

### SUMMARY - PARTNERS IN CRIME: A GREENPEACE INVESTIGATION OF THE LINKS BETWEEN THE UK AND INDONESIA'S TIMBER BARONS (full report online at [www.saveordelete.com](http://www.saveordelete.com))

#### Indonesia

*'Allowing the import and trade of illegal timber products could be considered as an act to assist or even to conduct forest crime.'*<sup>ii</sup> Muhammed Prakosa, Indonesian Forest Minister, 26 January 2003

*'Since we apparently cannot stop the supply, it has become clear that Indonesia will not overcome illegal logging without stemming the foreign demand for Indonesian logs and forestry products.... By buying timber sourced from Indonesia, you are facilitating the destruction of our rainforests and national parks.'*<sup>iii</sup> Nabel Makarim, Indonesian Minister for the Environment, September 2002

#### The UK

*'We have already promised that as a Government we will purchase timber only from legal and sustainable sources.'*<sup>iii</sup> Tony Blair, UK Prime Minister, April 2001.

*'The government procurement policy on timber applies to all wood and products made from wood used in performing government contracts. That includes the wood used temporarily during construction works as well as wood fixed as part of a finished structure.'*<sup>iv</sup> Michael Meacher, UK Environment Minister, May 2003

#### Reality Check

- **Indonesia is experiencing the highest rate of forest loss in the world.** Indonesia's timber processing industries are based upon wholesale asset stripping of the country's rainforests. Every year an area of forest larger than Wales is destroyed. By 2010, the lowland forests of Sumatra and Kalimantan will be destroyed if current rates of logging and forest conversion continue, according to the World Bank.<sup>v</sup> It is estimated that this year 88% of all timber will be logged illegally.
- **The UK Government and timber traders are partners in this forest crime.** Despite Tony Blair's promises that *'as a government we will purchase only from legal and sustainable sources'*, the UK government is failing to implement its own procurement policy. Indonesian rainforest timber from some of Indonesia's most notorious and corrupt timber barons is being used on the Government's new Home Office HQ site in Marsham Street, Westminster.
- **Approximately 50% of UK tropical plywood comes from Indonesia's rainforests.**<sup>vi</sup> The dirty profits flow to UK timber traders such as Travis Perkins and Jewson who are knowingly importing illegal timber.
- **The UK Government, timber trade and construction industry must act now** and stop buying the problem – *suspend trade* in Indonesian rainforest products – and *ban imports* of illegal timber.

#### THE LIFE OF INDONESIA'S RAINFORESTS IS AT STAKE

Indonesia's remaining forests are important to both the nation's rural economy and the local and global environment. So who pays for the destruction of these forests?

**Biodiversity pays.** Indonesia is one of the most biologically diverse countries in the world. The majority of its unique species depend on forests for their survival. Indonesia now has the world's longest list of species threatened with extinction, which includes the orang-utan. There has been a 50% fall in orang-utan numbers over the last 10 years.<sup>vii</sup>

**People pay.** Indonesia's forests provide food and livelihood for at least 40 million – 50 million indigenous people, who have owned and managed Indonesia's forests for millennia. Figures from the World Bank show that from the illegal timber cut every minute, the Indonesian Government loses

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US\$6,700 in foregone revenues.<sup>viii</sup> Over a year that is equivalent to the entire income of eight million average Indonesian families.

**Our environment pays.** Degradation and loss of forest leads to vast environmental impacts including increased flooding, landslides, drought, decline of water quality and increased forest fires that pollute the air with toxic fumes and greenhouse gases, adding to climate instability.

