



Timber briefing: March 2004

Forest Crime: Korindo and the trade in illegal plywood from the last rainforests of Indonesia

'Expecting or asking one country to combat illegal logging while, at the same time, receiving or importing illegal logs, does not support efforts to combat these forest crimes... In fact, allowing the import and trade of illegal timber products could be considered as an act to assist or even to conduct forest crime.'

Muhammed Prakosa, Indonesian Forest Minister, 26 January 2003

'From 1985 to 2001, Kalimantan's protected lowland forests declined by more than 56%. Even uninhabited frontier parks are logged to supply international markets'
Science Magazine, 13 February 2004

Introduction

Illegal logging continues to play a huge part in the destruction of the world's ancient forests. Its impacts are devastating: contributing to loss of biodiversity; linked to human rights abuses and organised crime; impacting on the sustainable development of forest producing countries; and undermining the trade in timber from legal and sustainable sources. The World Bank estimates that some US \$10-15 billion per annum is lost to Governments each year because of the illegal trade in timber.¹

Nowhere is the situation more acute than in Indonesia. Despite international political, media and industry attention, the wholesale destruction of Indonesia's last rainforests continues unabated. Even when Indonesian timber mills are shown, through Government investigation, to be profiting from illegally felled timber, no action is taken against them – a result of political corruption and the power of the timber industry. Indonesia's Minister of Forestry admitted on 11 March 2004 that illegal logging was out of control and that emergency measures were now being considered by the Government. Mr Prakosa said many smugglers of illegally cut logs had been caught but released without explanation from the police.

The European Commission is currently preparing measures to combat the trade in illegal timber under the 'FLEGT' Action Plan² and decisions will be made, this Autumn, by Member States. Parts of the European timber trade have responded through their own initiatives to try and identify 'legal timber' for the market place, focusing initially on Indonesian mills. But while these developments suggest that politicians and traders in the EU are finally taking the issues of illegal timber more seriously, Greenpeace investigations show how, once again, timber traders in Europe are importing plywood from companies known to be involved in the illegal timber trade in Indonesia.

¹ World Bank, Revised Forest Strategy, 2002.

² Forest Law Enforcement, Governance and Trade (FLEGT)

The forests and biodiversity of Indonesia

'[Indonesia] is almost certainly undergoing a species extinction spasm of planetary proportions.'

World Bank, 2001³

Constituting just 1.3% of the Earth's land surface, the Indonesian archipelago of 17,000 islands is home to some of the most magnificent tropical forests in the world, with unique biological richness. These magnificent tropical rainforests represent 10% of the world's remaining forest cover, surpassed in area only by the tropical forests of Brazil and Congo.

Indonesia is one of the two most biologically diverse countries in the world, home to 25% of the world's known species of fish, 17% of birds, 16% of reptiles and amphibians, 12% of mammals, 10% of plants and an unknown number of invertebrates, fungi and micro organisms.⁴ The majority of these species depend on forests for their survival. Yet these forests are in peril, together with species like the orang-utan and the survival of many indigenous peoples' customs and traditional economies.

Indonesia's timber processing industries are based upon wholesale asset stripping of the country's rainforests. Forest loss in Indonesia doubled during the 1990's and 3.8 million hectares were lost in 2000.⁵ It is currently estimated that nearly 90% of all logging in Indonesia is illegal.⁶

The destruction of Indonesia's rainforests is fuelled by international demand for cheap timber products. The EU is the 4th largest global importer of Indonesian plywood.

The case against Korindo and plywood aboard the MV Greveno

The Korindo (Korea/Indonesia) consortium is based in Jakarta, Indonesia. The company's products include plywood, paper and shipping containers.

The freighter MV Greveno is loaded with plywood from Korindo's Ariabima Sari mill in Central Kalimantan. It is destined for timber traders in Belgium, France, The Netherlands and the UK. It is being imported by Fepco, a timber agent based in Belgium.

