

Guyana's government still dealing with fallout over controversial logging company



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- *The Guyanese government has put a significant focus on cleaning up the failed operations of Baishanlin.*



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GEORGETOWN, Guyana – For years in Guyana, one Chinese logging company has been a magnet for controversy. [Baishanlin International Forest Development Inc.](#) has been accused of abusing the country's natural resources, breaking national laws and failing to meet its contract obligations, all while benefiting from million dollar, officially-granted tax concessions. During the height of its operations, Baishanlin was Guyana's third-biggest forestry company.

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changes, alongside an official financial audit done on the Guyana Forestry Commission (GFC) completed at the end of 2015 have hit Baishanlin particularly hard.

“This has been a vex issue for a long time in the public domain.” – Joceylyn Dow, chair of the Guyana Forestry Commission, on dealings with Baishanlin

Jocelyn Dow, who took over as chair of the GFC board of directors in January, told Mongabay that the board reviewed Baishanlin's activities as part of its mandate to review all forestry agreements.

“This has been a vex issue for a long time in the public domain,” Dow said. “So when you have a new board, this obviously would be on our plate. This is not a matter that arose out of the blue. There have been many years of questioning Baishanlin's dealings. So we as a board, I would say, we had an obvious obligation to examine it.”

The GFC and other government agencies have put a significant focus on cleaning up Baishanlin's activities and its failed commitments to the government of Guyana. Those commitments included paying a debt of \$80 million GUY (approx. \$390,000) and building a downstream wood-processing plant.



A view of the Canje River and surrounding forest in Guyana, taken from the Canje Bridge. Photo by Loriski/Wikimedia Commons

In April, the [Guyana Revenue Authority](#) (GRA) seized some of the company's assets, noting a failure to pay import taxes. Then in September, the GFC announced in a [statement](#) that it would repossess all of Baishanlin's officially documented 627,072 hectares of forestry concessions. According to [Baishanlin's](#) website, which appears to be out of date, they continue to manage 960,000 hectares of forest concessions.

In an interview with Mongabay, Baishanlin's managing director in Guyana, Chu Hongbo, admitted that the company owes money to the GFC, but denied owing taxes to the GRA. Instead, he insisted the GRA was

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He added that as of October, the company was still negotiating with the GFC. Chu said they had asked the commission to give them three more years to build the plant.

Widespread operations

[Baishanlin has worked hard](#) over the years to lay down deep roots in Guyana. On top of its logging operations, they also expanded into gold mining, transportation and real estate development. However, a review of its financial statements in 2011 reported through the 2015 forensic audit on the GFC raised concerns about the company's ability to operate in the future due to continued losses.

[Report on a Forensic Audit and Review of Guyana Forestry Commission on Scribd](#)

Former auditor general Anand Goolsarran, who conducted the audit, told Mongabay that he found Baishanlin had been granted a State Forest Exploratory Permit (SFEP) in November 2011 without meeting the requirements. That included five years of audited financial statements, evidence of technical and financial qualifications, and a history of compliance.

Goolsarran was unable to retrieve any records for the company's fiscal concessions prior to 2012. Those numbers remain a mystery.

"Nobody knows what concessions were granted between 2007 and 2011," he said.

The audit, commissioned by Guyana's new government, found that between 2007 and Nov. 16, 2015 Baishanlin and four companies owned or controlled by it exported a total of 50,928 cubic meters of logs, worth nearly \$8.5 million. The GFC's board of directors formally accepted the audit in December 2015, with some amendments.

Goolsarran said assignment of the SFEP was premature.

"They did not meet the requirements on the forest permit because they had no experience," Goolsarran said. "It was a new company...how can you get an exploratory permit as a new company?"

Differing opinions

According to Guyana's [Forests Act 2009](#), an SFEP gives a company or person the right to carry out exploratory operations within a specified area of state forest. Any logging activity can only be done for testing or research purposes, and for limited commercial activity to recoup up to a quarter of their costs. An SFEP is granted under the assumption that the company or individual will then apply for a concession to engage in commercial logging.

The audit made a number of recommendations, including "that [Baishanlin's] State forest should be returned to the Commission for reallocation". It also recommended that the government "consider terminating the investment agreements with the company and... recover the value of the fiscal concessions granted to it," which the GFC has since done.

Not everyone agrees, though. The GFC rebutted some of the audit's points and their comments were added to the audit's final copy.

In their response, the GFC stated that "the provision of audited financial statement would only be applicable if the company was operational for five years." The GFC also noted that they did "due diligence" on Baishanlin at the time, and were "satisfied that Baishanlin had the experience and adequate financial and other resources to undertake the stated operations."

