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Friday, May 18, 2007

## Jaling forestry deal suspended -following breaches, non-compliance

<http://www.stabroeknews.com/index.pl/article?id=56519765>Jaling forestry deal suspended -following breaches, non-compliance

Stabroek News Monday, May 7th 2007 Robert Persaud The government yesterday announced that the Timber Sales Agreement (TSA) awarded to Jaling Forest Industries Inc (JFII) has been suspended because of non-compliance with undertakings. Jaling's sanction comes just over two weeks after another Chinese-connected company Bai Shan Lin was banned from exporting roundlogs and amid an intense campaign by NGOs and letter writers over transgressions by Asian logging companies. In a release yesterday, the Ministry of Agriculture said that JFII was awarded a Timber Sales Agreement for 25 years beginning in January 2005 after it had fulfilled all the requirements for a State Forest Exploratory Permit (SFEP). This process entailed the preparation of a forest management plan and the implementation of an environmental and social impact assessment. After the TSA was conferred, the Ministry said that the Guyana Forestry Commission (GFC) noticed that implementation of key aspects of JFII's business plan such as the construction of a sawmill, a kiln drying complex and other value-added activities were significantly behind schedule. Several meetings were then convened by the GFC with JFII management "but remedial action taken by JFII was not satisfactory". Minister of Agriculture with responsibility for Forestry, Robert Persaud along with the GFC then held meetings with JFII's senior management and a 12-month period was agreed on for the implementation of remedial action beginning in January, 2007. "An evaluation of the degree of compliance with that plan was recently conducted, and it was determined that some critical areas are still behind schedule. To compound matters, the shareholders of the company JFII were recently engaged in major transfers of shares which have resulted in an internal shareholder dispute now being addressed in China. The change in shareholdings was done without the necessary disclosure to the GFC". The release said that as a result of all of these breaches and non-compliances, the GFC had recommended to the Minister of Agriculture that the operations and various concessions of JFII be suspended. By notification dated April 16, 2007, the Minister advised Jaling CEO Danny Chan of the suspension of operations with immediate effect until further notice. Bai Shan Lin On April 20, an Agriculture Ministry press release said the Chinese-owned Bai Shan Lin, "was

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prevented from exporting round logs,"since such exportation was contrary to earlier commitments given by the company to the government. The release said that unfortunately, Bai Shan Lin did not comply with its commitment and after observing requests for the export of logs, the company was advised that it was in breach of its commitment. The release said no further export of round logs would be allowed by the company and all relevant agencies have been advised. The number of logs Bai Shan Lin exported contrary to its commitments was not stated nor the types of logs exported. Bai Shan Lin has been advertising heavily for the supply of logs to it. The company had appealed to Agriculture Minister Persaud to allow a grace period of 12 months during which the export of round logs would be allowed, but this was denied by the minister. "The minister with responsibility for forestry has declined to grant this request," the April 20 release said, adding that the minister has reminded the company of the commitment it had expressed to become engaged immediately in value-added activities and encouraged it to move in this direction. The ministry release said that during the past six months, senior personnel of Bai Shan Lin held several discussions with government representatives including Prime Minister Samuel Hinds, Minister Persaud, the Guyana Forestry Commission (GFC) and the Guyana Office for Investment (Go-Invest). At these meetings, the management of Bai Shan Lin repeatedly emphasized that its interest was in the promotion of value-added activities in the forestry sector. A commitment was said to be given that the company would not engage in the export of round logs. Based on these commitments, the government continued to have dialogue with officials of Bai Shan Lin on the procedures to be followed such as the acquisition of land suitable for the establishment of value-added facilities, and to access forest resources. Earlier this year when it was reported that Bai Shan Lin intended to focus on "finished" lumber and was investing US\$4.5 million in a wood-processing plant to process logs cut from the Jaling concession, the partnership of these two companies had been viewed somewhat warily by some stakeholders since Jaling had been in trouble last year for exporting logs rather than complying with its wood processing investment commitments. Bai Shan Lin, it had seemed, had acquired a percentage of the interests of Jaling and would have been investing in lumber processing on behalf of Jaling. Bai Shan Lin International has the rights to 400,000 hectares of forest for a period of 20 years, the company website had said. Officials of the company in Guyana were reluctant to speak to the press on the log export ban. The website had noted that the company would be processing logs harvested from the Jaling Forest Industries Inc concession. A source from Bai Shan Lin had said that in addition to this, the company would be purchasing lumber for processing and resale both locally and overseas. The government has been severely criticized for allowing foreign-owned companies such as Barama Company Limited, Demerara Timbers Limited, Jaling and Bai Shan Lin to export logs and to breach value-added provisions of their management plans among other transgressions. Barama Company Limited Recently, Barama Company Limited (BCL), owned by Samling of Malaysia had its Forest Stewardship Council's (FSC) certificate suspended following a review of activities in parts of its huge 4.1M acres northwest concessions. And following another visit (not an auditing one) to the site in February/March, the World Wildlife Fund on Friday issued a statement calling for BCL and

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## About This Blog

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Purpose and coverage of [www.guyanaforestryblog.blogspot.com](#) This blog has been set up in order to make available in one place all newspaper letters and