### **THE TIMBER INDUSTRY IS A SCANDAL**

**Forest crime is overwhelming.** According to a report for the World Bank-WWF Alliance, *'Probably no log in Indonesia is produced in a way that is not characterised by the breaking or manipulation of some regulation.'* According to Indonesia's Ministry of Forestry, *'illegal logging has come to constitute a well-organised criminal enterprise with strong backing and a network that is so extensive, well established and strong that it is bold enough to resist, threaten, and in fact physically tyrannise forestry law enforcement authorities.'*<sup>ix</sup>

**Forest protection is paper thin.** Illegal logging has destroyed nearly 20% of protected areas, according to the Indonesian Department of Forestry. Only 25% of Kutai National Park is in good condition, and even that is in fragments.<sup>x</sup> In Central Kalimantan, Tanjung Puting National Park is famous for its orang-utans. More than half its area – 40,000 hectares – has been plundered.<sup>xi</sup> Destruction of protected forests on the border between Kalimantan and Malaysia has also reached crisis level.<sup>xii</sup>

**Forest crime fuels and is fuelled by the military.** Agents of the Indonesian military, notorious for human rights abuses throughout the archipelago, are heavily involved in commercial forestry as concession holders, business partners and security for forest companies, as well as financial backers and protectors of illegal loggers. This conflict of interest has contributed to the failure to prosecute forest and human rights crimes.

### **BARITO PACIFIC IS A CASE IN POINT OF BAD BUSINESS**

Indonesia's former dictator, Soeharto, used the award of forest concessions to consolidate power with his cronies. Over 62 million hectares of forest were handed out to companies with ties to the military and the Soeharto family.

Barito Pacific is the largest logging concession holder in Indonesia, the second largest pulp exporter in Indonesia, and the largest plywood exporter in the world. This empire was built with EU money, including UK pension funds, and the group now has the second largest burden of non-performing corporate domestic debt in Indonesia.<sup>xiii</sup> The UK, led by Jewson and Travis Perkins, takes 20% of Barito Pacific's exports according to the UK Timber Trade Federation. According to industry sources, Jewson alone imported 17,000 cubic metres of Barito plywood in 2002.

**Barito Pacific is headed by a criminal timber tycoon.** A major supporter and beneficiary of Soeharto, Barito Pacific owner Prajogo Pangestu's crimes are many and varied. In 2001, then Director General of Forestry, Suripto, presented evidence that Prajogo personally misappropriated US\$34 million from the Reforestation Funds. Prajogo is also alleged to have made a substantial transfer of funds to the personal bank account of Attorney General Andi Ghalib. The charges against Prajogo were dropped.

Barito Pacific has engaged in numerous unsustainable and illegal practices in its natural forest timber concessions, plantations and mills across Indonesia. Types of destructive operations linked with Barito include illegal logging, logging protected areas, tax evasion, illegal burning of the rainforest, bribery, inciting social conflict, involvement with the military and use of conflict timber.<sup>xiv</sup>

Barito mills are reliant on illegal timber. In 2001 two-thirds of timber processed by Barito sawmills and plywood mills was from untraceable or illegal supplies according to a report for the WWF–World Bank Alliance. Legal timber supplies have since fallen sharply.

### **OTHER NOTORIOUS TIMBER EXPORTERS SUPPLYING THE UK**

Plywood from two other notorious companies exporting to the UK is being used on the construction site for the new Home Office HQ at 2 Marsham Street, Westminster.

- **Sumalindo Lestari Jaya.** At the beginning of the work at 2 Marsham Street in October 2002, Greenpeace filmed and photographed site hoarding being erected using Indonesian rainforest plywood. The plywood, imported through Tilbury, came from Sumalindo.

Sumalindo is a subsidiary of the Astra Group, part-owned by Soeharto crony and convicted criminal Bob Hasan who is currently in jail for defrauding the Department of Forestry. There is a long history of social strife on Sumalindo concessions and according to sources, the company is reported to have torched its plantations and then claimed they were being damaged by forest fires in order to receive compensation. At the plywood mill owned by Sumalindo, which exports to the UK, workers went unpaid for over four months in early 2002. Company officials said the workers, mostly women, had 'voluntarily' agreed to non-payment.<sup>xv</sup> Plans are afoot to give 75% control of Sumalindo to an Indonesian military front company. The sale price is reported to be US\$1, with Indonesian state banks forgiving Sumalindo's debts of over US\$4 million.<sup>xvi</sup>