However, the forensic audit found that the promised wood processing plant was the main consideration for the grant. The company was to set it up by the end of 2013. This never happened.

It also found that the company did not carry out the required Environmental and Social Impact Assessment before beginning to extract logs, nor prepare a business plan and a forestry inventory, by the

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The forensic audit also criticized large fiscal concessions granted for machinery and other equipment and construction materials for being “unrelated to, or were significantly in excess of, the requirements for the construction of wood processing facility.”

Instead, they appeared to be mostly used for extraction and exportation of logs.

“They asked for the world and they got the world,” Goolsarran said. “In three years between 2012 and 2015, they received concessions in the sum of \$1.8 billion dollars [approx. \$8.7 million].”

Promised factory

Baishanlin set up shop in Guyana in 2006 with the objective of harvesting timber and establishing a downstream wood [processing facility in Linden](#), with the promise that it would create local jobs. However, 10 years after it first made this commitment, the company has yet to establish the processing facility.

“We have prepared the land to build the factory in Linden, and our new partner is also waiting to bring investment into the country for the factory in Linden,” Baishanlin’s Chu told Mongabay by phone in late October, referring to the second largest town in the country. His comments were translated by a Mongabay reporter.

According to the agreement, \$6 million should have already been invested. Chu claims the delays are on the Guyanese government side.

“We are still waiting to meet and negotiate with the government, as long as they give us back our equipment and the forest, our new partner will come and build the factory.”

But the Guyanese government has been resolutely against going forward with the factory, arguing that the necessary investments simply haven’t been put into place. In comments to Guyana’s [Stabroek News](#) on September 26, Minister of Natural Resources Raphael Trotman said that “it would be quite wrong for us to hold concessions which are not being utilized for another three years, simply on a request.”

Trotman added that the company has had more than enough opportunities to make things work.

“I think that government has been more than reasonable with Baishanlin,” Trotman said. “We have done all that we physically or possibly could to give them, to hold out the hope to them, that things could happen.”

In response to questions about the forensic audit, Baishanlin’s Chu remains optimistic.

“All we want to do now is to solve the issues as soon as possible,” Chu said. “To continue our investment in Guyana really depends on if we can solve the issues at hand.”

If Guyana has given up hope on a partnership, Baishanlin is anything but ready to go quietly into the night.

In April, Guyana’s Minister of State Joseph Harmon had released a [statement](#) that indicated Long Jiang Forest Industries Group had “acquired 55 per cent of the shares in Bai Shan Lin and is intended to fully take over the company in 2016.”

However, Dow, chair of GFC’s board, said that despite the assurance that this new company would pay off the debt owed, no one from the Long Jiang has come to Guyana to meet with the GFC.

In early November, [Stabroek News reported](#) that a group of Chinese investors representing Baishanlin’s defaulted loans visited Guyana to inspect investment opportunities and taking over Baishanlin operations.

Safeguarding natural resources

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American's northeast coast borders Venezuela, Suriname and Brazil and has a notably high proportion of forest cover. Most of the country's population of around 735,000 people live along the coast.



Location map of Guyana showing its position on the northeast coast of South America. Source Wikimedia Commons

The country's forests comprise thousands of species of trees but its main timber exports concentrate on three species: greenheart (*Chlorocardium rodiei*), purpleheart (*Peltogyne venosa*) and wamara (*Swartzia leiocalycina*). These species are prized for their durable properties and exceptional resistance to rot. Most of the wood is exported to Asia, and much of it is exported in raw log form.

In 2009, Guyana signed a partnership with the government of Norway for \$250 million over five years to keep deforestation levels low. According to the GFC's [2011 Guyana REDD+ Monitoring Reporting and Verification System \(MRVS\) interim report](#), Guyana's forests covered 18.4 million hectares when the partnership came into effect, or approximately 86 percent of the country. To date, Guyana has received \$190 million.

The government is keen to establish wood processing plants to capture more value from its wood.

While it does not currently have a raw log export ban, in February 2016, the GFC released a [proposed national log export policy for 2016 to 2020](#) that included a full raw long export ban on 7 species of wood, including purpleheart, in a "movement towards value adding [that] will result in increase employment for the local economy, especially in skilled jobs areas."

Public consultations on the policy were [held](#) between Oct. 8 and Nov. 2, and it is expected to come into effect in early 2017.

Raw log export bans still exist in a number of countries including Myanmar, Peru and Gabon.

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Banner image: The Kunuku Mountains as seen from Lethem, Guyana. Photo by Kevin Gabbert via Wikimedia Commons

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