Samling to make a "high level commitment to responsible forestry". In response, BCL's General Manager Girwar Lalaram told Stabroek News on Friday that another audit will be done no later than the end of July this year in relation to the company's FSC certificate and he was confident that the company will pass the inspection. In several recent articles and letters in the Stabroek News and Sunday Stabroek, researcher Janette Bulkan had said that the Government of Guyana is not doing enough to sustainably manage the country's forest resources and Asian companies like Barama were getting away with a lot. Bulkan said government neglect has allowed Barama to extend its legal control of 26 per cent of State Production Forest allocated for harvesting by a further and "mostly illegal" seven per cent. The four largest Asian-owned loggers control legally, and by renting land-lorded concessions, well over half of Guyana's allocated State Production Forests, she said. Bulkan, writing in this newspaper's letters column recently, said Barama-principal Samling's Initial Public Offering (IPO) documents show that Barama is preferentially logging outside its own concession and that in the last five years, Barama has drawn 56 - 72 per cent of its logs from land-lorded areas and exported almost all of the logs unprocessed to Asia. "This log export is entirely against the spirit of the generous tax concessions given by our government and contrary to the value-added policies of Guyana and of the PPP/C (in its 2006 election manifesto). In addition, the IPO documents show that Barama has no intention of sustainable forest management in these land lorded areas, reckoning to log them out by 2015," she said in her letter. When contacted by Stabroek News on these points, the Guyana Forestry Commission (GFC) said it would have been issuing a press statement in response to Bulkan's letters and articles on Guyana's policies towards forestry and the dominance of large, Asian companies whose focus remains log exports. The writer, also a contributor in Sunday Stabroek's 'Guyana and the Wider World' column, maintains that Barama's practice of land-lording is against the conditions of its Timber Sales Agreement and that the government is not doing anything to stop it. According to Bulkan, land-lording is the practice by which the legal holder of a forest harvesting concession gives up managerial control and rents it out to another enterprise. "This practice is illegal under Forest Regulations 1953, Article 12, which states - 'No transfer of any lease or timber sales agreements shall be made by any forest officer without the prior approval of the President where such lease or timber sales agreement grants exclusive rights to any person over an area estimated to exceed three thousand acres or is for an unexpired period exceeding three years,'" she said. Bulkan said the recent IPO on the Hong Kong Stock Exchange by Samling Global Limited specifically mentions 445,000 hectares of Guyana's forest over which it claims to hold timber rights in addition to the 1.61 million hectares of its own concession TSA 04/1991. "These 445,000 hectares include the Amerindian titled Village Lands of Akawini and St Monica, over which the GFC has no mandate and for which Barama negotiated "in bad faith" agreements; consequently, under the Amerindian Act 2006, these two agreements are void yet the government allows logging to continue! This illegality was one of several which led to the suspension in January this year of the FSC certification of Barama," she said. Garner Bulkan is of the view that the diversion of logs to Asia inevitably reduces possibilities for adding

articles relating to forestry, and forest-dependent people in Guyana, which are published in that country. This blog also posts links to other related topics, such as:

- Amerindians (Guyana's indigenous peoples) - natural resources policies and practices - policies and laws which affect the forest sector but which are not directly linked - global trade in logs extracted from tropical moist forests in Guyana, including apparently illegal logging. Over time we hope to post older materials which may be available electronically. We will also provide links to all blogs which provide links to our blog. Please bring to our attention articles or letters we might post by sending us a message. Original Blog [guyanaforestry.blogspot.com](http://guyanaforestry.blogspot.com)

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value in Guyana by local companies. She said that Garner, like Bai Shan Lin, is another player on the "logging-of-prime-timbers-for-export block." Garner, both a forest concession holder and timber trader, has been in the business of shipping logs to China, including bullet wood (*Manilkara bidentata*), which is both protected in law and a keystone species on which many animal species depend ecologically, Bulkan said. She said Garner's principals have negotiated logging concession(s) under secret FDI arrangements. "In September 2006 when Seapower Resources International Limited purchased 51 per cent equity interest in Jaling Forest Industries Inc. for a consideration of HK\$154 million (US\$19.8 million), the company also obtained an 'Option' to acquire 51 per cent of the shares in Garner within five years," she said. She said Garner's State Forest Exploratory Permit - SFEP number 03/04 - was rolled over into a Timber Sales Agreement - TSA 03/05 - in less than a year. "Incidentally this is a violation of SFEP legislation which mandates a three-year exploratory lease (Article 7B (2) in the Forest Regulations)," she said. Bulkan said a Draft EIA, which was briefly available on the Environmental Protection Agency's (EPA) website, contains one reference only to the company's principals and there is no public evidence that due diligence was done on financial status, probity or good citizenship. She said that as part of its deal in acquiring 51 per cent equity in 'Jaling,' Seapower secured the 'Garner Forest Option Agreement', according to which "the Guarantor shall not and shall procure Garner not to conduct, carry out and undertake any business and other operations and activities of Garner, including but not limited to the exploratory activities and any logging and forest exploitation, operation and management within a period of five years from the completion date." She explained that a Timber Sales Agreement is premised on the understanding that its holder will sustainably log the concession to feed a downstream in-country operation, which creates added value and jobs in Guyana. According to Bulkan, Garner's principals immediately entered into a separate agreement with Seapower to keep Garner's forest concession dormant in the interests of profits for Seapower and its shareholders. She said that not only are logs being diverted from feeding industries in Guyana, they are also being under-priced in Guyana Customs data relative to Asian market prices. Bulkan said Guyana's forests also underpinned the launch of the parent company of Barama on the Hong Kong stock exchange in February 2007, she said, adding that Samling Global Limited raised US\$280 million through an IPO of about 25 per cent of the company on the Hong Kong stock exchange.

Posted by [GuyanaForestryBlog](#) at 1:02 PM 

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