Korindo's Ariabima Sari mill has been shown by the Indonesian Government to be using illegal timber. During 2002/03 the Indonesian Forestry Department conducted a series of inspections at timber mills. Eight factories were inspected, including Ariabima Sari in May 2003. Illegal logs were found at the mill, supplied by the Rasyid family, notorious timber

³ World Bank Report, Indonesia: Environment and Natural Resource Management in a Time of Transition, Washington DC, 2001.

⁴ Uma Lele, Managing Global Resources: Challenges of Forest Conservation and Development, World Bank series on Evaluation and Development, Vol 5, 2001

⁵ Sustainable Forest Management as the Basis for Improving the Role of the Forestry Sector, Pak Boen M. Purnama, Department of Forestry, 2003.

⁶ See P.9 of Greenpeace, 'Partners in Crime', June 2003

barons known to be using illegal timber from Tanjung Puting National Park.⁷ Suripto, the Secretary General of the Ministry of Forestry and Estate Crops has stated that: “ [Abdul] Rasyid is not only buying stolen logs from Tanjung Puting National Park but also illegal logs from logging concessions in the area. He, and his brother Ruslan, process at least 60% of the stolen logs in the area”. (See EIA report ‘Illegal Logging Tanjung Puting Nation Park’)

At the beginning of June 2003, the results of this investigation was shared with the UK’s Timber Trade Federation and UK timber traders, through presentations in London by the Indonesian Forestry Department.⁸

In the 10 months since the confirmation that Korindo’s Ariabima Sari was found using illegal logs, no action has been taken against the company or the mill by the Indonesian authorities. Under Indonesian law once Department of Forestry inspectors found Korindo Ariabima Sari to be harbouring illegal logs, the Department should have immediately ordered the production in that mill to be frozen, instead of allowing the mill to continue to export plywood to Europe. During that same ten months, illegal logging in Tanjung Puting National Park has continued, with evidence released by Greenpeace in February 2004 showing new clear cuts within the park.

The Ariabami Sari mill is also operating far in excess of its legal capacity. The mill is legally allowed, under Indonesian law (PP 13, 1995), to produce a maximum of 86,500 cubic metres of plywood. However, in 2002, the last year for which records are available, the factory produced over 143,500 cubic metres – far in excess of legal production.⁹

Korindo owns a number of timber mills in Indonesia. Three of its six largest mills exceed their legal production capacity under Indonesian law. All six have continued to obtain timber from district licensed land clearance permits, despite the practice being outlawed by the Government in March 2002 (PP 34, 2001).¹⁰

Korindo was approached by the Tropical Forest Trust during the summer of 2003, as part of a UK trade initiative to assess the legality of timber from mills supplying the UK market. They refused to participate in the initiative.

Korindo has also been buying logs from Muslim Halim, another company involved in trading illegal timber from Tanjung Puting National Park. (see EIA/Telapak report ‘Final Cut’)

Tanjung Puting National Park

Korindo’s Ariabima Saril mill is located close to the west border of Tanjung Puting National Park. The park is recognised as a World Biosphere Reserve by the UN and forms the largest protected area of swamp forest in South-East Asia. Located in the province of Central Kalimantan, it covers an area of over 400,000 hectares, and includes a variety of different ecosystems, including tropical heath forest, peat swamp forest and mangrove forest.

It is home to 220 known species of bird, nine primate species, including the park’s most famous inhabitant, the orang-utan. It is estimated that orang-utans will become extinct in the

⁷ see for example <http://www.eia-international.org/cgi/reports/report-files/media66-1.pdf>

⁸ Presentation by Director of Indonesian Department of Forestry to UK timber traders, 4 June 2003

⁹ Submissions by Korindo to Indonesian Department of Forestry. The actual production is some 165% of that allowed under Indonesian law.

¹⁰ Korindo mill submissions to Department of Forestry.

wild by 2025 if current rates of deforestation continue.¹¹ Some 45% of Tanjung Puting National Park has already been damaged.¹² Vast tracts have been fragmented by illegal infrastructure of log rails, logging camps, roads, canals and log ponds. Greenpeace released new evidence of clearcutting in the park in February 2004.

