville's Panguna Mine
- Promoting Kava Exports, Ignoring Sustainability

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**"We are not faced with two separate crises, one environmental and the other social, but rather one complex crisis which is both social and environmental."**

**~ Pope Francis**

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### **THE MONEY BEHIND THE CHAINSAWS**

Commercial banks operating in Papua New Guinea (PNG) have given at least AU\$144 million (Kina 300 million) in available credit, since 2000, to the country's five largest exporters of tropical logs, says a 2021 report – *The Money Behind the Chainsaws* - by research and advocacy organisations Act Now! (based in Papua New Guinea) and Jubilee Australia Research Centre.

The true amount of financing could be as much as three times higher due to gaps in companies' reporting and murky funding processes for logging activities. The financing was given at the same

time as multiple government reviews, court judgments and non-government reports exposed illegal practices throughout the logging sector.

The report finds that Bank of South Pacific (BSP) and Kina Bank, and Australian banks Westpac and ANZ, had all given financing to one or more of the top five logging companies in the past. Westpac and ANZ say they have ended their financing relationships with logging companies that don't have Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certificate (PEFC) certification. BSP and Kina Bank have not given the same assurances, although BSP has made policy steps in this direction.

Alarming, according to official records, BSP is currently providing \$26.55 million (K64.8 million) in credit to subsidiaries of logging giant Rimbunan Hijau despite its policies. Subsidiaries include Wawoi Guavi Timber Co. Limited and Gilford Limited, both of which have been implicated in reports of police violence against landowners and environmental destruction. Satellite images have also shown Wawoi Guavi Timber Co. logging in areas in which they're not legally allowed to harvest.

Kina Bank says it has no current financing relationship with Rimbunan Hijau but has not given a clear answer on whether it is financing other logging companies now or will in future.

In 2017, a Bank of PNG *National Risk Assessment* concluded that illegal logging in the country poses a significant money laundering threat.

Act Now! Campaign Manager Eddie Tanago said: "For decades there has been overwhelming evidence of widespread illegalities in the logging sector in PNG. It is completely unacceptable that high street banks should be facilitating and profiting from the destruction of vital tropical forest resources."

Jubilee Australia's Policy Director Fyfe Strachan said: "Any bank that chooses to finance PNG's tropical forest logging risks being complicit in illegal activity associated with that sector. Investors in BSP and Kina Bank, including their Australian shareholders, should be asking some tough questions right now about where their money is going, and what risks they might be exposed to."

Eddie Tanago added: "We are calling on all the commercial banks operating in PNG to end all banking services to companies involved in large-scale tropical forest logging and to publish information on current banking relationships with the sector. They should also commit to providing redress to communities affected by logging operations, where the banks have been directly or indirectly linked to human rights abuses through their business relationships."

The report also calls on the Financial Analysis and Supervision Unit at the Bank of PNG to continue its efforts to investigate potential money laundering threats and other illegal activity associated with PNG's commercial banks and the logging sector and take appropriate enforcement action when legal breaches are identified.

*Sources: 'The Money Behind the Chainsaws: How Commercial Banks Support Destructive Logging in Papua New Guinea' by Fyfe Strachan published by Act Now! and Jubilee Australia Research Centre December 2021; [www.actnowpng.org](http://www.actnowpng.org); [www.jubileeaustralia.org](http://www.jubileeaustralia.org)*

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## **AGREEMENT TO RE-OPEN BOUGAINVILLE'S PANGUNA MINE**

The Autonomous Bougainville Government (ABG) has reached an agreement with the landowners of the Panguna area to re-open the Panguna mine. The leaders of the five major clans in the Panguna area – Basikang, Kurabang, Bakoringu, Barapang and Mantau – signed a joint resolution with ABG.

ABG President Ishmael Toroama said the signing signified a new chapter for Bougainville and will be important for its economic future and political independence.



In the 1970s and 80s Panguna Mine was one of the largest copper and gold mines in the world, and was run by Bougainville Copper Limited (BCL), a subsidiary of the Anglo-Australian mining company Rio Tinto. It accounted for 44% of Papua New Guinea's exports at the time.

Anger at the environmental destruction the mine caused and the unequal distribution of the mine's huge profits – it was providing a huge source of income to the PNG national government, but the people of Bougainville saw little of that - led to its closure in 1989 and the decade long civil war, with deaths of up to 20,000 people. Bougainville's president, Ishmael Toroama, was a commander in the Bougainville Revolutionary Army (BRA), and at the forefront of BRA's war against the PNG government, until he was wounded by grenade in 1997. He later helped bring about the Bougainville Peace Agreement that was signed in 2001.

In 2016, because of claims that Rio Tinto had failed to clean up millions of tonnes of waste from the Panguna Mine which had caused severe environmental damage and ongoing human health issues, Rio Tinto divested its interest in the mine. It transferred its 53.8% share of BCL to the Papua New Guinea and Bougainville governments. So today the Independent State of Papua New Guinea and the Autonomous Bougainville Government each has 36.4% stake in the mine. The remaining 27.2% of shares are owned by public and institutional investors.