- **Asia Forestama Raya (AFR) – Part of Raja Garuda Mas Group (RGM).** In February 2003, Greenpeace documented pallets of Besitang rainforest plywood on the 2 Marsham Street site. The plywood is currently being used for formwork, to hold wet concrete in place. The plywood comes from the company *PT AFR* – which uses timber from some of Sumatra's last remaining lowland rainforests to manufacture plywood. Demand for cheap tropical timber products is rapidly destroying these rainforests, the only place on earth where the endangered Sumatran orang-utan exists. RGM Group owns seven plywood/saw mills in strife-torn Aceh and Riau in Sumatra. It also owns pulp mills, one of which is estimated to have cleared 220,000 hectares of rainforest in less than six years.<sup>xvii</sup> Some of RGM Group's clearfelling operations are funded by European financial institutions including Barclay's Bank. RGM companies defaulted on US\$230 million in loans from the bank controlled by the company, forcing its closure; the state had to pick up the tab.

Collusion with Aceh's illegal logging networks inevitably involves the Indonesian military, as here and elsewhere the armed forces receive most of their budgetary shortfall in payoffs from illegal activities, including logging. RGM has had intense conflicts with indigenous communities. For instance, one mill owned by RGM has been the cause of human rights abuses in North Sumatra, following the seizure of community land for plantation without compensation.<sup>xviii</sup> According to Human Rights Watch and the Indonesian environmental NGO Walhi, in the winter of 1998/99 police were called in to quell local community protest: seven people were shot by the police; 90 are alleged to have been abducted and tortured or otherwise mistreated, one of whom later died in hospital of injuries, two have 'disappeared' and are presumed dead, five remain blinded or crippled from injuries, seven had their homes or shops vandalised.<sup>xix</sup>

## WHO ARE THE PARTNERS IN CRIME? THE UK ACTORS AND ACCOMPLICES

Buyers of Indonesian rainforest timber are inevitably supporting corruption, social conflict and environmental destruction. Even the UK Timber Trade Federation acknowledges in a letter leaked to Greenpeace: *'Indonesian mills are not able to provide sufficient evidence of legality and sustainability for the UK market'*. Yet the UK is the largest EU importer and the sixth largest importer of Indonesian rainforest plywood in the world. Responsibility for tackling illegal logging and asset stripping of Indonesia's rainforests lies with major consumers such as the UK.

## TRADERS AND IMPORTERS PEDDLE ILLEGAL GOODS

**Travis Perkins** claim that its suppliers are required *'to abide by high ethical standards'*. However, it buys about 3,000 cubic metres of Barito plywood every one–two months.

**Jewson** is owned by Saint Gobain, is part of the WWF 95+ Group, (whose members commit to produce or purchase increasing proportions of their forest products from well managed forests, which are independently certified) and is an official supplier to Government. Jewson claims to *'liaise with our suppliers... to promote the best possible environmental practice.'* However, in 2002, Jewson purchased at least 25,000 cubic metres of Indonesian rainforest plywood, of which 17,000 cubic metres came from Barito.

## END USERS ARE PARTNERS IN FOREST CRIME

**The UK Government has failed to ensure its procurement policy is being implemented.** Michael Meacher stated in 2000 that *'all central Government departments and agencies [must] actively seek to buy timber and timber products from sustainable and legal sources, for example those identified under independent certification schemes such as that operated by the Forest Stewardship Council'*.<sup>xx</sup> In May 2003 he confirmed that *'the Government procurement policy on timber applies to all wood and products made from wood used in performing government contracts. That includes the wood used temporarily during construction works as well as wood fixed as part of a finished structure.'*

Yet uncertified Indonesian rainforest plywood is still being used on a major Government construction site, as hoardings to surround the building site and for formwork to hold wet concrete in place.