The extent of forest loss in Indonesian protected areas has, according to a paper published by Science magazine in February 2004, been vastly underestimated. Most remaining high quality timber is found in protected areas and consequently, illegal logging within these areas is rampant. Between 86-93% of timber operations assessed as using timber from protected areas were processing the wood for international markets.¹³

The Indonesian forest industry – denying the problem

In an attempt to tackle the horrendous over exploitation of Indonesia's rainforests, the Government has cut back on the annual allowable cut from natural forests for the timber industry. For 2003, the annual allowable cut was 6.9 million cubic metres, for 2004 it is 5.7 million cubic metres. But without corresponding reductions in demand for timber, much of the shortfall is simply met from illegal sources.

The Indonesian Government remains in conflict on this issue. Whilst some recognise the extent of the crisis, others have, in recent months, renewed their efforts to perpetuate the illusion that the current trade in timber from Indonesia can continue. Korindo's Ariabima Sari mill is a case in point. After being shown to be using illegal logs by the Ministry of Forestry Inspection team in 2003, the mill has been given new licenses enabling it to continue exporting. The licenses are supposedly '*only given to mills who use and/or sell legal timber.*'¹⁴

Greenpeace Demands

In order to stop the trade in illegal timber, from producers such as Indonesia, action is needed to exclude illegal timber from the market place.

Political

In numerous international fora, the EU and its member states have repeatedly committed to combating illegal logging and improving forest law enforcement and governance around the world.

At the recent meeting of the UN Convention on Biological Diversity (CBD), signatories, including the EU and its member states, agreed: '*individually and collectively, to take further steps in curbing the illegal exploitation and trade of resources, particularly from existing protected areas and from areas of ecological importance for biodiversity conservation*'¹⁵

¹¹ WWF estimate, Press release 'Orang-utans face extinction' 12 January 2004. Borneo and Sumatra, home to the world's last orang-utans, have lost 90% of their populations over the past 100 years

¹² 'Saving pongo', Tempo Magazine, 23 February 2004

¹³ Curran et al, 'Lowland forest loss in protected areas of Indonesian Borneo', Science, Vol 303, 13 February 2004

¹⁴ Indonesian Forestry Ministry presentation to UK timber traders, February 2004. The Indonesian 'Forest Revitalization Body' (BRIK) purports to confirm legality of timber from Indonesia. The system provides no information on timber sources and relies on documents (known as SKSHH) that are regularly falsified.

¹⁵ Text from final Declaration of Conference of the parties, CBD meeting, Malaysia, February 2004.

To fulfil international commitments, the European Commission and the EU member states must, under the FLEGT initiative, immediately:

- *Prioritise the development of European legislation that will make it a crime to import and market illegally sourced timber and forest products.*

In addition, action is needed to:

- *Strengthen existing national and European legislation and policies on money laundering;*
- *Implement timber procurement policies to ensure all timber used is from legal and sustainable sources;*
- *Develop a European Regulation setting up a voluntary licensing scheme for identifying legal timber entering the European market;*
- *Negotiate partnership agreements with as many producer countries as possible, to support their efforts to combat illegal logging;*
- *Allocate adequate funds for the prevention of illegal logging and related trade.*

The European Commission is due to report in June 2004, with its proposals and options for implementing of the FLEGT Action Plan. Substantial progress must be made by European Governments under the Dutch Presidency of the EU, due to start in July 2004.

Trade

The trade in illegal timber undermines responsible forest management, creates unfair competition, destabilises international markets and undermines those European traders that do act responsibly. Timber importers must:

- *Immediately terminate contracts from Korindo and other companies proven to be making use of illegal timber;*
- *Promote the use of FSC certified plywood and FSC plywood substitutes, as an alternative to the use of uncertified tropical hardwood plywood;*
- *Call for the introduction of new legislation to make it a crime to import and market illegally sourced timber and forest products.*

For more information on the extent of the crisis in Indonesia's forests please see 'Partners in Crime: A Greenpeace Investigation of the links between the UK and Indonesia's timber barons', available from www.saveordelete.com