But BCL does not have the finance or the expertise to re-open the mine, so would have to go into partnership with a big mining company.

Also, there is still the issue of the environmental damage the mine has caused, which was reported in Issue 21 of the *Pacific Outlook Bulletin* in October 2020. In September 2020, 156 residents downstream of the mine lodged a complaint with the Australian government. They allege more than one billion tonnes of mine waste was dumped into the Kawerong-Jaba river system, which is causing severe environmental damage and health issues.

In response Rio Tinto has committed to fund a multi-million dollar independent “environmental and human rights impact assessment” of the Panguna mine, which landowners have welcomed as a start towards repairing decades of contamination. Rio Tinto has not committed to funding the mine clean-up at this stage. There will be more discussions after the assessment is completed.

*Sources: 'Deal to re-open Bougainville's Panguna mine, momentous' RNZ 18 February 2022; 'After 32 years, Rio Tinto to fund study of environmental damage caused by Panguna mine' by Ben Doherty, 21 July 2021, The Guardian; 'Bougainville's Panguna Mine slated for re-opening,' Pacific Beat, ABC, 14 February 2022.*

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## **PROMOTING KAVA EXPORTS, IGNORING SUSTAINABILITY**

On 1 December 2021, Australia launched a pilot program for the commercial importation of kava from the Pacific islands. Kava is a popular drink traditionally used in ceremonies and for medicinal purposes, which creates a sense of calm, as well as a feeling of well-being.

Pacific producers – especially Fiji – have achieved rising exports of this product. The Pacific Community (SPC) recently reported that annual exports of kava from Fiji had risen from around 2,000 tonnes in 2011 to over 12,000 tonnes in 2019.

With this growing demand farm-gate prices for kava have rocketed; the price rising sharply, from around FJ\$20 per kg in the period 2006–2014 to almost FJ\$100 per kg in 2019. This opportunity to generate cash at the community level has provided a lifeline for local economies decimated by the COVID-related closure of tourism.

However, the plant from which kava is prepared, *Piper methysticum*, requires fertile soil. When only small quantities were grown for traditional community and ceremonial use, these plants were easily accommodated in the mixed home-gardens that surround almost every community in the Pacific islands. As kava has become a ‘cash crop’, growers have penetrated the forested hills

surrounding their villages, in search of fertile land. With the aid of chainsaws – in Fiji, sometimes distributed for free by a government eager to promote agricultural exports – kava growers make large clearings in the forest, burning the vegetation to release the nutrients needed to grow their crop.

The knock-on environmental effects are devastating. With the steep terrain and high rainfall, topsoil is washed away, causing excessive sedimentation and flooding in the lower reaches of rivers where food crops are grown on riverside alluvium. Washed out to sea, the soil is then deposited as a lethal sediment load on the coral reefs – on which communities depend for food and for tourist dollars.

The high value of the kava crop has sparked a rural crime wave. As the crop approaches harvestable age, the kava growers (almost entirely men) camp out on their remote farms to safeguard their investment.

Australia's Department of Foreign Affairs and Trade has not helped its Pacific partner countries to understand, monitor and manage the collateral damage to the environment and society in the Pacific islands that the kava boom entails.

A current Australian Centre for International Agricultural Research project, led by the Commonwealth Scientific and Industrial Research Organisation (CSIRO) with partners across several Pacific Island countries, has confirmed that the nutrients removed with each harvest of cash crops are not being adequately replenished by fertiliser applications, rotations or fallow periods.

Agriculture throughout the region is in a downward spiral of declining productivity and erosion of the natural resource base. The disruptive shock of COVID-19 and the extreme weather events associated with climate change only exacerbate the situation.

The 'traditional knowledge' that guides the production of iconic Pacific food crops, such as taro and kava, provides farmers with no guidance on the pest, disease and soil fertility management needed for intensive export crops. Similarly, traditional mechanisms for land management decisions, while rooted in useful concepts of 'stewardship' of natural resources, are not sufficiently robust to preserve the natural resource base in the face of unilateral economic incentives.

It is time for Australian government policymakers to understand and accept a broader responsibility. It is not sufficient to offer incentives to stimulate trade and economic growth; some co-investment is needed to help our trading partners to understand and manage the risks to a fragile resource base and thus to sustainability. Kava would make an excellent test case for a new, broader model of more sustainable development.

*Sources: This is an edited version of [Promoting Kava Exports, Ignoring Sustainability](#) by Richard Markham, 24 January 2021, which first appeared on the [Devpolicy Blog](#) published by the Development Policy Centre at the Australian National University. Richard Markham is a cocoa farmer in Fiji, and an Adjunct Associate Professor (Sustainable Development) at the Australian Centre for Pacific Islands Research, University of the Sunshine Coast. He is a former Research Program Manager at the Australian Centre for International Agricultural Research.*

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