**Background on the Home Office HQ, 2 Marsham Street.** 2 Marsham Street is the site of the old Department of Environment. The DoE building is being demolished and the site redeveloped to comprise three linked buildings to house the new Home Office. The development will also include penthouses and flats built by Gilliard Homes, shops, restaurants and cafés. The building is scheduled to be completed by spring 2005. The project is being managed by Anne's Gate Property PLC (AGP) a special purpose vehicle established to deliver the project. The chief contractor is Bouygues Group. The architects for the project are Terry Farrell & Partners. **For additional facts on the project visit:** [www.gnn.gov.uk/gnn/national.nsf/HO/5F30AA0BCC431CF18025692A004BE6E4?opendocument](http://www.gnn.gov.uk/gnn/national.nsf/HO/5F30AA0BCC431CF18025692A004BE6E4?opendocument)

**Companies taking action:** The Government's behaviour stands in stark contrast with the progressive stance taken by US-based paper giant International Paper. In May 2003 it announced that *'the only sensible solution is to avoid Indonesia as a wood supplier until the Indonesian Government, which recently acknowledged its inability to stop illegal logging, and those companies who harvest wood there, take the steps required to protect the forests.'*<sup>xxi</sup>

## GREENPEACE DEMANDS

1. Greenpeace supports Indonesian NGOs in calling for a **moratorium on all industrial logging** in natural forests in order to effectively crack down on illegal logging and develop coherent plans to protect the remaining ancient forests.
2. In order to maintain any social or environmental credibility, UK companies must immediately **stop buying Indonesian timber products** from natural forests.
3. Government and industry procurement policies must insist on the **use of timber certified to Forest Stewardship Council (FSC) or equivalent standards**. This is the only way to guarantee that timber is from socially and environmentally responsible forest management.
4. The EU Commission, through its proposed action plan to tackle illegal logging, must commit to:
  - Immediate legislation to **ban illegal timber imports**, placing the burden of proof upon timber importers to demonstrate timber is legally obtained. Such legislation must be demanded by all member states.
  - Implementation of **timber procurement policies for EU funded projects** so that only legal and sustainable timber is used.
  - Binding minimum **social and environmental standards for Export Credit Agencies**.

June 2003

**NOTES:** This briefing is a summary of the Greenpeace report *'Partners in crime: a Greenpeace investigation of the links between the UK and Indonesia's timber barons'*. A full version of the report is available from the Greenpeace press office on 020 7865 8255 or can be downloaded from [www.saveordelete.com](http://www.saveordelete.com).

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- <sup>i</sup> Prakosa (2003) ‘Remarks’.
- <sup>ii</sup> 4 September 2002, World Summit on Sustainable Development.
- <sup>iii</sup> WWF conference ‘Rio +10: words are not enough’.
- <sup>iv</sup> Response to written parliamentary questions, 8 May 2003.
- <sup>v</sup> Holmes (2000).
- <sup>vi</sup> [hardwoodmarkets.com](http://hardwoodmarkets.com)
- <sup>vii</sup> Hooper (2003).
- <sup>viii</sup> Arnaldo Contreras-Hermosilla, ‘Law compliance in the forest sector: an overview’ Working Paper 3720 for the World Bank 2002.
- <sup>ix</sup> cited by FWI/GFW (2002).
- <sup>x</sup> Lories, Samarinda, pers. comm. 20 January 2003.
- <sup>xi</sup> See Environmental Investigation Agency (2003) *Above the law*.
- <sup>xii</sup> Reuters (2003) ‘Restructure’.
- <sup>xiii</sup> Brown (forthcoming) *Forgive*.
- <sup>xiv</sup> The full *Partners in crime* report gives case studies of these illegalities – see pp 15-21.
- <sup>xv</sup> Lawrence (2003).
- <sup>xvi</sup> Lawrence (2003).
- <sup>xvii</sup> Riau Andalan Pulp & Paper. Source: WWF Deutschland.
- <sup>xviii</sup> see Harwell (2003).
- <sup>xix</sup> see Harwell (2003) citing Walhi and HRW interviews in 2002; public outcry forced the mill to be closed but the massive corporate debt of RGM has created pressure to reopen the plant.
- <sup>xx</sup> *Hansard* (2000).
- <sup>xxi</sup> Marketwire (15 May 2003).